

## **BILL ANALYSIS**

S.B. 1623  
By: Zaffirini  
Insurance  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

It has been noted that the for-profit legal services plan licensing requirement was repealed entirely and that the only nonprofit legal services plan operating in Texas is now the sole plan subject to state regulation. S.B. 1623 seeks to restore a consistent competitive playing field for all providers of legal service contracts by exempting a nonprofit legal services corporation from regulation by the Texas Department of Insurance and repealing certain regulations for such a corporation.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

S.B. 1623 amends the Insurance Code to exempt a nonprofit legal services corporation from regulation by the Texas Department of Insurance and to make the Texas Nonprofit Corporation Law as described by the Business Organizations Code applicable to such a corporation to the extent provided by Insurance Code provisions relating to nonprofit legal services corporations. The bill applicably revises, removes, and repeals provisions governing such a corporation to:

- establish that such a corporation is not engaged in the business of insurance and not subject to laws relating to insurers;
- authorize seven or more persons to file with the secretary of state a certificate of formation in accordance with applicable provisions of the Texas Nonprofit Corporation Law to form a nonprofit legal services corporation;
- establish that a nonprofit legal services corporation that on or before September 1, 2019, was organized under the former Texas Non-Profit Corporation Act or was formed under the Texas Nonprofit Corporation Law is a nonprofit legal services corporation for purposes of the revised provisions governing such a corporation; and
- provide for the operation of such a corporation, including matters related to financial officers, advances of money to a corporation, certain participation agreements, indemnity contracts, contracts with qualified attorneys, complaints regarding an attorney, and voluntary dissolution of a corporation.

S.B. 1623 repeals provisions relating to, among other things:

- the imposition of an insurance maintenance tax;

- certain application fees collected in advance of such a corporation doing business;
- a prohibition against a director receiving a salary;
- blanket surety bond requirements for persons with access to such a corporation's funds; and
- contracting requirements.

S.B. 1623 repeals the following provisions of the Insurance Code:

- Chapter 260
- Sections 961.002(b) and 961.005
- Section 961.052
- Subchapter C, Chapter 961
- Sections 961.151 and 961.153
- Sections 961.201, 961.202, 961.203, 961.204, 961.205, 961.208, 961.209, 961.210, 961.211(b), and 961.212
- Section 961.252
- Sections 961.304 and 961.305(b)
- Sections 961.401, 961.403, and 961.404

**EFFECTIVE DATE**

September 1, 2019.