

Texas Statutes for Life Insurance

1. Marketing and Solicitation

a. Advertisements

- i. Insurer is responsible for all advertisements
- ii. Insurer must maintain control over content and dissemination
- iii. May not make incomplete or unfair comparisons with other policies, rates, benefits or dividends
- iv. Must use language that can be easily understood by the general public
- v. Must identify the actual insurer before using any trade names
- vi. May not contain false statements regarding claim payments, imply that claim payments will be liberal or generous or special treatment will be provided beyond policy terms
- vii. Mis-state past dividend history or imply dividends are guaranteed in a policy

b. Illustrations and Solicitations

- i. Must be specific to the proposed insured – cannot be generic
- ii. Cannot represent the policy as anything other than a life insurance policy
- iii. Describe non-guaranteed elements in a manner that could be misleading
- iv. Provide an incomplete illustration
- v. Use the term “vanish” or “vanishing” premium, implying that a policy becomes paid up
- vi. Policy Summary – Summarizing policy being presented to client
- vii. Buyers Guide – Generic information about how to go about buying the amount and type of insurance to buy
- viii. Life, Accident, Health and Hospital Service Guarantee Association

1. Protects the interests of policyholders when insurers become insolvent

2. Policy Provisions

- a. Payment of Claims – 2 months for death claims
- b. Free Look – 10 days after receipt of policy
- c. 30 day Grace Period for individual policies
- d. Limitations of Lawsuits – Legal action must be brought within 2 years
- e. Viatical Settlements – 3rd Party contracts
 - i. Insured does an absolute assignment of their policy
 - ii. Original insured is the Viator
 - iii. Viator receives a percentage of the face amount
 - iv. New owner maintains premium payments and eventually collects the entire death benefit
 - v. **Life Settlements - basically the same as Viatical except you don't have to be terminally ill(maybe just old and don't want it)**

3. Non-Forfeiture Law

- a. Cash value in a permanent policy is called Non-Forfeiture Value
 - i. Cash Surrender Value
 - ii. Reduced Paid Up – Longest period of protection
 - iii. Extended Term – Highest amount of protection

4. Replacement of Life Insurance

- a. Notice Regarding Replacement must be signed by both Producer and insured
- b. Quit paying on one policy – start paying on another
- c. Policy lapsed, forfeited, surrendered, or otherwise terminated
- d. Converted to Reduced Paid Up or Extended Term
- e. Twisting – Replacing a policy to the detriment of your client – lying about the benefits of your policy so they will cancel theirs

5. Group Life Insurance

- a. Employer gets master policy
- b. Employees get Certificates of Insurance
- c. 31 day Grace Period
- d. Misstatement of Age provision allows for adjustment of benefits and premiums
- e. Conversion Privilege – 31 days to convert to a whole life policy without proof of insurability

6. Credit Life

- a. Written as Decreasing Term Insurance
- b. Creditor is the owner and beneficiary
- c. Premiums paid by the Debtor
- d. Creditor cannot require Debtor to purchase policy from specific insurer – this is call Coercion

Texas Life Law Key Facts

- Agents must give applicants a life insurance Policy Summary and a Buyer's Guide prior to accepting the initial premium.
- Agents must give applicants a Notice Regarding Replacement at time of application.
- Group life coverage must include all eligible employees.
- Group life is convertible to an individual policy without a physical exam during the 31 day grace period.
- Group life may be converted to whole life, never term.
- The "free look" on Life insurance is 10 days starting at the time of policy delivery.
- The purpose of the Life and Health Insurance Guaranty Association is to protect against insurer insolvency.
- It is unlawful to use the presence of the Guaranty Association as an inducement to a sale.
- Replacement is not unlawful, unless detrimental to the client.
- The replacement rules apply to individual life insurance policies, not Group or Credit Life.
- Future dividends may never be guaranteed. Past dividend history may be stated, if accurate.
- Life insurance may not be referred to as an investment or as a security.
- Agents may refer to the time value of money when comparing Life insurance policies.
- Credit Life may not be used as mortgage protection insurance.
- On Group Life, the employer is considered to be the Master policyholder.
- Both the agent and the customer must sign the Notice Regarding Replacement.
- Improper replacement of Life insurance could lead to Errors and Omissions.
- If a customer exercises their 10 day free look, they are entitled to a full refund.
- On Group Life, the employee receives a Certificate of Insurance summarizing their coverage.
- The main source of underwriting information is the application.
- Most Credit Life is written as decreasing term insurance.
- Most Group Life is written as annual renewable term insurance.
- A Life insurance policy is "contestable" for two (2) years and incontestable thereafter.
- Eligibility for Group Life may not be conditioned upon age.
- Group life requires a minimum of two (2) employees as of date of issue.
- Credit life may not be written on loans of more than 10 years.



Common
Law



Life
Law



Accident
& Health
Law



PPACA



HMO
Law



Property
& Casualty
Law