

SB247 INTRODUCED



1 SB247

2 FKE6W5D-1

3 By Senators Jones, Shelnutt, Stewart, Waggoner, Smitherman

4 RFD: Banking and Insurance

5 First Read: 03-Feb-26



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4 SYNOPSIS:

5 This bill would authorize a health care service
6 corporation to reorganize under the ultimate control of
7 a nonprofit holding corporation.

8 This bill would permit a nonprofit holding
9 corporation that controls a health care service
10 corporation to make and receive certain transfers and
11 distributions.

12 This bill would further establish operational
13 and reporting requirements for nonprofit holding
14 corporations, their subsidiaries, and the reorganized
15 health care service corporation.

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18 A BILL

19 TO BE ENTITLED

20 AN ACT

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22 Relating to health care service corporations; to add
23 Section 10A-20-6.17 to the Code of Alabama 1975; to authorize
24 the formation of a nonprofit holding corporation by a health
25 care service corporation by means of a reorganization; to
26 provide for the reorganization process; to require notice of
27 the reorganization to the Department of Insurance; and to
28 specify the status and authority of the health care service

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29 corporation and the nonprofit holding corporation.

30 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

31 Section 1. Section 10A-20-6.17 is added to the Code of
32 Alabama 1975, to read as follows:

33 §10A-20-6.17

34 (a) For the purposes of this section, the following
35 terms have the following meaning:

36 (1) AFFILIATE. As defined in Section 27-29-1.

37 (2) CONTROL. As defined in Section 27-29-1.

38 (3) DEPARTMENT. The Department of Insurance of the
39 State of Alabama.

40 (4) INSURER. Any person that meets the definition of
41 insurer in either Section 27-1-2 or Section 27-29-1.

42 (5) MEMBER. As defined in Section 10A-3A-1.02.

43 (6) MEMBERSHIP INTERESTS. As defined in Section
44 10A-3A-1.02.

45 (7) NONPROFIT HOLDING CORPORATION. A domestic nonprofit
46 corporation formed in connection with a reorganization that
47 operates under Chapter 3A and that, directly or indirectly
48 through another domestic nonprofit corporation that operates
49 under Chapter 3A, holds all the membership interests in a
50 health care service corporation organized under this article.

51 (8) PERSON. As defined in Section 10A-1-1.03.

52 (9) REORGANIZATION. A transaction or series of
53 transactions in which a nonprofit holding corporation is
54 created by or on behalf of a health care service corporation
55 to hold, directly or indirectly through another domestic
56 nonprofit corporation operating under Chapter 3A, a membership



57 interest in the health care service corporation.

58 (10) SUBSIDIARY. As defined in Section 27-29-1.

59 (11) ULTIMATE CONTROLLING PERSON. A person that is not
60 under the control of any other person.

61 (b) (1) Notwithstanding any other provision of this
62 article, a health care service corporation, including a
63 subsidiary of a health care service corporation, by means of a
64 reorganization, may have a nonprofit holding corporation as
65 the ultimate controlling person.

66 (2) A reorganization shall:

67 a. Be deemed an internal restructuring that does not
68 result in a change of control of a health care service
69 corporation or any subsidiary of a health care service
70 corporation, including an insurer;

71 b. Not be deemed an acquisition or change of control of
72 a health care service corporation or any subsidiary of a
73 health care service corporation, including an insurer;

74 c. Not be subject to Section 27-29-3 or Section
75 27-29-3.1.

76 (3) Notwithstanding any other provision of law,
77 including this title or Chapter 29 of Title 27, as part of a
78 reorganization, a health care service corporation may make an
79 initial transfer of any combination of cash, investments, or
80 equity ownership interests in an affiliate or a subsidiary to
81 the nonprofit holding corporation or its subsidiary by
82 dividend, distribution, or other means, subject to both of the
83 following conditions:

84 a. The total statutory value of cash, investments, and



85 ownership interests in an affiliate or a subsidiary, net of
86 liabilities, shall not exceed 25 percent of the health care
87 service corporation's admitted assets as of its most current
88 annual statement filed with the department.

89 b. The transfer shall be subject to any risk-based
90 capital requirements imposed by the department which the
91 health care service corporation is operating under at the time
92 of the reorganization.

93 (4) A director, officer, or employee of the health care
94 service corporation shall not receive any fee, commission,
95 additional compensation, or other valuable consideration for
96 aiding, promoting, or assisting in a reorganization.

97 (5) Compliance with this subsection and subsections (c)
98 and (d) shall be the exclusive means of effecting a
99 reorganization. Notwithstanding any other provision of law,
100 including Chapter 29 of Title 27, no filings, notices,
101 applications, or approvals, other than those filings and
102 notices required in subsection (d), shall be required in
103 connection with a reorganization, including a transfer
104 pursuant to subdivision (b) (3).

105 (c) (1) Notwithstanding any law of this state, or
106 provision to the contrary in the certificate of formation or
107 governing bylaws, a health care service corporation, by action
108 of its board of directors, may authorize a reorganization and
109 undertake the actions provided in this subsection.

110 (2) Take all steps necessary under Chapter 3A to create
111 a nonprofit holding corporation.

112 (3) Adopt amendments to the health care service



113 corporation's certificate of formation and bylaws to provide
114 for, but not be limited to, any of the following:

115 a. A class of members.

116 b. Characteristics, qualifications, limitations,
117 obligations, and rights of class members, including final
118 distributions.

119 c. Conditions for admission of members and issuance of
120 membership interests.

121 (d) Upon completion of the reorganization, a health
122 care service corporation shall submit a notice of completion
123 to the department, to which shall be attached all of the
124 following:

125 (1) A description of the transactions that effect the
126 reorganization.

127 (2) A copy of the amendments to the health care service
128 corporation's certificate of formation and bylaws.

129 (3) A copy of the nonprofit holding corporation's
130 certificate of incorporation.

131 (4) A pro forma balance sheet and income statement for
132 the health care service corporation which demonstrates the
133 financial position of the health care service corporation on
134 the effective date of the reorganization.

135 (5) A pro forma balance sheet and income statement for
136 the nonprofit holding corporation that demonstrates the
137 financial position of the nonprofit holding corporation on the
138 effective date of the reorganization.

139 (e) (1) As a result of being created pursuant to this
140 section, a nonprofit holding corporation is:



141 a. Not deemed to be an insurance company, insurer, or a
142 health care service corporation organized under this article;
143 b. Not otherwise subject to this article;
144 c. A nonprofit corporation that is subject to Chapter
145 3A and which has no members; and
146 d. The ultimate controlling person of the health care
147 service corporation.

148 (2) No subsidiary or affiliate of a nonprofit holding
149 corporation is subject to this article unless the subsidiary
150 or affiliate is organized under this article as a health care
151 service corporation.

152 (f) Notwithstanding any other provision of law, in
153 addition to any transfer in connection with a reorganization
154 under subdivision (b) (3), a nonprofit holding corporation may
155 at any time directly or indirectly:

156 (1) Organize, acquire, hold, operate, manage, and
157 invest in any person, including any insurer, subsidiary, or
158 affiliate; and

159 (2) Enter into or engage in any operation, business,
160 transfer, sale, purchase, exchange, loan, agreement,
161 transaction, or other activity subject to compliance with any
162 applicable provision of Chapter 3A or Chapter 29 of Title 27.

163 (g) A nonprofit holding corporation, no later than June
164 1 of each year, shall file with the department a group capital
165 calculation for the preceding calendar year.

166 (h) The board of directors of a nonprofit holding
167 corporation shall be comprised solely of individuals who are
168 directors of the health care service corporation. No equity or



169 ownership interest in the nonprofit holding corporation or any
170 subsidiary thereof may be granted to any executive officer or
171 any member of the board of directors of the nonprofit holding
172 corporation or the health care service corporation.

173 (i) The department may exercise the authority provided
174 under Section 27-2-7 and Section 27-2-19 for purposes of
175 enforcing the nonprofit holding corporation's compliance with
176 this section.

177 (j) (1) A reorganization does not change the legal form
178 of a health care service corporation or the health care
179 service corporation's certificate of authority to do business.

180 (2) All subscriber contracts and certificates issued by
181 the health care service corporation shall remain in full force
182 and effect.

183 (3) Upon reorganization, a health care service
184 corporation shall continue to be subject to this article,
185 except for all of the following:

186 a. Neither a reorganization nor any other transaction
187 permitted by this section shall constitute or require a
188 conversion of the health care service corporation pursuant to
189 any law of this state.

190 b. In addition to a transfer in connection with a
191 reorganization under subdivision (b) (3), the health care
192 service corporation may approve and pay any direct or indirect
193 dividend or distribution to the nonprofit holding corporation
194 if the dividend or distribution satisfies the applicable
195 standards for payment of a dividend or distribution pursuant
196 to Sections 10A-3A-6.40, 27-29-4(e), and 27-29-5.



197 c. To the extent not otherwise addressed in, and not
198 contrary to, the certificate of formation or bylaws of the
199 health care service corporation as amended, or this section,
200 all aspects of the membership relationship between the health
201 care service corporation and its member nonprofit holding
202 corporation resulting from a reorganization shall be governed
203 by the applicable provisions of Chapter 3A.

204 d. A health care service corporation that has completed
205 a reorganization is permitted, pursuant to Section 10A-1-8.02,
206 and subject to any required filings and approvals under
207 Chapter 29 of Title 27, to merge with any domestic or foreign
208 nonprofit corporation if the health care service corporation
209 is the surviving corporation in the merger.

210 Section 2. This act shall become effective on October
211 1, 2026.