

1-1 By: Zaffirini S.B. No. 1623
 1-2 (In the Senate - Filed March 6, 2019; March 14, 2019, read
 1-3 first time and referred to Committee on Business & Commerce;
 1-4 May 7, 2019, reported favorably by the following vote: Yeas 8,
 1-5 Nays 0; May 7, 2019, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
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 A BILL TO BE ENTITLED
 1-18 AN ACT

1-19 relating to nonprofit legal services corporations.

1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-21 SECTION 1. Section 501.204(a), Insurance Code, is amended
 1-22 to read as follows:

1-23 (a) This section applies to each insurer authorized to
 1-24 engage in business in this state under:

- 1-25 (1) Chapter 841;
- 1-26 (2) Chapter 842;
- 1-27 (3) Section 1367.053, Subchapter A, Chapter 1452,
 1-28 Subchapter B, Chapter 1507, Chapter 222, 251, or 258, as applicable
 1-29 to a health maintenance organization, Chapter 843, Chapter 1271, or
 1-30 Chapter 1272;
- 1-31 (4) Chapter 882;
- 1-32 (5) Chapter 884;
- 1-33 (6) Chapter 885;
- 1-34 (7) Chapter 887;
- 1-35 (8) Chapter 888;
- 1-36 (9) ~~Chapter 961;~~
- 1-37 ~~[(10)]~~ Chapter 962;
- 1-38 (10) ~~[(11)]~~ Chapter 982;
- 1-39 (11) ~~[(12)]~~ Subchapter B, Chapter 1103;
- 1-40 (12) ~~[(13)]~~ Subchapter A, Chapter 1104;
- 1-41 (13) ~~[(14)]~~ Chapter 1201, or a provision listed in
 1-42 Section 1201.005;
- 1-43 (14) ~~[(15)]~~ Chapter 1551;
- 1-44 (15) ~~[(16)]~~ Chapter 1578; or
- 1-45 (16) ~~[(17)]~~ Chapter 1601.

1-46 SECTION 2. Section 961.002(a), Insurance Code, is amended
 1-47 to read as follows:

1-48 (a) The Texas Nonprofit Corporation Law as described by
 1-49 Section 1.008, Business Organizations Code, applies ~~[Texas~~
 1-50 ~~Miscellaneous Corporation Laws Act (Article 1302-1.01 et seq.,~~
 1-51 ~~Vernon's Texas Civil Statutes) and the Texas Non-Profit Corporation~~
 1-52 ~~Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes)~~
 1-53 ~~apply]~~ to a nonprofit legal services corporation to the extent
 1-54 provided by ~~[not in conflict with]~~ this chapter.

1-55 SECTION 3. Section 961.003, Insurance Code, is amended to
 1-56 read as follows:

1-57 Sec. 961.003. CORPORATION NOT SUBJECT TO DEPARTMENT
 1-58 REGULATION. A ~~[Each]~~ nonprofit legal services corporation is not
 1-59 subject to ~~[this chapter and to direct]~~ regulation by the
 1-60 department.

1-61 SECTION 4. Section 961.004, Insurance Code, is amended to

2-1 read as follows:

2-2 Sec. 961.004. CORPORATION NOT ENGAGED IN BUSINESS OF
2-3 INSURANCE. A nonprofit legal services corporation [~~that complies~~
2-4 ~~with this chapter~~] is not engaged in the business of insurance and[~~-~~
2-5 ~~except as provided by Section 961.002(b),~~] is not subject to laws
2-6 relating to insurers.

2-7 SECTION 5. The heading to Section 961.051, Insurance Code,
2-8 is amended to read as follows:

2-9 Sec. 961.051. FILING OF CERTIFICATE OF FORMATION
2-10 [APPLICATION FOR CORPORATE CHARTER]; NONPROFIT STATUS REQUIRED.

2-11 SECTION 6. Section 961.051, Insurance Code, is amended by
2-12 amending Subsection (a) and adding Subsection (a-1) to read as
2-13 follows:

2-14 (a) Seven or more persons may file with [~~apply to~~] the
2-15 secretary of state a certificate of formation in accordance with
2-16 Title 1, Business Organizations Code, to form a nonprofit legal
2-17 services corporation.

2-18 (a-1) Notwithstanding Subsection (a), a nonprofit legal
2-19 services corporation that on or before September 1, 2019, was
2-20 organized [~~for a corporate charter~~] under the former Texas
2-21 Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's
2-22 Texas Civil Statutes) or was formed under the Texas Nonprofit
2-23 Corporation Law, as described by Section 1.008, Business
2-24 Organizations Code, is [~~for~~] a nonprofit legal services corporation
2-25 for purposes of this chapter.

