

1-1 By: Zaffirini S.B. No. 1499  
 1-2 (In the Senate - Filed March 8, 2017; March 20, 2017, read  
 1-3 first time and referred to Committee on Business & Commerce;  
 1-4 April 18, 2017, reported adversely, with favorable Committee  
 1-5 Substitute by the following vote: Yeas 9, Nays 0; April 18, 2017,  
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1499 By: Zaffirini

1-19 A BILL TO BE ENTITLED  
 1-20 AN ACT

1-21 relating to the regulation of for-profit legal service contract  
 1-22 companies.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. Section 953.001(1), Occupations Code, is amended  
 1-25 to read as follows:

1-26 (1) "Administrator" means the person responsible for  
 1-27 the administration of a legal service contract. [~~The term includes~~  
 1-28 ~~a person responsible for any filing required by this chapter.~~]

1-29 SECTION 2. Section 953.156, Occupations Code, is amended to  
 1-30 read as follows:

1-31 Sec. 953.156. FORM OF LEGAL SERVICE CONTRACT AND REQUIRED  
 1-32 DISCLOSURES. [~~(a) A legal service contract must be filed with the~~  
 1-33 ~~executive director before it is marketed, sold, offered for sale,~~  
 1-34 ~~administered, or issued in this state. Any subsequent endorsement~~  
 1-35 ~~or attachment to the contract must also be filed with the executive~~  
 1-36 ~~director before the endorsement or attachment is delivered to legal~~  
 1-37 ~~service contract holders.~~

1-38 [~~(b)~~] A legal service contract marketed, sold, offered for  
 1-39 sale, administered, or issued in this state must:

1-40 (1) be written, printed, or typed in clear,  
 1-41 understandable language that is easy to read;

1-42 (2) include the name and full address of the company;

1-43 (3) include the purchase price of the contract and the  
 1-44 terms under which the contract is sold;

1-45 (4) include the terms and restrictions governing  
 1-46 cancellation of the contract by the company or the legal service  
 1-47 contract holder;

1-48 (5) identify:

1-49 (A) any administrator, if the administrator is  
 1-50 not the company;

1-51 (B) the sales representative; and

1-52 (C) the name of the legal service contract  
 1-53 holder;

1-54 (6) include the amount of any deductible or copayment;

1-55 (7) specify the legal services and other benefits to  
 1-56 be provided under the contract, and any limitation, exception, or  
 1-57 exclusion;

1-58 (8) specify the legal services, if any, for which the  
 1-59 company will provide reimbursement and the amount of that  
 1-60 reimbursement;

- 2-1 (9) specify any restriction governing the
- 2-2 transferability of the contract or the assignment of benefits;
- 2-3 (10) include the duties of the legal service contract
- 2-4 holder;
- 2-5 (11) [~~include the contact information for the~~
- 2-6 ~~department, including the department's toll-free number and~~
- 2-7 ~~electronic mail address, as well as a statement that the department~~
- 2-8 ~~regulates the company and the company's sales representatives,~~
- 2-9 [~~(12)~~] explain the method to be used in resolving the
- 2-10 legal service contract holder's complaints and grievances;
- 2-11 (12) [~~(13)~~] explain how legal services may be obtained
- 2-12 under the legal service contract;
- 2-13 (13) [~~(14)~~] include a provision stating that no change
- 2-14 in the contract is valid until the change has been approved by an
- 2-15 executive officer of the company and unless the approval is
- 2-16 endorsed or attached to the contract;
- 2-17 (14) [~~(15)~~] include any eligibility and effective
- 2-18 date requirements, including a definition of eligible dependents
- 2-19 and the effective date of their coverage;
- 2-20 (15) [~~(16)~~] include the conditions under which
- 2-21 coverage will terminate;
- 2-22 (16) [~~(17)~~] explain any subrogation arrangements;
- 2-23 (17) [~~(18)~~] contain a payment provision that provides
- 2-24 for a grace period of at least 31 days; and
- 2-25 (18) [~~(19)~~] include conditions under which contract
- 2-26 rates may be modified[~~, and~~
- 2-27 [~~(20) include any other items required by the~~
- 2-28 ~~executive director as determined by rule].~~

2-29 SECTION 3. Section 953.162, Occupations Code, is amended to  
2-30 read as follows:

2-31 Sec. 953.162. APPOINTMENT AND RESPONSIBILITIES OF  
2-32 ADMINISTRATOR. [~~(a)~~] A company may appoint an administrator or  
2-33 designate a person to be responsible for:

- 2-34 (1) all or any part of the administration or sale of
- 2-35 legal service contracts; and
- 2-36 (2) compliance with this chapter.

2-37 [~~(b) The executive director may adopt rules regarding the~~  
2-38 ~~registration of an administrator with the department.]~~

2-39 SECTION 4. Chapter 953, Occupations Code, is amended by  
2-40 adding Subchapter F to read as follows:

2-41 SUBCHAPTER F. ENFORCEMENT

2-42 Sec. 953.251. DECEPTIVE TRADE PRACTICE. A violation of  
2-43 this chapter is a deceptive trade practice actionable under  
2-44 Subchapter E, Chapter 17, Business & Commerce Code.

2-45 SECTION 5. The following provisions of the Occupations Code  
2-46 are repealed:

- 2-47 (1) Sections 953.001(4), (5), and (6);
- 2-48 (2) Sections 953.004, 953.005, and 953.155; and
- 2-49 (3) Subchapters B, C, and E, Chapter 953.

2-50 SECTION 6. (a) On the effective date of this Act, a  
2-51 registration issued under former Subchapter B, Chapter 953,  
2-52 Occupations Code, expires.

2-53 (b) On the effective date of this Act, a pending proceeding  
2-54 under Chapter 953, Occupations Code, including a complaint  
2-55 investigation, disciplinary action, or administrative penalty  
2-56 proceeding, relating to a registration issued under former  
2-57 Subchapter B, Chapter 953, Occupations Code, or relating to another  
2-58 former provision of Chapter 953, Occupations Code, that is repealed  
2-59 by this Act, is dismissed.

2-60 SECTION 7. This Act takes effect only if a specific  
2-61 appropriation for the implementation of the Act is provided in a  
2-62 general appropriations act of the 85th Legislature.

2-63 SECTION 8. This Act takes effect September 1, 2019.

2-64 \* \* \* \* \*