

SENATE BILL NO. 2270

Introduced by

Senators Lips, DeMers

Representatives Kilzer, Wald

1 A BILL for an Act to create and enact a new section to chapter 26.1-17 of the North Dakota
2 Century Code, relating to conversion of a nonprofit health service corporation to another
3 corporate structure; to amend and reenact section 26.1-17-33.1 of the North Dakota Century
4 Code, relating to conversion of a mutual insurance company to another corporate structure; and
5 to declare an emergency.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1.** A new section to chapter 26.1-17 of the North Dakota Century Code is
8 created and enacted as follows:

9 **Conversion prohibited.** Except as provided in section 26.1-17-33.1, a nonprofit health
10 service corporation organized under this chapter may not convert, in whole or in part, to any
11 other corporate or other legal structure, including the investment, exchange, or transfer of
12 assets to, or the acquisition or formation of, any stock insurance company or for-profit
13 subsidiary.

14 **SECTION 2. AMENDMENT.** Section 26.1-17-33.1 of the North Dakota Century Code
15 is amended and reenacted as follows:

16 **26.1-17-33.1. Nonprofit health service corporation - Conversion to mutual**
17 **insurance company - Subsequent conversion prohibited.** Any nonprofit health service
18 corporation organized under chapter 26.1-17, having admitted assets in excess of all liabilities
19 at least equal to the original surplus required of a mutual insurance company by section
20 26.1-12-10, without reincorporation, and upon adoption of a resolution by its board of directors,
21 may petition the commissioner of insurance for an order to become a mutual insurance
22 company subject to chapter 26.1-12. For the purpose of obtaining approval from the
23 commissioner of insurance, conversion to a mutual insurance company under this section is
24 deemed a consolidation pursuant to chapter 26.1-07 and the procedure described therein must

1 be followed. Upon becoming subject to chapter 26.1-12, the company may continue to provide
2 health care and related services to its present or future members and subscribers by health
3 care contracts and may make provision for the payment of health care services directly to
4 hospitals and other agencies or institutions or persons rendering health care services or related
5 services or may make direct payment to the member or subscriber. The conversion of a
6 nonprofit health service corporation into a mutual insurance company must not impair the rights
7 or obligations or any existing contractual rights of a health care service corporation or its
8 members. Notwithstanding any other provision of law, a mutual insurance company that
9 converts from a nonprofit health service corporation pursuant to this section may not
10 demutualize or convert, in whole or in part, to any other corporate or legal structure, including
11 the investment, exchange, or transfer of assets to, or the acquisition or formation of, any stock
12 insurance company or for-profit subsidiary, or the formation of an insurance holding company.

13 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.