2-26 SECTION 7. The heading to Subchapter D, Chapter 961,
2-27 Insurance Code, is amended to read as follows:

2-28 SUBCHAPTER D. OFFICERS [~~BOARD OF DIRECTORS; PERSONNEL~~]

2-29 SECTION 8. Section 961.152, Insurance Code, is amended to
2-30 read as follows:

2-31 Sec. 961.152. FINANCIAL OFFICER[~~;- BOND~~]. [(a)] A
2-32 nonprofit legal services corporation, by resolution entered in its
2-33 minutes, shall designate one or more officers to be responsible for
2-34 handling the corporation's funds. [~~The president, secretary, or~~
2-35 ~~general manager of the corporation must certify a copy of the~~
2-36 ~~resolution, and the corporation shall file the copy with the~~
2-37 ~~department.~~

2-38 [(b) ~~Except as provided by Subsection (c), the corporation~~
2-39 ~~shall make and file a separate or blanket surety bond covering each~~
2-40 ~~officer designated under Subsection (a). The bond must:~~

2-41 [(1) ~~be issued by a corporate surety company~~
2-42 ~~authorized to issue surety bonds in this state;~~

2-43 [(2) ~~be satisfactory to the department and payable to~~
2-44 ~~the department for the use and benefit of the corporation;~~

2-45 [(3) ~~obligate the principal and surety to pay any~~
2-46 ~~monetary loss to the corporation through an act of fraud,~~
2-47 ~~dishonesty, forgery, theft, embezzlement, or wilful misapplication~~
2-48 ~~by a covered officer, whether acting alone or with other persons,~~
2-49 ~~while employed as or exercising the powers of an officer designated~~
2-50 ~~under Subsection (a); and~~

2-51 [(4) ~~be in an amount of at least \$25,000 for each~~
2-52 ~~officer covered.~~

2-53 [(c) ~~Instead of the bond required by Subsection (b), an~~
2-54 ~~officer designated under Subsection (a) may deposit with the~~
2-55 ~~department cash or securities approved by the department in the~~
2-56 ~~amount and subject to the conditions applicable to the bond.~~

2-57 [(d) ~~Successive recoveries may be made on a bond under this~~
2-58 ~~section until the amount of the bond is exhausted.]~~

2-59 SECTION 9. The heading to Subchapter E, Chapter 961,
2-60 Insurance Code, is amended to read as follows:

2-61 SUBCHAPTER E. OPERATION [~~REGULATION~~] OF NONPROFIT LEGAL SERVICES
2-62 CORPORATIONS

2-63 SECTION 10. Section 961.206, Insurance Code, is amended to
2-64 read as follows:

2-65 Sec. 961.206. ADVANCE TO CORPORATION. Any person may
2-66 advance to a nonprofit legal services corporation, on a contingent
2-67 liability basis, money necessary for the purposes of the
2-68 corporation's business or to comply with this chapter [~~except that~~
2-69 ~~the advance may be repaid only on prior approval of the department].~~

3-1 The advance may be made in an amount and at a rate of interest agreed
3-2 to by the person and the corporation.

3-3 SECTION 11. Section 961.207, Insurance Code, is amended to
3-4 read as follows:

3-5 Sec. 961.207. PARTICIPATION AGREEMENTS. A [~~(a) Subject to~~
3-6 ~~Subsection (b), a~~] nonprofit legal services corporation may:

3-7 (1) contract with another nonprofit legal services
3-8 corporation or an insurer authorized to engage in business in this
3-9 state for joint participation through:

3-10 (A) a mutualization contract agreement; or

3-11 (B) a guaranty treaty; and

3-12 (2) cede or accept a legal services obligation from
3-13 such a corporation or insurer on all or part of a legal services
3-14 obligation.

3-15 [~~(b) Each document used for a purpose described by~~
3-16 ~~Subsection (a) must be filed with the department and approved by the~~
3-17 ~~department to be in accordance with the corporation's plan of~~
3-18 ~~operation before the document takes effect.~~

3-19 [~~(c) To carry out the purposes of this section, the~~
3-20 ~~commissioner may adopt rules governing an agreement with an insurer~~
3-21 ~~under Subsection (a).]~~

3-22 SECTION 12. Section 961.254(a), Insurance Code, is amended
3-23 to read as follows:

3-24 (a) A nonprofit legal services corporation may issue a
3-25 contract for legal services [~~, as provided by rules adopted by the~~
3-26 ~~commissioner,~~] providing for indemnity for costs of services of an
3-27 attorney who is not a contracting attorney [~~if the department is~~
3-28 ~~satisfied that the corporation's plan of operation, experience, and~~
3-29 ~~financial standing, including a proper amount of unencumbered~~
3-30 ~~surplus, are adequate to ensure performance of the contract].~~

