

OCCUPATIONS CODE

TITLE 5. REGULATION OF FINANCIAL AND LEGAL SERVICES

SUBTITLE B. LEGAL SERVICES

CHAPTER 953. REGULATION OF FOR-PROFIT LEGAL SERVICE CONTRACT

COMPANIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 953.001. DEFINITIONS. In this chapter:

Text of subdivision effective until September 01, 2019

(1) "Administrator" means the person responsible for the administration of a legal service contract. The term includes a person responsible for any filing required by this chapter.

Text of subdivision effective on September 01, 2019

(1) "Administrator" means the person responsible for the administration of a legal service contract.

(2) "Company" means a person who:

(A) is contractually obligated to a legal service contract holder under the terms of a legal service contract;

(B) enters into a contract with a contracting attorney to provide or obtain covered legal services for a legal service contract holder; and

(C) operates as a for-profit legal service contract company.

(3) "Contracting attorney" means an attorney who has entered into a contract with a company to provide or obtain covered legal services for a legal service contract holder.

Text of subdivision effective until September 01, 2019

(4) "Department" means the Texas Department of Licensing and Regulation.

Text of subdivision effective on September 01, 2019

(4) Repealed by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), and Ch. 967 (S.B. 2065), Sec. 8.005(1), eff. September 1, 2019.

Text of subdivision effective until September 01, 2019

(5) "Executive director" means the executive director of the Texas Department of Licensing and Regulation or the executive director's designee.

Text of subdivision effective on September 01, 2019

(5) Repealed by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), and Ch. 967 (S.B. 2065), Sec. 8.005(1), eff. September 1, 2019.

Text of subdivision effective until September 01, 2019

(6) "Financial security" means a surety bond, a certificate of deposit, or any other item approved by the executive director.

Text of subdivision effective on September 01, 2019

(6) Repealed by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), and Ch. 967 (S.B. 2065), Sec. 8.005(1), eff. September 1, 2019.

(7) "Legal service contract" means an agreement:

(A) that is entered into for a separately stated consideration; and

(B) under which the company obtains legal services for a legal service contract holder through a contracting attorney.

(8) "Legal service contract holder" means the person who purchases or otherwise holds a legal service contract or who is covered under a group legal service contract.

(9) "Person" means an individual or a partnership, company, corporation, association, or other private group.

(10) "Sales representative" means a person who sells or solicits legal service contracts to a person on behalf of a company.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 1, eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.001,

eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(1), eff. September 1, 2019.

Sec. 953.002. EXEMPTIONS. This chapter does not apply to:

- (1) a nonprofit legal services corporation under Chapter 961, Insurance Code;
- (2) an automobile club supplying services under Chapter 722, Transportation Code;
- (3) a prepaid legal services program under Chapter 951;
- (4) a lawyer referral service under Chapter 952;
- (5) a retainer contract between an attorney and a client, and similar contracts made with a group of clients involved in the same or closely related legal matters; or
- (6) a contingency fee contract between an attorney and a client.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.003. EXEMPTIONS FROM CERTAIN OTHER LAWS. The acts of marketing, selling, offering for sale, issuing, making, proposing to make, and administering a legal service contract that is regulated by this chapter are exempt from the Insurance Code and other laws of this state regulating the business of insurance.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Text of section effective until September 01, 2019

Sec. 953.004. PREPAID LEGAL SERVICE CONTRACT PROGRAMS.

(a) An insurer who issues or renews prepaid legal service contracts under Article 5.13-1, Insurance Code, shall notify the commissioner of insurance in writing not later than the 60th day before transferring regulation of the insurer's legal service contracts from the Texas Department of Insurance to the Texas Department of Licensing and Regulation. An insurer that complies with this section is exempt from the requirements of Chapters 551 and 827, Insurance Code.

