

1 AN ACT

2 relating to the regulation of certain companies that provide  
3 for-profit legal service contracts; providing penalties.

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

5 SECTION 1. Subtitle B, Title 5, Occupations Code, is  
6 amended by adding Chapter 953 to read as follows:

7 CHAPTER 953. REGULATION OF FOR-PROFIT LEGAL SERVICE CONTRACT

8 COMPANIES

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 953.001. DEFINITIONS. In this chapter:

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

14 (2) "Company" means a person who:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24           (1) a nonprofit legal services corporation under  
25 Chapter 961, Insurance Code;

26           (2) an automobile club supplying services under  
27 Chapter 722, Transportation Code;

1           (3) a prepaid legal services program under Chapter  
2 951;

3           (4) a lawyer referral service under Chapter 952;

4           (5) a retainer contract between an attorney and a  
5 client, and similar contracts made with a group of clients involved  
6 in the same or closely related legal matters; or

7           (6) a contingency fee contract between an attorney and  
8 a client.

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

14           Sec. 953.004. PREPAID LEGAL SERVICE CONTRACT PROGRAMS.

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

22           (1) Articles 21.49-2, 21.49-2A, 21.49-2B, 21.49-2D,  
23 and 21.49-2E, Insurance Code; and

24           (2) Chapter 827, Insurance Code.

25           (b) The exemptions described by Subsection (a) begin on the  
26 date the commissioner receives the notice under Subsection (a) and  
27 apply until the insurer registers with the department as required

1 by Section 953.052.

2 Sec. 953.005. POWERS AND DUTIES OF EXECUTIVE DIRECTOR.

3 (a) The executive director may investigate a company,  
4 administrator, sales representative, or other person as necessary  
5 to enforce this chapter and protect legal service contract holders  
6 in this state.

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

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

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

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

23 [Sections 953.006-953.050 reserved for expansion]

24 SUBCHAPTER B. REGISTRATION REQUIREMENTS

25 Sec. 953.051. REGISTRATION REQUIRED. (a) A person may not  
26 operate as a company or sales representative of legal service  
27 contracts sold in this state unless the person is registered with

1 the department. A company's contract may only be sold by a sales  
2 representative who is registered with the department.

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

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

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

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

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

25 (b) In addition to the annual registration fee required by  
26 Subsection (a), the executive director shall annually collect from  
27 each company a fee equal to the difference between an amount equal

1 to 1.7 percent of the amount a company collects for legal service  
2 contracts sold by the company in this state in the current year and  
3 the amount the company paid to the state in franchise taxes in the  
4 same year. The executive director shall establish a schedule and  
5 procedure for collecting this fee.

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

8 Sec. 953.054. INFORMATION CONCERNING NUMBER OF LEGAL  
9 SERVICE CONTRACTS SOLD. Information concerning the number of legal  
10 service contracts sold by a company that is submitted under Section  
11 953.053 is a trade secret to which Section 552.110, Government  
12 Code, applies.

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

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

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

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

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

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

27 Sec. 953.056. MODIFICATION OF REGISTRATION INFORMATION.

1 The executive director may adopt rules regarding the procedures and  
2 fees a company or sales representative must follow and pay when  
3 requesting a modification to the company's or sales  
4 representative's registration information that is on file with the  
5 department.

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

10 [Sections 953.058-953.100 reserved for expansion]

11 SUBCHAPTER C. FINANCIAL SECURITY REQUIREMENTS FOR LEGAL SERVICE

12 CONTRACT COMPANIES

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

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

23 (2) a company generating more than \$300,000 but less  
24 than \$750,000 in annual gross revenue in this state from the sale of  
25 legal service contracts in the preceding year shall deposit at  
26 least \$75,000 with the executive director; and

27 (3) a company generating \$750,000 or more in annual

1 gross revenue in this state from the sale of legal service contracts  
2 in the preceding year shall deposit at least \$100,000 with the  
3 executive director.

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

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

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

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

27 (f) Failure of a company to meet the financial security



1 requirements in this section not later than the 30th day after the  
2 date the executive director issues a final decision in the event of  
3 a hearing or the 30th day after the date the period for submitting a  
4 request for a hearing expires constitutes a ground for revocation  
5 of the company's registration.

6 Sec. 953.102. REPLACEMENT OR RENEWAL OF FINANCIAL SECURITY.

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

10 (1) replace the financial security; or

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

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

20 Sec. 953.103. DURATION OF DEPOSIT OF FINANCIAL SECURITY.

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

1 company.

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

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

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

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

17 Sec. 953.105. ADDITIONAL FINANCIAL SECURITY REQUIREMENTS.

18 (a) The executive director shall annually review:

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

20 (2) a certified statement describing the company's  
21 reserves, if any.

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

25 (c) After reviewing the information described by Subsection  
26 (a), the executive director may require a company to maintain  
27 certain reserves in order for the company to obtain or maintain the

1 company's registration.

2 [Sections 953.106-953.150 reserved for expansion]

3 SUBCHAPTER D. PRACTICE BY LEGAL SERVICE CONTRACT COMPANIES

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

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

9 (2) a copy of the legal service contract.

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

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

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

19 (1) be licensed in the jurisdiction in which the legal  
20 services are performed;

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

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

26 Sec. 953.154. COMPANY INTERFERENCE WITH ATTORNEY'S DUTIES  
27 PROHIBITED. A company may not interfere with the attorney-client

1 relationship or with the contracting attorney's independent  
2 exercise of professional judgment.

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

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

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

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

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

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

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

25 (c) Except as provided by Subsection (d), a company shall  
26 retain the records required by this section until at least the  
27 second anniversary of the termination date of the specified period

1 of coverage under the legal service contract.

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

7 Sec. 953.156. FORM OF LEGAL SERVICE CONTRACT AND REQUIRED  
8 DISCLOSURES. (a) A legal service contract must be filed with the  
9 executive director before it is marketed, sold, offered for sale,  
10 administered, or issued in this state. Any subsequent endorsement  
11 or attachment to the contract must also be filed with the executive  
12 director before the endorsement or attachment is delivered to legal  
13 service contract holders.

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

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

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

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

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

24 (5) identify:

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

27 (B) the sales representative; and

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

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

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

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

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

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

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

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

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

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

26                   (15) include any eligibility and effective date  
27 requirements, including a definition of eligible dependents and the

1 effective date of their coverage;

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

4 (17) explain any subrogation arrangements;

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

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

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

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

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

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

25 (c) If a legal service contract is voided, the company shall  
26 refund to the legal service contract holder or credit to the account  
27 of the legal service contract holder the full purchase price of the

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

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

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

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

19 (1) nonpayment of the consideration for the contract;  
20 (2) a material misrepresentation by the legal service  
21 contract holder to the company;

22 (3) a substantial breach of a duty by the legal service  
23 contract holder; or

24 (4) cancellation of the contract by the legal service  
25 contract holder.

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



1           (1) includes "insurance," "casualty," "surety," or  
2 "mutual" or any other word descriptive of the insurance, casualty,  
3 or surety business; or

4           (2) is deceptively similar to the name or description  
5 of an insurance or surety corporation or to the name of any other  
6 company.

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

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

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

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

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

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

24           (2) compliance with this chapter.

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

27           [Sections 953.163-953.200 reserved for expansion]

1                   SUBCHAPTER E. DISCIPLINARY ACTION

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

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

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

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

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

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

25           Sec. 953.204. ADMINISTRATIVE PROCEDURE. Sections 51.310,  
26 51.353, and 51.354 apply to a disciplinary action taken under this  
27 chapter.

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

5       SECTION 2. Article 5.13-1, Insurance Code, is amended by  
6 adding Subsection (h) to read as follows:

7       (h) An insurer may not issue or renew a prepaid legal  
8 service contract under this article after March 1, 2004.

9       SECTION 3. Subsection (b), Section 951.003, Occupations  
10 Code, is amended to read as follows:

11       (b) A law pertaining to legal service contracts under  
12 Chapter 953 or insurance does not apply to a program under this  
13 chapter.

14       SECTION 4. (a) Chapter 953, Occupations Code, as added by  
15 this Act, applies only to:

16           (1) a legal service contract entered into on or after  
17 March 1, 2004; or

18           (2) a legal service contract entered into before March  
19 1, 2004, that meets the requirements of Subsection (c) of this  
20 section.

21       (b) A person regulated under Chapter 953, Occupations Code,  
22 as added by this Act, is not required to comply with that chapter  
23 until March 1, 2004, but may implement the requirements of that  
24 chapter before March 1, 2004. The failure of a legal service  
25 contract company or other person to comply with Chapter 953,  
26 Occupations Code, as added by this Act, or otherwise to administer a  
27 legal service contract plan in the manner required by that chapter

1 before March 1, 2004, is not admissible in any court, arbitration,  
2 or alternative dispute resolution proceeding and may not otherwise  
3 be used to prove that the action of any person or the affected legal  
4 service contract was unlawful or otherwise improper.

5 (c) The Texas Department of Licensing and Regulation and the  
6 Texas Department of Insurance may enter into a memorandum of  
7 understanding for a transition plan to transfer the regulation of  
8 legal service contracts from the Texas Department of Insurance to  
9 the Texas Department of Licensing and Regulation. The transition  
10 plan at a minimum shall:

11 (1) allow persons licensed under Chapter 21, Insurance  
12 Code, who have not registered with the Texas Department of  
13 Licensing and Regulation to continue to sell legal service  
14 contracts regulated by the Texas Department of Licensing and  
15 Regulation until March 1, 2004; and

16 (2) allow a prepaid legal service contract issued  
17 subject to Article 5.13-1, Insurance Code, to be maintained by the  
18 legal service contract holder if:

19 (A) the insurer that issued the contract or a  
20 related entity is registered with the Texas Department of Licensing  
21 and Regulation under Chapter 953, Occupations Code, as added by  
22 this Act, not later than March 1, 2004;

23 (B) the legal service contract complies with the  
24 requirements established by Chapter 953, Occupations Code, as added  
25 by this Act, for a legal service contract; and

26 (C) any addition or deletion to the contract made  
27 by a legal service contract company registered with the Texas

1 Department of Licensing and Regulation is approved by the company  
2 and the approval is endorsed or attached to the contract.

3 SECTION 5. This Act takes effect September 1, 2003.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 597 passed the Senate on March 26, 2003, by a viva-voce vote; and that the Senate concurred in House amendments on May 29, 2003, by a viva-voce vote.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 597 passed the House, with amendments, on May 25, 2003, by a non-record vote.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor