



## **Texas Department of Insurance**

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August 31, 2011

### **COMMISSIONER'S BULLETIN NO. B-0036-011**

**TO: All Life Settlement Providers, Brokers, Insurance Companies Licensed to Write Life Insurance in Texas, and Interested Parties**

**RE: New Statute Pertaining to Life Settlements**

The Texas Department of Insurance (Department) reminds all life settlement providers, brokers, insurance companies licensed to write life insurance in Texas, and interested parties that House Bill 2277, 82nd Legislature, Regular Session, (HB 2277), effective September 1, 2011, imposes new statutory requirements on the business of life settlements. The statute repeals the Insurance Code Chapter 1111, Subchapter A and creates new Insurance Code Chapter 1111A. The Insurance Code Chapter 1111A includes important new provisions regarding provider and broker licensure, the filing and content of life settlement contracts, disclosures to owners and insurers, advertising, reporting of fraudulent activity, and other conduct relating to life settlements. Providers and brokers should review the new statute and take necessary actions as follows:

**Licensure Application and Renewal** – In accordance with HB 2277, Section 19, a life settlement provider lawfully transacting business in this state prior to September 1, 2011, may continue to do so pending the approval or disapproval of the person's application for a license, as long as the application is filed not later than 30 days after the publication of rules for the licensure of providers. A person who has lawfully negotiated a life settlement contract between an owner residing in Texas and one or more providers for at least one year prior to September 1, 2011, may continue to do so pending approval or disapproval of that person's application if the application is filed not later than the 30th day after the publication of rules for the licensure of brokers. The Department is currently developing new rules for the licensure of providers and brokers but has not published such rules yet. Life settlement providers that have a registration expiring prior to the publication of new rules may continue to lawfully transact life settlements and are not required to renew their registration pending the publication of the application forms. Life settlement brokers that have lawfully negotiated a life settlement contract between an owner residing in Texas and one or more providers at least one year before September 1, 2011 may continue to lawfully negotiate a life settlement contract and are not required to renew their registration pending the publication of the application forms.

Pending the publication of such rules, the Department will accept applications for life settlement providers and brokers to transact business, provided the applicant furnishes the information necessary for the review and approval of the application for compliance with

the statutory requirements specified in the Insurance Code Chapter 1111A, including Section 1111A.003. The Department will issue temporary life settlement provider and broker licenses on the basis of such interim applications. No application fee is required for a temporary life settlement provider or broker license. A life settlement provider or broker operating under a temporary license will thereafter be required to comply with all requirements for application specified in the adopted rules governing the licensure of life settlement providers or brokers not later than 30 days after the adoption of such rules.

**Forms** - All life settlement contract forms must be brought into compliance with the new life settlement requirements. Life settlement providers and brokers must use forms that comply with the Insurance Code Chapter 1111A, including Sections 1111A.005, 1111A.011, 1111A.012, 1111A.014, 1111A.017, and 1111A.023(b). The Department is now accepting revised filings for review. Life settlement providers and brokers must submit all life settlement forms for review. Forms submitted for review on or before September 30, 2011 with revisions limited to compliance with Insurance Code Chapter 1111A will be reviewed no later than October 31, 2011. In order to expedite form review, please submit forms using the transmittal checklist for life/health form filings, form LHL020. Providers or brokers submitting forms should check "other" and write "life settlement forms to comply with 1111A" for item 1(c) on the checklist. Additionally, item 3 should be left blank and no filing fee is required. After the adoption of rules concerning the submission and use of life settlement contract forms, such forms will be required to meet the requirements of such rules as specified. Following this interim period, life settlement providers and brokers using forms that have not been submitted on or before September 30, 2011 will be referred for administrative action.

A provider or broker engaging in the business of life settlements in Texas is required to comply with all requirements of HB 2277.

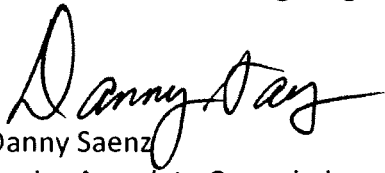
Interested stakeholders are encouraged to comment on the forthcoming rules that will be published in accordance with the Insurance Code Chapter 1111A and the Government Code Chapter 2001. The Department anticipates that an informal draft will be posted on the Department's website at <http://www.tdi.texas.gov/rules/drules.html> in September, 2011, prior to the publication of a rule proposal in the *Texas Register*.

If you have any questions concerning the information presented in this bulletin or form filing, please contact the Life/Health Division at 512-322-3401 or the Life, Annuity and Credit Section at either 512-322-3406 or LIFEHEALTH@tdi.state.tx.us.

If you have any questions concerning the licensing of providers or brokers, please contact Godwin Ohaechesi, Director of Company Licensing & Registration, (512) 322-5076 or Godwin.Ohaechesi@tdi.state.tx.us.



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