(b) The exemptions described by Subsection (a) begin on the

date the commissioner receives the notice under Subsection (a) and apply until the insurer registers with the department as required by Section 953.052.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2005, 79th Leg., Ch. 728 (H.B. 2018), Sec. 11.149, eff. September 1, 2005.

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(2), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(2), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.005. POWERS AND DUTIES OF EXECUTIVE DIRECTOR. (a) The executive director may investigate a company, administrator, sales representative, or other person as necessary to enforce this chapter and protect legal service contract holders in this state.

(b) On request of the executive director, a company or sales representative shall make the records relevant to the regulation of legal service contracts in this state available to the executive director as necessary to enable the executive director to reasonably determine compliance with this chapter.

(c) After contacting the company that has contracted with the contracting attorney, the executive director may refer a complaint received by the department concerning the performance of a contracting attorney to:

- (1) the State Bar of Texas;
- (2) the appropriate licensing agency of another jurisdiction, if applicable; or
- (3) any person designated by law to receive complaints from the public concerning the performance of an attorney.

(d) The executive director may adopt rules as necessary to implement this chapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(2), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(2), eff. September 1, 2019.

SUBCHAPTER B. REGISTRATION REQUIREMENTS

Text of section effective until September 01, 2019

Sec. 953.051. REGISTRATION REQUIRED. (a) A person may not operate as a company or sales representative of legal service contracts sold in this state unless the person is registered with the department. A company's contract may only be sold by a sales representative who is registered with the department.

(b) A person who collects commissions for the sale of legal service contracts but who does not actively sell or solicit legal service contracts is not required to register under this subchapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.052. APPLICATION FOR REGISTRATION. (a) An applicant for registration must submit an application to the department. The application must be in the form prescribed by the executive director.

(b) An application for registration as a company must include evidence satisfactory to the executive director of compliance with the applicable financial security requirements prescribed by Subchapter C.

(c) An application for registration as a sales representative must include a list of the companies for which the sales representative will sell or solicit legal service contracts.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.053. FEES. (a) The executive director shall develop a tiered fee schedule of annual registration fees under which a company's registration fee is based on the number of legal service contracts the company sold in this state during the preceding 12-month period. The executive director shall set the amounts of the fees required by this subsection to cover the costs of administering this chapter.

(b) In addition to the annual registration fee required by Subsection (a), the executive director shall annually collect from each company a fee equal to the difference between an amount equal to 1.7 percent of the amount a company collects for legal service contracts sold by the company in this state in the current year and the amount the company paid to the state in franchise taxes in the same year. The executive director shall establish a schedule and procedure for collecting this fee.

(c) To be registered, a company must pay the appropriate fees required by this section.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.054. INFORMATION CONCERNING NUMBER OF LEGAL SERVICE CONTRACTS SOLD. Information concerning the number of legal service contracts sold by a company that is submitted under Section 953.053 is a trade secret to which Section 552.110, Government Code, applies.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.055. ADDITIONAL REQUIREMENTS FOR SALES REPRESENTATIVES. (a) The executive director may deny an application from a sales representative who:

(1) made a material misrepresentation or fraudulent statement in the application;

(2) has had a license revoked under the Insurance Code;

(3) has had a license suspended or revoked under Section 82.062, Government Code; or

(4) fails to pay the fee required under Subsection (b).

(b) Each registered sales representative shall pay an annual registration fee in the amount set by the executive director to cover the costs of administering this chapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.056. MODIFICATION OF REGISTRATION INFORMATION. The executive director may adopt rules regarding the procedures and fees a company or sales representative must follow and pay when requesting a modification to the company's or sales representative's registration information that is on file with the department.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.057. RENEWAL OF REGISTRATION. The executive director shall adopt rules for the renewal of a company's or sales representative's registration, including a rule that addresses late renewals.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

SUBCHAPTER C. FINANCIAL SECURITY REQUIREMENTS FOR LEGAL SERVICE
CONTRACT COMPANIES

Text of section effective until September 01, 2019

Sec. 953.101. FINANCIAL SECURITY REQUIREMENTS. (a) To ensure the faithful performance of a company's obligations to its legal service contract holders, each company must deposit and maintain a form of financial security with the executive director. The financial security deposited with the director must maintain at all times the following market values:

(1) a company generating \$300,000 or less in annual gross revenue in this state from the sale of legal service contracts in the preceding year shall deposit at least \$50,000 with the executive director;

(2) a company generating more than \$300,000 but less than \$750,000 in annual gross revenue in this state from the sale of legal service contracts in the preceding year shall deposit at

least \$75,000 with the executive director; and

(3) a company generating \$750,000 or more in annual gross revenue in this state from the sale of legal service contracts in the preceding year shall deposit at least \$100,000 with the executive director.

(b) For purposes of Subsection (a), if a company that had no gross revenue in this state from the sale of legal service contracts in the preceding year previously generated revenue from the sale of prepaid legal service contracts under Article 5.13-1, Insurance Code, the company shall deposit an amount of financial security based on the revenue generated from the sale of prepaid legal service contracts under the Insurance Code in the preceding year.

(c) The department is responsible for the safeguarding of financial security deposited with the executive director under this section. Financial security is not subject to taxation and is to be used exclusively to guarantee the company's performance of its obligations to its legal service contract holders.

(d) The executive director may order an increase in the amount of financial security required of a company under this section if the executive director finds that there has been a substantial change in the company, including an increase in the amount of fees the company is charging consumers or an increase in the company's annual gross revenue.

(e) Not later than the 30th day after the date the executive director orders a financial security increase under Subsection (d), the company may request a hearing on the issue. The executive director shall hold a hearing not later than the 30th day after the date a company requests a hearing.

(f) Failure of a company to meet the financial security requirements in this section not later than the 30th day after the date the executive director issues a final decision in the event of a hearing or the 30th day after the date the period for submitting a request for a hearing expires constitutes a ground for revocation of the company's registration.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. [2113](#)), Sec. 5(3),

eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.102. REPLACEMENT OR RENEWAL OF FINANCIAL SECURITY.

(a) If a company's financial security under Section 953.101 is issued or written for a specified term, not later than the 90th day before the date the term expires, the company shall:

(1) replace the financial security; or

(2) notify the executive director of the company's intention to renew the financial security.

(b) If, not later than the 60th day before the date the term of a company's financial security expires, the executive director does not receive satisfactory notification of a company's renewal or replacement of the financial security, the executive director may draw on the company's financial security to the extent necessary to ensure that the company's obligations to its legal service contract holders are met in accordance with this chapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.103. DURATION OF DEPOSIT OF FINANCIAL SECURITY.

The executive director shall maintain a company's financial security deposit so long as the company continues to do business in this state. When a company ceases to do business in this state and furnishes the executive director with satisfactory proof that the company has discharged or otherwise adequately met all obligations to its legal service contract holders in this state, the executive director shall release the deposited financial security to the company.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.104. SUIT ON FINANCIAL SECURITY. (a) The state, on behalf of a legal service contract holder injured because of a company's violation of this chapter, may bring a suit for payment from the company's financial security deposit held by the executive director.

(b) The state is the only party that may bring suit for payment from a company's financial security deposit held by the executive director. This chapter does not create a private right of action.

(c) The state may only seek damages for the cost of the legal services the company failed to provide to a legal service contract holder under the terms of the legal service contract.

(d) The court shall determine the amount the executive director shall pay the consumer from the company's financial security deposit held by the executive director.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.105. ADDITIONAL FINANCIAL SECURITY REQUIREMENTS.

(a) The executive director shall annually review:

(1) the audited financial statements of a company;
and

(2) a certified statement describing the company's

reserves, if any.

(b) The statement described by Subsection (a)(2) must be made by an actuary who is a member in good standing of the American Academy of Actuaries.

(c) After reviewing the information described by Subsection (a), the executive director may require a company to maintain certain reserves in order for the company to obtain or maintain the company's registration.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

SUBCHAPTER D. PRACTICE BY LEGAL SERVICE CONTRACT COMPANIES

Sec. 953.151. COMPANY REQUIREMENTS. (a) A company may not sell, offer for sale, or issue a legal service contract in this state unless the company gives the legal service contract holder:

(1) a receipt for, or other written evidence of, the purchase of the contract; and

(2) a copy of the legal service contract.

(b) A company shall perform the services as stated in the legal service contract.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.152. GROUP LEGAL SERVICE CONTRACTS. A company may issue group legal service contracts. The company shall provide a legal service contract holder who obtains a group contract with a document that describes the company's services and complies with the requirements of this chapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.153. CONTRACTING ATTORNEY REQUIREMENTS. A contracting attorney must:

(1) be licensed in the jurisdiction in which the legal

services are performed;

(2) be in good standing with the entity that licenses attorneys in that jurisdiction; and

(3) maintain professional liability and errors and omissions insurance with minimum annual limits of \$100,000 for each occurrence and \$300,000 in the aggregate.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.154. COMPANY INTERFERENCE WITH ATTORNEY'S DUTIES PROHIBITED. A company may not interfere with the attorney-client relationship or with the contracting attorney's independent exercise of professional judgment.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Text of section effective until September 01, 2019

Sec. 953.155. COMPANY RECORDS. (a) A company shall maintain accurate accounts, books, and other records regarding transactions regulated under this chapter. The company's records must include:

(1) a copy of each unique form of legal service contract filed with the executive director under Section [953.156](#);

(2) the name and address of each legal service contract holder;

(3) a list of the sales representatives authorized by the company to market, sell, or offer to sell the company's legal service contracts;

(4) a copy of each contract entered into between the company and a contracting attorney; and

(5) a list of complaints the company has received from legal service contract holders, including the name of the sales representative involved in the transaction leading to the complaint.

(b) The records required by this section may be maintained in an electronic medium or through other recordkeeping technology. If a record is not in a hard copy, the company must be able to reformat the record into a legible hard copy at the request of the executive director.

(c) Except as provided by Subsection (d), a company shall retain the records required by this section until at least the second anniversary of the termination date of the specified period of coverage under the legal service contract.

(d) A company that discontinues business in this state shall retain its records until the company furnishes the executive director with proof satisfactory to the executive director that the company has discharged all obligations to legal service contract holders in this state.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(2), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(2), eff. September 1, 2019.

Text of section effective on September 01, 2019

Sec. 953.156. FORM OF LEGAL SERVICE CONTRACT AND REQUIRED DISCLOSURES. A legal service contract marketed, sold, offered for sale, administered, or issued in this state must:

- (1) be written, printed, or typed in clear, understandable language that is easy to read;
- (2) include the name and full address of the company;
- (3) include the purchase price of the contract and the terms under which the contract is sold;
- (4) include the terms and restrictions governing cancellation of the contract by the company or the legal service contract holder;
- (5) identify:
 - (A) any administrator, if the administrator is not the company;
 - (B) the sales representative; and
 - (C) the name of the legal service contract holder;
- (6) include the amount of any deductible or copayment;
- (7) specify the legal services and other benefits to be provided under the contract, and any limitation, exception, or

exclusion;

(8) specify the legal services, if any, for which the company will provide reimbursement and the amount of that reimbursement;

(9) specify any restriction governing the transferability of the contract or the assignment of benefits;

(10) include the duties of the legal service contract holder;

(11) explain the method to be used in resolving the legal service contract holder's complaints and grievances;

(12) explain how legal services may be obtained under the legal service contract;

(13) include a provision stating that no change in the contract is valid until the change has been approved by an executive officer of the company and unless the approval is endorsed or attached to the contract;

(14) include any eligibility and effective date requirements, including a definition of eligible dependents and the effective date of their coverage;

