

AN ACT

relating to the authority of certain domestic life, health, and accident insurance companies to make investments in mezzanine real estate loans.

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

SECTION 1. Subchapter C, Chapter 425, Insurance Code, is amended by adding Section 425.1185 to read as follows:

Sec. 425.1185. AUTHORIZED INVESTMENTS: MEZZANINE REAL ESTATE LOANS. (a) In this section, "mezzanine real estate loan" means a loan that is secured by a pledge of direct or indirect equity interests in an entity that owns real estate.

(b) Subject to Subsections (c) and (d), an insurance company with more than \$10 billion in admitted assets may invest in a mezzanine real estate loan if the loan documents:

(1) require that each pledgor abstain from granting an additional security interest in the equity interest pledged;

(2) employ techniques to minimize the likelihood or impact of a bankruptcy filing by the real estate owner or the mezzanine real estate loan borrower; and

(3) require the real estate owner or the mezzanine real estate loan borrower to:

(A) hold no assets other than, in the case of the owner, the real estate, and in the case of the borrower, the equity interests in the entity;

1 (B) not engage in any business other than, in the
2 case of the owner, the ownership and operation of the real estate,
3 and in the case of the borrower, holding an ownership interest in
4 the owner; and

5 (C) not incur additional debt, other than limited
6 trade payables, a first mortgage loan, or the mezzanine real estate
7 loan.

8 (c) Before making an initial investment in a mezzanine real
9 estate loan, an insurance company shall corroborate that the sum of
10 the first mortgage on the real estate and the mezzanine real estate
11 loan does not exceed 100 percent of the value of the current
12 appraised value of the real estate.

13 (d) An insurance company's cumulative investment under this
14 section may not exceed three percent of the insurance company's
15 admitted assets.

16 SECTION 2. Section 425.1185, Insurance Code, as added by
17 this Act, applies only to an investment made on or after the
18 effective date of this Act. An investment made before the effective
19 date of this Act is governed by the law as it existed immediately
20 before that date, and that law is continued in effect for that
21 purpose.

22 SECTION 3. This Act takes effect September 1, 2015.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1008 passed the Senate on April 30, 2015, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1008 passed the House on May 19, 2015, by the following vote: Yeas 146, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor