

INSURANCE CODE

TITLE 6. ORGANIZATION OF INSURERS AND RELATED ENTITIES

SUBTITLE H. OTHER ENTITIES

CHAPTER 961. NONPROFIT LEGAL SERVICES CORPORATIONS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 961.001. DEFINITIONS. In this chapter:

(1) "Applicant" means a person applying for a contract for legal services to be performed through a nonprofit legal services corporation.

(2) "Benefit certificate" means a document issued to a participant that states the benefits and other required matters under a group contract for legal services or an individual contract for legal services issued to a participant.

(3) "Contracting attorney" means an attorney who has entered into a contract under Section [961.301](#).

(4) "Nonprofit legal services corporation" means a corporation created for the sole purpose of establishing, maintaining, and operating a nonprofit legal services plan under which the corporation contracts for and obtains legal services for participants through contracting attorneys in consideration of each participant's payment of a definite amount to fund the payment of the contracting attorneys' fees.

(5) "Participant" means a person entitled to performance of legal services under contract with a nonprofit legal services corporation.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.002. APPLICABILITY OF OTHER LAWS. (a) The Texas Nonprofit Corporation Law as described by Section [1.008](#), Business Organizations Code, applies to a nonprofit legal services corporation to the extent provided by this chapter.

(b) Repealed by Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. [1623](#)), Sec. 17(2), eff. September 1, 2019.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 730 (H.B. 2636), Sec. 2E.123, eff. April 1, 2009.

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 2, eff. September 1, 2019.

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 17(2), eff. September 1, 2019.

Sec. 961.003. CORPORATION NOT SUBJECT TO DEPARTMENT REGULATION. A nonprofit legal services corporation is not subject to regulation by the department.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 3, eff. September 1, 2019.

Sec. 961.004. CORPORATION NOT ENGAGED IN BUSINESS OF INSURANCE. A nonprofit legal services corporation is not engaged in the business of insurance and is not subject to laws relating to insurers.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 4, eff. September 1, 2019.

SUBCHAPTER B. FORMATION AND STRUCTURE OF NONPROFIT LEGAL SERVICES CORPORATIONS

Sec. 961.051. FILING OF CERTIFICATE OF FORMATION; NONPROFIT STATUS REQUIRED. (a) Seven or more persons may file with the secretary of state a certificate of formation in accordance with Title 1, Business Organizations Code, to form a nonprofit legal services corporation.

(a-1) Notwithstanding Subsection (a), a nonprofit legal services corporation that on or before September 1, 2019, was organized under the former Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) or was formed under the Texas Nonprofit Corporation Law, as described by

Section 1.008, Business Organizations Code, is a nonprofit legal services corporation for purposes of this chapter.

(b) A nonprofit legal services corporation must be governed and operated as a nonprofit organization.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 5, eff. September 1, 2019.

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 6, eff. September 1, 2019.

SUBCHAPTER D. OFFICERS

Sec. 961.152. FINANCIAL OFFICER. A nonprofit legal services corporation, by resolution entered in its minutes, shall designate one or more officers to be responsible for handling the corporation's funds.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 8, eff. September 1, 2019.

SUBCHAPTER E. OPERATION OF NONPROFIT LEGAL SERVICES CORPORATIONS

Sec. 961.206. ADVANCE TO CORPORATION. Any person may advance to a nonprofit legal services corporation, on a contingent liability basis, money necessary for the purposes of the corporation's business or to comply with this chapter. The advance may be made in an amount and at a rate of interest agreed to by the person and the corporation.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 10, eff. September 1, 2019.

Sec. 961.207. PARTICIPATION AGREEMENTS. A nonprofit legal services corporation may:

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

(A) a mutualization contract agreement; or

(B) a guaranty treaty; and

(2) cede or accept a legal services obligation from such a corporation or insurer on all or part of a legal services obligation.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 11, eff. September 1, 2019.

Sec. 961.211. BOOKS AND RECORDS. (a) A nonprofit legal services corporation shall keep complete books and records of all money collected and disbursed.

(b) Repealed by Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 17(6), eff. September 1, 2019.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 17(6), eff. September 1, 2019.

SUBCHAPTER F. BENEFITS PROVIDED BY NONPROFIT LEGAL SERVICES CORPORATIONS

Sec. 961.251. APPLICANTS; BENEFIT CERTIFICATE. (a) A nonprofit legal services corporation may accept applicants and shall issue a benefit certificate to each applicant that becomes a participant under a legal services contract. Before issuance of the certificate, the applicant must pay the application fee, which does not apply as part of the cost of receiving benefits under the certificate.

