



# THE ATTORNEY GENERAL OF TEXAS

AUSTIN 11, TEXAS

GERALD C. MANN  
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ATTORNEY GENERAL

Honorable O. P. Lockhart, Chairman  
Board of Insurance Commissioners  
Austin, Texas

Dear Sir:

Opinion No. 0-5425  
Re: Forms of "Multiple Life" and  
"Family Group" life insurance  
policies.

Your request for opinion has been received and carefully considered by this department. We quote from your request as follows:

"A. We transmit to you herewith a typewritten form of so-called 'Multiple Life' insurance policy, together with form of application therefor and schedule of insured lives to be attached thereto, submitted to this Board by Consulting Actuary, M. B. Gammill, to be approved and filed by this Board under Article 4749; and a letter from Mr. Gammill to our Actuary under date of June 5, 1943 explaining to some extent the proposed use of this form of policy. It is our understanding that a typical use of this form of policy will be that where certain donors make substantial donations to such religious or charitable or benevolent institutions as churches, lodges, etc., some person acting as trustee for the donees will at the expense of the donees take out this form of multiple life policy to be owned and controlled by such trustee, for the purpose of reimbursing or rewarding the donors for such donations, in the form of endowment policies, or their named beneficiaries in the form of life insurance benefits.

"We have only the original copies of the policy and forms and letter transmitted to you herewith, and with your opinion given in response to this request we ask that you return such forms and letter to us.

"Without the necessity of advising whether the terms of such policy form comply with the requirements of Sections 1-11 of Article 4732,

and with Article 4733, both as amended, will you please give us your opinion as to whether the approval and filing of such form of policy by this Department and its issuance and use by insurance companies operating under Chapter 3 of Title 78 are forbidden by the provisions of Section 6 of Article 4764a (Acts 1931, 42nd Leg., 172, Ch. 101). In other words is it a 'group life insurance policy' within the meaning of that section, and can such a form lawfully be issued, assuming that it meets the requirements of Articles 4732 and 4733?

"In this connection we invite your attention to the various forms of life insurance which are defined and authorized and regulated by Section 1 and the other provisions of Article 4764a, as amended by Acts 1941, 47th Leg., p. 1346, ch. 610, Section 1, and by H.B. 326, Acts 1943, 48th Leg., which will become effective August 10, 1943.

"B. This Department has in the past approved and filed and authorized the issuance and use of forms of life insurance policies by companies operating under Chapter 3, Title 78, insuring the lives of all designated members of a family, commonly known as 'Family Group Policies'. Please advise us whether such practice is forbidden by Section 6 of Article 4764a, aforesaid, before and since the effective date of H. B. 166, Acts 1943, 48th Leg., effective May 15, 1943, adding Section 12 to Article 4732 and regulating the issuance of so-called family group policies."

We quote from Mr. Gammill's letter, explaining the proposed use of the policy, as follows:

". . . . .

"This form of policy is prepared to meet the policy requirements outlined in Articles 4732 and 4733 of the Texas insurance statutes. It is not offered for filing as a group policy form as described in Article 4764a. This form of policy will not be written in cases where an employer and employee relationship exists or on the lives of members of a labor union as described in Article 4764a. The policy will never be written on a specified group of persons or a fixed percentage thereof as is the practice under group insurance.

It will be issued only to an Owner applicant (other than the Insured or Beneficiary) in the same manner as ordinary policies are now issued in this state on the basis of third part applications where such policies are owned by the applicant and not controlled by either the Insured or Beneficiary. This form of policy is a composite of several individual insurances such as would be granted under separate policies. As to the composite structure of this policy, it is much similar to so called Family Group policies now being issued by many companies in this state on several forms which have been accepted for filing by the Department of Insurance.

"The primary use of this type of policy is to permit the economical handling of small policies and insurance amounts on several individual lives through a policy issued to an Owner applicant, usually a Trust Company or other organization authorized to act as trustee, providing benefits to the several individuals accepted for insurance to repay them for contributions made to an organization which transactions and relationships are covered under a trust agreement not a part of the insurance contract.

". . . ."

We have carefully considered the policy form submitted by Mr. Gammill, and the statutes referred to by you. Because of the length of these documents and statutes you have referred to we deem it unnecessary to quote them. After a full consideration of same it is our opinion that the policy form submitted under the proposed plan of use of same as outlined in Mr. Gammill's letter, constitutes same a plan of group insurance not authorized by law. We therefore answer your first question in the affirmative.

With respect to your second question we cannot pass on the "Family Group Policy" forms heretofore approved by your department as you did not send us copies of said approved forms. However, it is our opinion that from and after May 22, 1943, the effective date of House Bill 166, 48th Legislature of Texas, all "Family Group Policies" must strictly conform to House Bill 166, which reads in part as follows:

"Be it enacted by the Legislature of the State of Texas:

"Section 1. That Article 4732 of the Revised Civil Statutes of Texas of 1925, be amended by adding thereto Section 12, which Section shall read as follows:

"Section 12. In all family group policies there shall be included on the face of the policy, the name and age of each insured; the name of the beneficiary of each insured, and after the name and age of each person insured, in figures, the amount which is payable to the payee in the policy in case of death, accident, or illness of such insured person, except where policy provides for Waiver of Premium only in event of total and permanent disability or death of the payee, regardless of what the maximum amount of said policy is, and if there is a provision in said policy for payment other than the full amount of said policy, such provision shall be clearly stated on the face of the policy, and this provision shall apply to all such Family Group Life, health and/or accident policies sold in this State."

"Sec. 2. This law shall be cumulative of all laws and parts of laws not in conflict herewith, and all laws and parts of laws in conflict herewith are hereby repealed.

"Sec. 3. There being no law in effect in this State governing the method of showing benefits payable under family group policies, creates an emergency and an imperative public necessity that the Constitutional Rule requiring bills to be read on three several days in each House be suspended, and said Rule is hereby suspended, and this Act shall take effect and be in force from and after its passage, and it is so enacted.

"Passed the House, April 7, 1943: Yeas 133, Nays 0; passed the Senate, May 7, 1943: Yeas 26, Nays 0.

"Approved May 22, 1943.

"Effective May 22, 1943."

(Vernon's 1943 Texas Session Law Service, 48th Legislature, p. 639.)

Honorable O. P. Lockhart, page 5

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Very truly yours  
ATTORNEY GENERAL OF TEXAS

By s/Wm. J. Fanning  
Wm. J. Fanning  
Assistant

WJF:db:wc

Approved JUL 13, 1943  
s/Gerald C. Mann  
ATTORNEY GENERAL OF TEXAS

Approved Opinion Committee By s/BWB Chairman