

- SUBJECT:** Repealing licensing requirement for for-profit legal service contracts
- COMMITTEE:** Licensing and Administrative Procedures — committee substitute recommended
- VOTE:** *After recommitted:*
6 ayes — Kuempel, Guillen, Goldman, Hernandez, Herrero, S. Thompson

0 nays

3 absent —Frullo, Geren, Paddie
- WITNESSES:** *March 27 public hearing:*
For — Kathy Pinson, LegalShield; (*Registered, but did not testify:* Mark Vane, Gardere Wynne Sewell LLP)

Against — None

On — (*Registered, but did not testify:* Brian Francis, Texas Department of Licensing and Regulation)
- BACKGROUND:** Occupations Code, ch. 953 regulates for-profit legal service contract companies. Sec. 953.156 requires a legal service contract to be filed with the Texas Department of Licensing and Regulation executive director before it is marketed, sold, offered for sale, administered, or issued in Texas. Any subsequent endorsement or attachment to the contract must also be filed with the executive director before the endorsement or attachment is delivered to legal service contract holders.

Business and Commerce Code, ch.17, subch. E establishes the Deceptive Trade Practices-Consumer Protection Act, under which false, misleading, or deceptive acts or practices in the conduct of any trade or commerce are considered unlawful and subject to action by the Office of the Attorney General's Consumer Protection Division.
- DIGEST:** CSHB 2113 would remove the requirement that any for-profit legal

service contract or subsequent endorsement or attachment be filed with the Texas Department of Licensing and Regulation executive director before it was marketed, sold, offered for sale, administered, or issued. Any violation of the law for legal service contracts would be considered a deceptive trade practice actionable under the Deceptive Trade Practices-Consumer Protection Act.

The bill would remove the TDLR executive director's authority to regulate for-profit legal service contract companies and would repeal provisions governing prepaid legal service contract programs, requirements relating to legal service contract company records, registration and financial security, and TDLR's disciplinary authority over for-profit legal service contract companies.

The bill would take effect September 1, 2017, at which time any pending proceeding under the repealed provisions would be dismissed.

**SUPPORTERS
SAY:**

CSHB 2113 would reduce unnecessary regulation by eliminating the Texas Department of Licensing and Regulation's (TDLR's) legal service contracts program. Because the program engages in little enforcement activity, this would pose minimal risk to consumers, who would be protected under the Deceptive Trade Practices-Consumer Protection Act from violations of the law.

Since 2003, when the regulation of legal service contracts was transferred from the Texas Department of Insurance to TDLR, there has been only one minor enforcement case. Legal service contracts have been deregulated in much of the country already, and this bill would fulfill a recommendation made by TDLR to simplify or eliminate laws that do not support health and safety or ease licensing, including regulation of for-profit legal service contracts.

This bill would allow TDLR to focus on areas where its time and resources could be more productively directed.

**OPPONENTS
SAY:**

CSHB 2113 would cost the state more than \$2 million in lost licensing revenue through fiscal 2018-19 without identifying a way to replace it.

NOTES:

According to the Legislative Budget Board, the bill would have an estimated negative impact of \$2 million on general revenue related funds through fiscal 2018-19 in lost fee revenue.

A companion bill, SB 1499 by Zaffirini, was reported favorably by the Senate Business and Commerce Committee on April 18.