

1-1 By: Taylor (Senate Sponsor - Fraser) H.B. No. 2761
1-2 (In the Senate - Received from the House April 18, 2005;
1-3 April 19, 2005, read first time and referred to Committee on
1-4 Business and Commerce; April 28, 2005, reported favorably by the
1-5 following vote: Yeas 8, Nays 0; April 28, 2005, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the amount of homeowners insurance required in
1-9 connection with certain financing arrangements.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. (a) Subchapter B, Chapter 549, Insurance Code,
1-12 is amended to conform to Section 1, Chapter 538, Acts of the 78th
1-13 Legislature, Regular Session, 2003, by adding Section 549.0551 to
1-14 read as follows:

1-15 Sec. 549.0551. REQUIRING CERTAIN AMOUNTS OF COVERAGE.

1-16 (a) A lender may not require as a condition of financing a
1-17 residential mortgage or providing other financing arrangements for
1-18 residential property, including a mobile or manufactured home, that
1-19 a borrower purchase homeowners insurance coverage, mobile or
1-20 manufactured home insurance coverage, or other residential
1-21 property insurance coverage in an amount that exceeds the
1-22 replacement value of the dwelling and its contents, regardless of
1-23 the amount of the mortgage or other financing arrangement entered
1-24 into by the borrower.

1-25 (b) For purposes of this section, a lender may not include
1-26 the fair market value of the land on which a dwelling is located in
1-27 the replacement value of the dwelling and its contents.

1-28 (b) Section 1, Chapter 538, Acts of the 78th Legislature,
1-29 Regular Session, 2003, is repealed.

1-30 SECTION 2. Sections 549.056(a) and (d), Insurance Code, as
1-31 effective April 1, 2005, are amended to read as follows:

1-32 (a) This subchapter does not prevent a lender from requiring
1-33 evidence to be produced before the commencement or renewal of a risk
1-34 that insurance has been obtained that:

1-35 (1) has a fixed termination date;

1-36 (2) except as provided by Section 549.0551, provides
1-37 adequate coverage in an amount sufficient to cover the debt or loan;
1-38 and

1-39 (3) will not be canceled without reasonable notice to
1-40 the lender.

1-41 (d) Except as provided by Section 549.0551, this [This]
1-42 subchapter does not prevent a lender from providing, in accordance
1-43 with the terms of the mortgage, security agreement, deed of trust,
1-44 or other security instrument, insurance coverage adequate to
1-45 protect the lender's security interest in property in the event the
1-46 borrower fails to provide on or before the 15th day before the
1-47 termination date of an existing insurance policy an insurance
1-48 policy meeting the requirements established by the lender as
1-49 authorized by this chapter. A lender that provides insurance
1-50 coverage under this subsection may use information contained in the
1-51 existing policy for the purpose of determining that the insurance
1-52 coverage provided is adequate.

1-53 SECTION 3. To the extent of any conflict, this Act prevails
1-54 over another Act of the 79th Legislature, Regular Session, 2005,
1-55 relating to nonsubstantive additions to and corrections in enacted
1-56 codes.

1-57 SECTION 4. The amendment by this Act of Sections 549.056(a)
1-58 and (d), Insurance Code, is intended to clarify rather than change
1-59 the existing law.

1-60 SECTION 5. This Act takes effect immediately if it receives
1-61 a vote of two-thirds of all the members elected to each house, as
1-62 provided by Section 39, Article III, Texas Constitution. If this
1-63 Act does not receive the vote necessary for immediate effect, this
1-64 Act takes effect September 1, 2005.

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