

AN ACT

relating to the amount of homeowners insurance required in connection with certain financing arrangements.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. (a) Subchapter B, Chapter 549, Insurance Code, is amended to conform to Section 1, Chapter 538, Acts of the 78th Legislature, Regular Session, 2003, by adding Section 549.0551 to read as follows:

Sec. 549.0551. REQUIRING CERTAIN AMOUNTS OF COVERAGE. (a) A lender may not require as a condition of financing a residential mortgage or providing other financing arrangements for residential property, including a mobile or manufactured home, that a borrower purchase homeowners insurance coverage, mobile or manufactured home insurance coverage, or other residential property insurance coverage in an amount that exceeds the replacement value of the dwelling and its contents, regardless of the amount of the mortgage or other financing arrangement entered into by the borrower.

(b) For purposes of this section, a lender may not include the fair market value of the land on which a dwelling is located in the replacement value of the dwelling and its contents.

(b) Section 1, Chapter 538, Acts of the 78th Legislature, Regular Session, 2003, is repealed.

SECTION 2. Sections 549.056(a) and (d), Insurance Code, as effective April 1, 2005, are amended to read as follows:

1 (a) This subchapter does not prevent a lender from requiring  
2 evidence to be produced before the commencement or renewal of a risk  
3 that insurance has been obtained that:

4 (1) has a fixed termination date;

5 (2) except as provided by Section 549.0551, provides  
6 adequate coverage in an amount sufficient to cover the debt or loan;  
7 and

8 (3) will not be canceled without reasonable notice to  
9 the lender.

10 (d) Except as provided by Section 549.0551, this [~~This~~]  
11 subchapter does not prevent a lender from providing, in accordance  
12 with the terms of the mortgage, security agreement, deed of trust,  
13 or other security instrument, insurance coverage adequate to  
14 protect the lender's security interest in property in the event the  
15 borrower fails to provide on or before the 15th day before the  
16 termination date of an existing insurance policy an insurance  
17 policy meeting the requirements established by the lender as  
18 authorized by this chapter. A lender that provides insurance  
19 coverage under this subsection may use information contained in the  
20 existing policy for the purpose of determining that the insurance  
21 coverage provided is adequate.

22 SECTION 3. To the extent of any conflict, this Act prevails  
23 over another Act of the 79th Legislature, Regular Session, 2005,  
24 relating to nonsubstantive additions to and corrections in enacted  
25 codes.

26 SECTION 4. The amendment by this Act of Sections 549.056(a)  
27 and (d), Insurance Code, is intended to clarify rather than change

1 the existing law.

2 SECTION 5. This Act takes effect immediately if it receives  
3 a vote of two-thirds of all the members elected to each house, as  
4 provided by Section 39, Article III, Texas Constitution. If this  
5 Act does not receive the vote necessary for immediate effect, this  
6 Act takes effect September 1, 2005.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 2761 was passed by the House on April 14, 2005, by the following vote: Yeas 140, Nays 0, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 2761 was passed by the Senate on May 5, 2005, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor