

SUBJECT: Interim study of the market for life insurance with small face amounts

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Eiland, Averitt, Burnam, G. Lewis, J. Moreno, Olivo, Seaman, Thompson

0 nays

WITNESSES: (*On original version:*)
For — None

Against — Jay Thompson, Texas Association of Life and Health Insurers

On — Will Davis, Texas Association of Life and Health Insurers

DIGEST: CSHB 2415 would require the insurance commissioner to conduct a study of the marketplace in Texas for life insurance issued with a small face amount and to report the findings to the Legislature on or before January 1, 2003. The commissioner would have to evaluate whether:

- ! the relationship between the pricing of life insurance policies with a small face amount and the value received by the insured was reasonable;
- ! actuarial and expense experience supported the pricing of life insurance policies with a small face amount;
- ! adequate disclosure was made to consumers regarding the relationship between the pricing of life insurance policies with a small face amount and the benefits received;
- ! the sale of multiple policies to one insured was appropriate or suitable; and
- ! statutory changes were needed or desirable.

The commissioner would have to appoint an advisory committee to help conduct the required study and obtain comments from interested parties. The committee would have to include members who represented life insurance agents, life insurers (including stipulated premium insurance companies), the office of public insurance counsel, consumers, and any other group the

commissioner determined could contribute to the study. The committee would be abolished and the related provisions would expire September 1, 2003.

This bill would take effect September 1, 2001.

NOTES:

HB 2415 as filed would have required the commissioner to investigate the extent to which premiums charged for and benefits provided under life insurance policies issued in Texas were inequitable as a result of race-based practices by life insurers. It would have allowed the commissioner to order an insurer who issued or acquired a policy with inequitable premiums or benefits to take action to remedy the inequity. The committee substitute replaced those provisions with the requirements for the market study.