

FOR-PROFIT LEGAL SERVICE CONTRACT COMPANIES

*Administrative Rules of the Texas Department of Licensing and Regulation
16 Texas Administrative Code, Chapter 57*

TABLE OF CONTENTS

57.1. Authority 1

57.10. Definitions..... 1

57.21. Registration Requirements--Company 1

57.22. Registration Requirements--Sales Representatives..... 2

57.23. Registration Requirements--Administrators 2

57.25. Registration Requirements--Renewal 2

57.70. Responsibilities of Registrants--General 2

57.71. Responsibilities of Registrants--Company 3

57.72. Responsibilities of Registrant--Sales Representative 3

57.80. Fees..... 3

57.90. Administrative Penalties and Sanctions..... 4

57.1. Authority. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

These rules are promulgated under the authority of Title 5, Texas Occupations Code, Chapter 953, and Title 2, Texas Occupations Code, Chapter 51.

57.10. Definitions. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

The following words and terms, when used in this chapter, have the following meanings.

- (1) **Group legal service contract**--A legal service contract that is entered into by an employer or association on behalf of its employees or association members that choose to purchase the service.
- (2) **Group legal service contract manager**--A person who:
 - (A) manages a legal service contract purchased from a sales representative; and;
 - (B) does not obtain income from the sale of legal service contracts to employees or association members.
- (3) **Administrator**--The person appointed by a company to be responsible for:
 - (A) all or any part of the administration of legal service contracts or group legal service contracts;
 - (B) the sale of legal service contracts or group legal service contracts; or
 - (C) compliance with Title 5, Texas Occupations Code, Chapter 953 and this chapter.
- (4) **Company**--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.
- (5) **Sales Representative**--A person who sells or solicits legal service contracts or group legal service contracts. A group legal service contract manager is not a sales representative.

57.21. Registration Requirements--Company. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

- (a) No person may operate as a company without first registering with the department.
- (b) Registration is valid for one year from the date issued and must be renewed annually.
- (c) Original and renewal applications must be accompanied by:
 - (1) an audit report and audited financial statements for the company's most recent fiscal year;
 - (2) a certified statement, made by an actuary, describing the company's reserves, if any;
 - (3) the required fees; and
 - (4) proof of one of the following forms of financial security that meets the market value requirements of

Texas Occupations Code, §953.101:

- (A) a surety bond issued by an authorized surety;
 - (B) securities of the type eligible for deposit by an authorized insurer in Texas;
 - (C) a deposit of cash or cash equivalents;
 - (D) an irrevocable letter of credit issued by a qualified financial institution; or
 - (E) another form of security acceptable to the Executive Director.
- (d) Falsification of information on an application is cause for denial of the application and revocation of the registration.

57.22. Registration Requirements--Sales Representative. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

- (a) No person may sell or solicit legal service contracts to a person on behalf of a company without first registering with the department.
- (b) Registration is valid for one year from the date issued and must be renewed annually.
- (c) The required fee must accompany both original and renewal applications.
- (d) Falsification of information on an application is cause for denial of the application or revocation of the registration.

57.23. Registration Requirements--Administrator. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

- (a) No person may act as an administrator on behalf of a company without first registering with the department.
- (b) Registration is valid for one year from the date issued and must be renewed annually.
- (c) The required fee must accompany both original and renewal applications.
- (d) Falsification of information on an application is cause for denial of the application or revocation of the registration.

57.25. Registration Requirements--Renewal. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

- (a) A complete application for registration renewal must be submitted on an approved Department form with all required fees.
- (b) Non-receipt of a registration renewal notice from the Department does not exempt a person from any requirements of this chapter.
- (c) A person shall not perform work requiring registration under Title 5, Texas Occupations Code, Chapter 953 with an expired registration.

57.70. Responsibilities of Registrants--General. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

A registrant shall notify the Department in writing within thirty (30) days of any change in the information set forth in the registrant's most recent original and renewal application.

57.71. Responsibilities of Registrants--Company. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

- (a) A company must provide a receipt for or other written evidence of the purchase of a legal service contract to a contract holder within 45 days.
- (b) A company must provide a copy of the legal service contract to the contract holder within 45 days.
- (c) A company must provide a copy of the terms of a group legal service contract including the obligations and benefits of each party as specified in Texas Occupations Code, Chapter 953, §953.156 within 45 days.
- (d) A company must provide a receipt for or other written evidence of the purchase of a group legal service contract to a contract holder within 45 days.
- (e) A company must include a statement substantially similar to, "Legal service contract companies and their sales representatives are regulated by the Texas Department of Licensing and Regulation. You may contact the Department at P.O. Box 12157, Austin, TX 78711, 512-463-6599, 800-803-9202, or at legalservicecontract@license.state.tx.us." in each legal service contract sold or offered for sale in Texas.

57.72. Responsibilities of Registrant--Sales Representative. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

A sales representative may only sell legal service contracts regulated under Title 5, Texas Occupations Code, Chapter 953 and this Chapter on behalf of a registered company.

57.80. Fees. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086; amended effective December 1, 2004; 29 TexReg 11027; Amended effective February 1, 2012 37 TexReg XXXX)*

- (a) All fees are non-refundable.
- (b) The original and renewal registration fee for a company shall be:
 - (1) \$500 for a company that sells 0 to 1,000 legal service contracts during the twelve (12) months preceding the date of the application;
 - (2) \$750 for a company that sells 1,001 to 2,500 legal service contracts during the twelve (12) months preceding the date of the application; and
 - (3) \$1,000 for company that sells 2,501 or more legal service contracts during the twelve (12) months preceding the date of the application.
- (c) For purposes of subsection (b) if a company that sold no legal service contracts in this state in the preceding year previously sold prepaid legal service contracts under article 5.13-1, Texas Insurance Code, the company's registration fee shall be based on the number of prepaid legal service contracts sold under the Texas Insurance Code in the preceding year.
- (d) By March 1 of each year, companies must also pay an annual premium tax replacement fee. The premium tax replacement fee is equal to the difference between an amount equal to 1.7% of the amount a company collects for legal service contracts sold by the company in Texas in the previous year and the amount the company paid to the state in franchise taxes in the same year.
- (e) The original and renewal registration fee for a sales representative is \$20.
- (f) The original and renewal registration fee for an administrator is \$50.
- (g) A \$25 fee shall be charged for duplicate or amended registration certificates.

- (h) Late renewal fees for registrations issued under this chapter are provided for in Title 16, §60.83 of the Commission rules.

57.90. Administrative Penalties and Sanctions. *(Emergency adoption effective February 25, 2004; adopted effective June 28, 2004, 29 TexReg 6086)*

If a person violates any provision of Title 5, Texas Occupations Code, Chapter 953, any provision of Title 16, Texas Administrative Code, Chapter 57, or any provision of an order of the Executive Director or Commission, proceedings may be instituted to impose administrative penalties, administrative sanctions, or both administrative penalties and sanctions in accordance with the provisions of Title 5, Texas Occupations Code, Chapter 953; Title 2, Texas Occupations Code, Chapter 51; and Title 16, Texas Administrative Code, Chapter 60 (relating to the Texas Commission of Licensing and Regulation.)