(15) include the conditions under which coverage will terminate;

(16) explain any subrogation arrangements;

(17) contain a payment provision that provides for a grace period of at least 31 days; and

(18) include conditions under which contract rates may be modified.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. [2113](#)), Sec. 2, eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. [2065](#)), Sec. 8.002, eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.156. FORM OF LEGAL SERVICE CONTRACT AND REQUIRED DISCLOSURES. (a) A legal service contract must be filed with the executive director before it is marketed, sold, offered for sale,

administered, or issued in this state. Any subsequent endorsement or attachment to the contract must also be filed with the executive director before the endorsement or attachment is delivered to legal service contract holders.

(b) A legal service contract marketed, sold, offered for sale, administered, or issued in this state must:

(1) be written, printed, or typed in clear, understandable language that is easy to read;

(2) include the name and full address of the company;

(3) include the purchase price of the contract and the terms under which the contract is sold;

(4) include the terms and restrictions governing cancellation of the contract by the company or the legal service contract holder;

(5) identify:

(A) any administrator, if the administrator is not the company;

(B) the sales representative; and

(C) the name of the legal service contract holder;

(6) include the amount of any deductible or copayment;

(7) specify the legal services and other benefits to be provided under the contract, and any limitation, exception, or exclusion;

(8) specify the legal services, if any, for which the company will provide reimbursement and the amount of that reimbursement;

(9) specify any restriction governing the transferability of the contract or the assignment of benefits;

(10) include the duties of the legal service contract holder;

(11) include the contact information for the department, including the department's toll-free number and electronic mail address, as well as a statement that the department regulates the company and the company's sales representatives;

(12) explain the method to be used in resolving the legal service contract holder's complaints and grievances;

(13) explain how legal services may be obtained under the legal service contract;

(14) include a provision stating that no change in the contract is valid until the change has been approved by an executive officer of the company and unless the approval is endorsed or attached to the contract;

(15) include any eligibility and effective date requirements, including a definition of eligible dependents and the effective date of their coverage;

(16) include the conditions under which coverage will terminate;

(17) explain any subrogation arrangements;

(18) contain a payment provision that provides for a grace period of at least 31 days;

(19) include conditions under which contract rates may be modified; and

(20) include any other items required by the executive director as determined by rule.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.157. TERMINATING A LEGAL SERVICE CONTRACT. A legal service contract holder may terminate the legal service contract if the legal service contract holder provides the company with written notice of the legal service contract holder's intention of terminating the contract not later than the seventh day after the date the legal service contract holder receives the contract.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.158. VOIDING A LEGAL SERVICE CONTRACT. (a) If a legal service contract holder terminates a legal service contract in accordance with Section 953.157 and the holder has not sought legal services under the contract before the contract is terminated, the contract is void.

(b) A legal service contract holder may void the legal service contract at a later time as provided by the contract.

(c) If a legal service contract is voided, the company shall

refund to the legal service contract holder or credit to the account of the legal service contract holder the full purchase price of the contract. If the company does not pay the refund or credit the legal service contract holder's account before the 46th day after the date the contract is voided, the company is liable to the legal service contract holder for a penalty each month an amount remains outstanding. The monthly penalty may not exceed 10 percent of the amount outstanding.

(d) The right to void a legal service contract is not transferable.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.159. CANCELING A LEGAL SERVICE CONTRACT. (a) A company may cancel a legal service contract by mailing a written notice of cancellation to the legal service contract holder at the legal service contract holder's last known address according to the records of the company. The company must mail the notice before the fifth day preceding the effective date of the cancellation. The notice must state the effective date of the cancellation and the reason for the cancellation.

