

Fifty-fifth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2270

Introduced by

Senators Lips, DeMers

Representatives Kilzer, Wald

1 A BILL for an Act to create and enact a new subsection to section 26.1-17-33.1 of the North
2 Dakota Century Code, relating to nonprofit mutual insurance companies; to amend and reenact
3 section 26.1-17-33.1 of the North Dakota Century Code, relating to the conversion of a
4 nonprofit health service corporation to a nonprofit mutual insurance company; to provide for
5 retroactive application; and to provide an effective date.

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

7 **SECTION 1. AMENDMENT.** Section 26.1-17-33.1 of the North Dakota Century Code
8 is amended and reenacted as follows:

9 **26.1-17-33.1. Nonprofit health service corporation - Conversion to nonprofit**
10 **mutual insurance company - Application of law.**

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

20 2. Upon becoming subject to chapter 26.1-12, the company may continue to provide
21 health care and related services to its present or future members and subscribers
22 by health care contracts and may make provision for the payment of health care
23 services directly to hospitals and other agencies or institutions or persons
24 rendering health care services or related services or may make direct payment to

1 the member or subscriber. The conversion of a nonprofit health service
2 corporation into a mutual insurance company must not impair the rights or
3 obligations or any existing contractual rights of a health care service corporation or
4 its members. Except as provided in this section, the laws that apply to mutual
5 insurance companies, and insurance companies generally, apply to a nonprofit
6 mutual insurance company converted from a nonprofit health service corporation
7 pursuant to this section.

8 3. The nonprofit corporation laws apply to the operation and control of a nonprofit
9 mutual insurance company converted from a nonprofit health service corporation
10 under this section and supersede any conflicting provisions in title 26.1 unless title
11 26.1 is more restrictive. Except as authorized in subsection 4, a nonprofit mutual
12 insurance company may not sell, lease, transfer, or dispose of all or substantially
13 all property or assets, and may not merge or consolidate with, or acquire, a stock
14 insurance company or agency, for-profit subsidiary, or any other corporation. A
15 nonprofit mutual insurance company may not pay dividends or issue stock.

16 4. The funds of a nonprofit mutual insurance company may be invested in those
17 investments authorized to be made by domestic insurance companies under
18 section 26.1-05-19, as limited by section 26.1-05-18.

19 5. A nonprofit mutual insurance company may not demutualize.

20 6. A nonprofit mutual insurance company may not form an insurance holding
21 company or otherwise avail itself of the additional investment authority under
22 chapter 26.1-10.

23 7. A conversion of a nonprofit health service corporation to a nonprofit mutual
24 insurance company under this section, to the extent that any assets of the
25 nonprofit health service corporation are impressed with a charitable trust
26 immediately before the conversion, does not give rise to a breach of the charitable
27 trust or violate any fiduciary duty laws, and does not constitute grounds for the
28 commissioner to disapprove, or condition approval of, the petition to convert to a
29 nonprofit mutual insurance company. The conversion authorized by this section
30 does not diminish the application of charitable trust or fiduciary duty laws, if any,
31 that may apply to the company immediately before the conversion.

1 8. A nonprofit mutual insurance company may not engage in the practice of medicine,
2 dentistry, optometry, or any other profession for which a license or registration is
3 required.

4 **SECTION 2.** A new subsection to section 26.1-17-33.1 of the North Dakota Century
5 Code is created and enacted as follows:

6 A nonprofit mutual health insurance company may not form a mutual insurance
7 holding company.

8 **SECTION 3. RETROACTIVE APPLICATION OF ACT.** This Act applies retroactively
9 to any conversion from a nonprofit health service corporation to a nonprofit mutual insurance
10 company or a petition to convert or procedure for conversion from a nonprofit health service
11 corporation to a nonprofit mutual insurance company under section 26.1-17-33.1 which occurs
12 before the effective date of this Act.

13 **SECTION 4. EFFECTIVE DATE.** Section 2 of this Act becomes effective when 1997
14 House Bill No. 1259 becomes effective.