

BILL ANALYSIS

Senate Research Center
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S.B. 1499
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

It is burdensome to licensees and wasteful of public resources to administer licensing programs that do little to protect the public good. For that reason, the Texas Department of Licensing and Regulation (TDLR) has undertaken a strategic initiative to identify licensing programs that could be deregulated without threatening public health, safety, or welfare. Current law requires licensing of for-profit legal service contract companies, which sell contracts that let a consumer to obtain a set amount of legal counsel or representation for a specific time and price, varying by the type of service contracted for. Found in Chapter 953, Occupations Code, the program companies licensees pay a \$250-\$750 initial and renewal fee, and salesperson licensees pay \$20-\$25. What's more, both companies and salespersons are subject to disciplinary action in the form of administrative penalties and sanctions. According to TDLR, in 2016 the program had 15 licensed companies, approximately 11,000 licensed salespersons, and one licensed administrator. The program had only 29 complaints filed that year, and only one disciplinary action was taken. The department concludes that deregulation would pose minimal threat to consumers. To address this, S.B. 1499 repeals the statewide licensing requirement but would not change provisions relating to requirements for contracting attorneys, the form of and disclosures required in legal service contracts, or consumer protections for contract holders through the Deceptive Trade Practices Act.

As proposed, S.B. 1499 amends current law relating to the regulation of for-profit legal service contract companies.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the executive director of the Texas Department of Licensing and Regulation is rescinded in SECTION 3 (Section 953.162, Occupations Code) and SECTION 5 (Section 953.005, Occupations Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 953.001(1), Occupations Code, to redefine "administrator."

SECTION 2. Amends Section 953.156, Occupations Code, as follows:

Sec. 953.156. FORM OF LEGAL SERVICE CONTRACT AND REQUIRED DISCLOSURES. Deletes existing Subsection (a) requiring that a legal service contract be filed with the executive director of the Texas Department of Licensing and Regulation (TDLR) before it is marketed, sold, offered for sale, administered, or issued in this state and that any subsequent endorsement of attachment must also be filed with the executive director before it is delivered to legal service contract holders. Deletes existing designation of Subsection (b). Requires that a legal service contract marketed, sold, offered for sale, administered, or issued in this state must:

(1) through (10) makes no changes to these subdivisions;

Deletes existing Subdivision (11), relating to including certain contact information for TDLR as well as a statement that TDLR regulates the company and the company's sales representatives;

(11) through (18) redesignates existing Subdivisions (12) through (19) as Subdivisions (11) through (18);

(20) deletes this subdivision, relating to including any other items required by the executive director of TDLR (executive director) as determined by rule.

SECTION 3. Amends Section 953.162, Occupations Code, as follows:

Sec. 953.162. APPOINTMENT AND RESPONSIBILITIES OF ADMINISTRATOR. (a) Deletes designation as Subsection (a).

(b) Deletes text of this subsection authorizing the executive director to adopt rules regarding the registration of an administrator with TDLR.

SECTION 4. Amends Chapter 953, Occupations Code, by adding Subchapter F, as follows:

SUBCHAPTER F. ENFORCEMENT

Sec. 953.251. DECEPTIVE TRADE PRACTICE. Provides that a violation of this chapter is a deceptive trade practice actionable under Subchapter E (Deceptive Trade Practices and Consumer Protection), Chapter 17 (Deceptive Trade Practices), Business & Commerce Code.

SECTION 5. Repealers: Sections 953.001(4) (relating to defining "department"), (5) (relating to defining "executive director"), and (6) (relating to defining "financial security"), Occupations Code.

Repealers: Sections 953.004 (Prepaid Legal Service Contract Programs), 953.005 (Powers and Duties of Executive Director), and 953.155 (Company Records), Occupations.

Repealers: Subchapters B (Registration Requirements), C (Financial Security Requirements for Legal Service Contract Companies), and E (Disciplinary Action), Chapter 953, Occupations Code.

SECTION 6. (a) Provides that, on the effective date of this Act, a registration issued under former Subchapter B, Chapter 953, Occupations Code, expires.

(b) Provides that a pending proceeding under Chapter 953, Occupations Code, including a complaint investigation, disciplinary action, or administrative penalty proceeding, relating to a registration issued under former Subchapter B, Chapter 953, Occupations Code, or relating to another former provision of Chapter 953, Occupations Code, that is repealed by this Act, is dismissed on the effective date of this Act.

SECTION 7. Effective date: September 1, 2017.