

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:

(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.

(4) Repealed by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), and Ch. 967 (S.B. 2065), Sec. 8.005(1), eff.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

(5) Repealed by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), and Ch. 967 (S.B. 2065), Sec. 8.005(1), eff.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

(6) Repealed by Acts 2017, 85th Leg., R.S., Ch. 161 (H.B. 2113), Sec. 5(1), and Ch. 967 (S.B. 2065), Sec. 8.005(1), eff.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

#### 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.

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.

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.

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.

#### SUBCHAPTER F. ENFORCEMENT

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.