

By: Faircloth

H.B. No. 3803

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to certain authorized investments for domestic life,  
3 health, and accident insurers.

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

5 SECTION 1. Section 425.118, Insurance Code, is amended by  
6 amending Subsections (d) and (e) and adding Subsections (d-1) and  
7 (e-1) to read as follows:

8 (d) An obligation secured by a first lien on a leasehold  
9 estate in real property must be payable in one or more installments  
10 of an amount or amounts sufficient to ensure that, at any time  
11 during [~~after the expiration of two-thirds of~~] the original term of  
12 the obligation, the principal balance on the obligation is not  
13 greater than the principal balance would have been if the  
14 obligation had been amortized over the original term of the  
15 obligation in equal monthly, quarterly, semiannual, or annual  
16 payments of principal and interest with payments of interest only  
17 for the first five years of the original term of the obligation.

18 (d-1) Subsections (c) and (d) do not apply to an obligation  
19 secured by a first lien on a leasehold estate in real property if:

20 (1) the amount of the obligation does not exceed 75  
21 percent of the value of the leasehold estate;

22 (2) the lease agreement provides that the fee simple  
23 estate in the real property transfers automatically to the lessee  
24 on or before the expiration of the term of the leasehold estate,

1 including any renewal options exercisable by the lessee; or  
2 (3) the lease agreement provides that the lessee has  
3 an option to purchase the fee simple estate in the real property on  
4 or before the expiration of the term of the leasehold estate,  
5 including any renewal options exercisable by the lessee, for an  
6 amount that is less than 10 percent of the appraised value of the  
7 real property, and the insurance company has a contractual right if  
8 the lessee does not exercise that option to acquire the fee simple  
9 estate in the real property for that same amount, by assignment from  
10 the lessee or otherwise.

11 (e) Except as provided by Subsection (e-1), if [~~if~~] any part  
12 of the value of buildings is to be included in the value of real  
13 property or a leasehold estate in real property to secure an  
14 obligation under this section:

15 (1) the buildings must be covered by adequate property  
16 insurance, including fire and extended coverage insurance, issued  
17 by:

18 (A) an insurer authorized to engage in business  
19 in this state; or

20 (B) an insurer recognized as acceptable to issue  
21 that coverage by the insurance regulatory official of the state in  
22 which the real property is located;

23 (2) the amount of insurance provided by one or more  
24 policies may not be less than the lesser of:

25 (A) the unpaid balance of the obligation; or

26 (B) the insurable value of the buildings; and

27 (3) the loss clause under each policy must be payable

1 to the insurance company as the company's interest may appear.

2 (e-1) The property insurance otherwise required for  
3 purposes of Subsection (e) is not required if the borrower  
4 maintains a net worth as indicated in the borrower's audited  
5 financial statements for the most recent fiscal year of at least  
6 three times the amount of the indebtedness.

7 SECTION 2. Section [425.118](#), Insurance Code, as amended by  
8 this Act, applies only to an investment made on or after the  
9 effective date of this Act. An investment made before the effective  
10 date of this Act is governed by the law as it existed immediately  
11 before that date, and that law is continued in effect for that  
12 purpose.

13 SECTION 3. This Act takes effect September 1, 2017.