(b) The company is not required to provide prior notice of cancellation if the legal service contract is canceled because of:

- (1) nonpayment of the consideration for the contract;
- (2) a material misrepresentation by the legal service contract holder to the company;
- (3) a substantial breach of a duty by the legal service contract holder; or
- (4) cancellation of the contract by the legal service contract holder.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.160. LIMITATIONS ON COMPANY NAME. (a) A company may not use a name that:

- (1) includes "insurance," "casualty," "surety," or "mutual" or any other word descriptive of the insurance, casualty, or surety business; or
- (2) is deceptively similar to the name or description

of an insurance or surety corporation or to the name of any other company.

(b) This section does not apply to a company that, before September 1, 2003, included a word prohibited under this section in its name. A company described by this subsection must include in each legal service contract a statement substantially similar to the following: "This agreement is not an insurance contract."

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Sec. 953.161. MISLEADING STATEMENTS PROHIBITED. A company, a sales representative, or a representative of a sales representative may not, in the company's contracts or marketing:

(1) make, permit, or cause to be made any false or misleading statement; or

(2) deliberately omit a material statement if the omission would be considered misleading.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Text of section effective on September 01, 2019

Sec. 953.162. APPOINTMENT AND RESPONSIBILITIES OF ADMINISTRATOR. A company may appoint an administrator or designate a person to be responsible for:

(1) all or any part of the administration or sale of legal service contracts; and

(2) compliance with this chapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. [2113](#)), Sec. 3, eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. [2065](#)), Sec. 8.003, eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.162. APPOINTMENT AND RESPONSIBILITIES OF ADMINISTRATOR. (a) A company may appoint an administrator or designate a person to be responsible for:

(1) all or any part of the administration or sale of legal service contracts; and

(2) compliance with this chapter.

(b) The executive director may adopt rules regarding the registration of an administrator with the department.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

SUBCHAPTER E. DISCIPLINARY ACTION

Text of section effective until September 01, 2019

Sec. 953.201. DISCIPLINARY ACTION. On a finding that a ground for disciplinary action exists under this chapter, the executive director may impose an administrative sanction, including any administrative penalty, as provided by Chapter 51.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.202. EMERGENCY CEASE AND DESIST ORDER. (a) The executive director may issue an emergency cease and desist order to enforce this chapter if the executive director determines that an emergency exists requiring immediate action to protect the public.

(b) The executive director may issue the emergency cease and desist order without notice and hearing if the executive director determines that an immediate issuance is necessary under the circumstances.

(c) The executive director shall set the time and place for a hearing to affirm, modify, or set aside an emergency cease and desist order that was issued without a hearing.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3),

eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.203. INJUNCTIVE RELIEF; CIVIL PENALTY. (a) The executive director may institute an action against a company or sales representative for injunctive relief under Section 51.352 to restrain a violation or a threatened violation of this chapter or an order issued or rule adopted under this chapter.

(b) In addition to the injunctive relief provided by Subsection (a), the executive director may institute an action for a civil penalty as provided by Section 51.352.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.204. ADMINISTRATIVE PROCEDURE. Sections 51.310, 51.353, and 51.354 apply to a disciplinary action taken under this chapter.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3), eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec. 8.005(3), eff. September 1, 2019.

Text of section effective until September 01, 2019

Sec. 953.205. APPEAL. A person affected by a ruling, order, decision, or other action of the executive director or department may appeal by filing a petition in a district court in Travis County.

Added by Acts 2003, 78th Leg., ch. 1181, Sec. 1, eff. Sept. 1, 2003.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(3),
eff. September 1, 2019.

Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec.
8.005(3), eff. September 1, 2019.

SUBCHAPTER F. ENFORCEMENT

Text of section effective on September 01, 2019

Sec. 953.251. DECEPTIVE TRADE PRACTICE. A violation of
this chapter is a deceptive trade practice actionable under
Subchapter E, Chapter 17, Business & Commerce Code.

Added by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 4,
eff. September 1, 2019.

Added by Acts 2017, 85th Leg., R.S., Ch. 967 (S.B. 2065), Sec.
8.004, eff. September 1, 2019.