3-31 SECTION 13. Section 961.301, Insurance Code, is amended to
3-32 read as follows:

3-33 Sec. 961.301. CONTRACTS WITH ATTORNEYS. [~~(a)~~] A nonprofit
3-34 legal services corporation may contract with qualified attorneys
3-35 [~~as provided by this chapter~~] to ensure to each participant legal
3-36 services performed by the attorneys under the contract for legal
3-37 services between the corporation and the participant. A
3-38 contracting attorney must be licensed to practice law in the
3-39 jurisdiction in which legal services are to be provided.

3-40 [~~(b) Before issuing a contract for legal services and while~~
3-41 ~~the corporation continues to issue those contracts, the corporation~~
3-42 ~~must maintain the number of contracting attorneys that the~~
3-43 ~~department determines is necessary to service the participant~~
3-44 ~~contracts contemplated by the corporation's plan of operation.]~~

3-45 SECTION 14. Section 961.307, Insurance Code, is amended to
3-46 read as follows:

3-47 Sec. 961.307. COMPLAINT REGARDING ATTORNEY. If a nonprofit
3-48 legal services corporation [~~the department~~] receives a complaint
3-49 concerning the performance of an attorney connected with the [~~a~~
3-50 ~~nonprofit legal services~~] corporation, the corporation
3-51 [~~department~~] shall refer the complaint to:

3-52 (1) the supreme court of this state or a person that
3-53 the supreme court designates to receive attorney grievances from
3-54 the public, if the attorney is licensed by this state; or

3-55 (2) the appropriate licensing agency of another
3-56 jurisdiction where the attorney is licensed, if the attorney is not
3-57 licensed by this state.

3-58 SECTION 15. Section 961.402, Insurance Code, is amended to
3-59 read as follows:

3-60 Sec. 961.402. VOLUNTARY DISSOLUTION. (a) The board of
3-61 directors of a nonprofit legal services corporation may vote to
3-62 dissolve the corporation at any time [~~, but the corporation may not~~
3-63 ~~be dissolved without the department's approval].~~

3-64 (b) In a dissolution under this section, the officers of the
3-65 corporation shall settle all outstanding obligations to
3-66 participants and otherwise dispose of the corporation's affairs.
3-67 After the officers have completed the corporation's liquidation
3-68 [~~and a final settlement has been filed with and approved by the~~
3-69 ~~department], the corporation shall be dissolved as provided by:~~

4-1 (1) the provisions relating to winding up and
4-2 termination under Subchapter G, Chapter 22, Business Organizations
4-3 Code; or

4-4 (2) if the corporation was organized [~~to voluntary~~
4-5 ~~dissolution~~] under the former Texas Non-Profit Corporation Act
4-6 (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes), the
4-7 provisions relating to voluntary dissolution under that former law.

4-8 SECTION 16. Section 4001.002(a), Insurance Code, is amended
4-9 to read as follows:

4-10 (a) Except as otherwise provided by this code, this title
4-11 applies to each person licensed under:

- 4-12 (1) Subchapter H, Chapter 885;
- 4-13 (2) Subchapter F, Chapter 911;
- 4-14 (3) Section 912.251;
- 4-15 (4) [~~Section 961.005;~~
- 4-16 [~~5~~] Subchapter E, Chapter 981;
- 4-17 (5) [~~6~~] Subchapter D, Chapter 1152;
- 4-18 (6) [~~7~~] Subchapter C or D of this chapter;
- 4-19 (7) [~~8~~] Subtitle B, C, or D of this title; or
- 4-20 (8) [~~9~~] Subsection (c), Article 5.13-1.

4-21 SECTION 17. The following provisions of the Insurance Code
4-22 are repealed:

- 4-23 (1) Chapter 260;
- 4-24 (2) Sections 961.002(b) and 961.005;
- 4-25 (3) Section 961.052;
- 4-26 (4) Subchapter C, Chapter 961;
- 4-27 (5) Sections 961.151 and 961.153;
- 4-28 (6) Sections 961.201, 961.202, 961.203, 961.204,
- 4-29 961.205, 961.208, 961.209, 961.210, 961.211(b), and 961.212;
- 4-30 (7) Section 961.252;
- 4-31 (8) Sections 961.304 and 961.305(b); and
- 4-32 (9) Sections 961.401, 961.403, and 961.404.

4-33 SECTION 18. This Act takes effect September 1, 2019.

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