

**FIRST ENGROSSMENT  
with House Amendments**

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 subsections 4 and 5, a nonprofit  
12 mutual insurance company may not sell, lease, transfer, or dispose of all or  
13 substantially all property or assets, and may not merge or consolidate with, or  
14 acquire, a stock insurance company or agency, for-profit subsidiary, or any other  
15 corporation. Except as provided in subsection 5, a nonprofit mutual insurance  
16 company may not pay dividends or issue stock.

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

20 5. A nonprofit mutual insurance company may form a stock insurance company for  
21 the purpose of administering medicare claims.

22 6. A nonprofit mutual insurance company may not demutualize or be converted to a  
23 for-profit mutual or stock company.

24 7. A nonprofit mutual insurance company may not avail itself of the additional  
25 investment authority under chapter 26.1-10.

26 8. A conversion of a nonprofit health service corporation to a nonprofit mutual  
27 insurance company under this section, to the extent that any assets of the  
28 nonprofit health service corporation are impressed with a charitable trust  
29 immediately before the conversion, does not give rise to a breach of the charitable  
30 trust or violate any fiduciary duty laws, and does not constitute grounds for  
31 disapproval of either the petition to convert to a nonprofit mutual insurance

1           company or the articles of incorporation of the company under section 26.1-12-04.

2           The conversion authorized by this section does not diminish the application of

3           charitable trust or fiduciary duty laws that may apply to the company immediately

4           before the conversion.

5           9.   A nonprofit mutual insurance company may not engage in the practice of medicine,  
6           dentistry, optometry, or any other profession for which a license or registration is  
7           required.

8           10. Every nonprofit mutual insurance company is a charitable and benevolent  
9           organization and the laws of this state relating to and affecting nonprofit charitable  
10          and benevolent corporations are applicable to all nonprofit mutual insurance  
11          companies.

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

14          A nonprofit mutual insurance company may not form a mutual insurance holding  
15          company.

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

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