



# The Attorney General of Texas

July 26, 1978

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Honorable A. R. Schwartz  
Chairman  
Senate Jurisprudence Committee  
State Capitol  
Austin, Texas 78711

Opinion No. H-1216

Re: Whether article 21.48A,  
Insurance Code, prohibits a  
lender from refusing to accept  
property insurance policies from  
a company.

Dear Senator Schwartz:

You have requested our opinion as follows:

Does Article 21.48A of the Texas Insurance Code prohibit a lender from refusing to accept property insurance policies from a company admitted to do business in Texas when said company's liability is guaranteed by Lloyd's of London when the sole reason given for such rejection is that the lender does not feel secure with the language under Lloyd's guarantee even though such language is mandated by the State Board of Insurance?

For the purpose of this opinion, we assume that your reference to "a company admitted to do business in Texas" means an insurance company duly licensed to do business in the State of Texas.

Section 2 of article 21.48A provides in part:

(b) No Lender shall directly or indirectly impose or require as a condition of any financing or lending of money or the renewal or the extension thereof, that the purchaser or borrower or his successors, shall procure any policy of insurance or the renewal or extension thereof, covering the property involved in the transaction, from or through any particular agent or agents, solicitor or solicitors, insurer or insurers, or any other person or persons, or from or through any particular type or class of any of the foregoing.

Section 3 specifically provides:

Nothing contained in Section 2 hereof shall be deemed to prevent such Lender from:

....

(c) refusing to accept or approve insurance in any particular insurer on reasonable and nondiscriminatory grounds relating to its financial soundness, or its facility to service the policy; . . . .

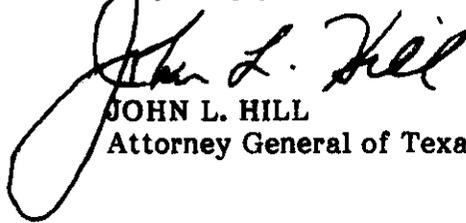
We believe that section 2 prohibits a lender from refusing to accept a property insurance policy written by an insurance company duly licensed to do business in the State of Texas, except for those reasons and in the manner specified in section 3 of article 21.48A of the Insurance Code.

We make no determination whether a particular company meets these criteria.

S U M M A R Y

Article 21.48A of the Insurance Code prohibits a lender from refusing to accept property insurance policies from a particular company except where such refusal is reasonable and nondiscriminatory as relates to the company's financial soundness or its facility to service the policy.

Very truly yours,



JOHN L. HILL  
Attorney General of Texas

APPROVED:



DAVID M. KENDALL, First Assistant



C. ROBERT HEATH, Chairman  
Opinion Committee

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