

BILL ANALYSIS

Senate Research Center
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S.B. 1620
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DIGEST AND PURPOSE

Certain life insurance policies are priced so that, over the life of the policy, an insured is likely to pay multiples of the death benefit in premiums for the coverage. As proposed, S.B. 1620 requires an insurer of policies with multiples greater than 1.5 over the life of the policy to give an insured the option of a shorter payment period, after which the policy becomes paid. This bill also requires the commissioner of insurance to determine which payment period options should be given to insureds at different issue ages.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 1101.014, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 1101, Subchapter A, Insurance Code, as effective June 1, 2003, by adding Section 1101.014, as follows:

Sec. 1101.014. PAYMENT PERIOD FOR CERTAIN LIFE INSURANCE POLICIES.

(a) Provides that this section applies to an insurer authorized to write life insurance in this state under Chapter 841 (Life, Health, or Accident Insurance Companies), 882 (Mutual Life Insurance Companies), 884 (Stipulated Premium Insurance Companies), or 982 (Foreign and Alien Insurance Companies).

(b) Provides that this section applies to any individual or group life insurance policy, other than a term life insurance policy, issued in this state, including an industrial insurance policy offered under Chapter 1151 (Industrial Life Insurance).

(c) Requires the insurer to also offer the applicant for the policy a payment period established by the commissioner of insurance (commissioner) under Subsection (d), for a life insurance policy with an initial face amount of \$15,000 or less on which the total amount of premiums paid under payment terms offered for the policy, minus cash dividends received under the policy, could exceed 150 percent of the policy's face value.

(d) Requires the commissioner by rule to establish periods for the payment of premiums on a policy described by Subsection (c) at the end of which the policy is paid up.

SECTION 2. Makes application of this Act prospective to January 1, 2004.

SECTION 3. Effective date: September 1, 2003.