(b) On issuance of the benefit certificate, the participant is entitled to the legal services stated in the certificate for the period provided by the certificate.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.253. TYPES OF LEGAL SERVICES CONTRACTS. A nonprofit legal services corporation may issue legal services contracts on an individual, group, or franchise basis.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.254. INDEMNITY CONTRACTS. (a) A nonprofit legal services corporation may issue a contract for legal services providing for indemnity for costs of services of an attorney who is not a contracting attorney.

(b) A contract under Subsection (a) may be issued without the guarantee provided by Section 961.302(1).

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 12, eff. September 1, 2019.

Sec. 961.255. LIMITATIONS ON BENEFITS. A contract for legal services and a benefit certificate issued by a nonprofit legal services corporation may limit:

(1) the types and extent of benefits; and

(2) the circumstances under which legal services are provided.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.256. CLAIMS. (a) A nonprofit legal services corporation shall pay a lawful claim for payment under a benefit certificate not later than the 120th day after the date of receipt of due proof of claim.

(b) Written notice of a claim given to the corporation is considered due proof of claim under this section if the corporation does not provide to the claimant before the 16th day after the date notice is received the forms usually provided by the corporation for filing a claim.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

SUBCHAPTER G. CONTRACTS WITH ATTORNEYS

Sec. 961.301. CONTRACTS WITH ATTORNEYS. A nonprofit legal services corporation may contract with qualified attorneys to ensure to each participant legal services performed by the attorneys under the contract for legal services between the corporation and the participant. A contracting attorney must be licensed to practice law in the jurisdiction in which legal services are to be provided.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 13, eff. September 1, 2019.

Sec. 961.302. AGREEMENT OF CONTRACTING ATTORNEYS. The contracting attorneys shall:

(1) guarantee to the participants the services stated under the participants' benefit certificates, except as provided by Section 961.254; and

(2) agree to perform without cost to the participants, other than the money of the nonprofit legal services corporation held for the participants' benefit under the corporation's plan of operation, services described by the benefit certificates.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.303. LIMITATIONS ON CORPORATION'S RELATIONSHIP WITH ATTORNEYS AND PARTICIPANTS. (a) A nonprofit legal services corporation may not:

(1) contract to practice law; or

(2) control or attempt to control the relationship existing between a participant and the participant's attorney.

(b) The corporation may act only as an agent on behalf of its participants for legal services and, except as provided by Section 961.254, those services may be provided only by and through contracting attorneys. A contracting attorney must be an independent contractor maintaining a direct lawyer and client relationship with a participant and may not be an employee of the corporation.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.305. ATTORNEY INSURANCE REQUIRED. (a) Each contracting attorney shall maintain professional liability and errors and omissions insurance as required by the nonprofit legal services corporation with which the attorney contracts.

(b) Repealed by Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 17(8), eff. September 1, 2019.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 17(8), eff. September 1, 2019.

Sec. 961.306. PAYMENT ONLY FOR SERVICES PROVIDED. A nonprofit legal services corporation may not pay any of the claim funds collected from participants to an attorney except for legal services that the attorney provided to participants.

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Sec. 961.307. COMPLAINT REGARDING ATTORNEY. If a nonprofit legal services corporation receives a complaint concerning the performance of an attorney connected with the corporation, the corporation shall refer the complaint to:

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

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

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. 1623), Sec. 14, eff. September 1, 2019.

SUBCHAPTER I. DISSOLUTION AND LIQUIDATION OF CORPORATION

Sec. 961.402. VOLUNTARY DISSOLUTION. (a) The board of

directors of a nonprofit legal services corporation may vote to dissolve the corporation at any time.

(b) In a dissolution under this section, the officers of the corporation shall settle all outstanding obligations to participants and otherwise dispose of the corporation's affairs. After the officers have completed the corporation's liquidation, the corporation shall be dissolved as provided by:

(1) the provisions relating to winding up and termination under Subchapter G, Chapter [22](#), Business Organizations Code; or

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

Added by Acts 2001, 77th Leg., ch. 1419, Sec. 1, eff. June 1, 2003.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 643 (S.B. [1623](#)), Sec. 15, eff. September 1, 2019.