

SB247 ENGROSSED



1 SB247
2 FKE6W5D-2
3 By Senators Jones, Shelnutt, Stewart, Waggoner, Smitherman
4 RFD: Banking and Insurance
5 First Read: 03-Feb-26



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A BILL
TO BE ENTITLED
AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

§10A-20-6.17

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

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

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

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

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



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

30 (6) MEMBERSHIP INTERESTS. As defined in Section
31 10A-3A-1.02.

32 (7) NONPROFIT HOLDING CORPORATION. A domestic nonprofit
33 corporation formed in connection with a reorganization that
34 operates under Chapter 3A and that, directly or indirectly
35 through another domestic nonprofit corporation that operates
36 under Chapter 3A, holds all the membership interests in a
37 health care service corporation organized under this article.

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

39 (9) REORGANIZATION. A transaction or series of
40 transactions in which a nonprofit holding corporation is
41 created by or on behalf of a health care service corporation
42 to hold, directly or indirectly through another domestic
43 nonprofit corporation operating under Chapter 3A, a membership
44 interest in the health care service corporation.

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

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

48 (b) (1) Notwithstanding any other provision of this
49 article, a health care service corporation, including a
50 subsidiary of a health care service corporation, by means of
51 one reorganization, may have a nonprofit holding corporation
52 as the ultimate controlling person.

53 (2) The reorganization shall:

54 a. Be deemed an internal restructuring that does not
55 result in a change of control of a health care service
56 corporation or any subsidiary of a health care service



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57 corporation, including an insurer;

58 b. Not be deemed an acquisition or change of control of
59 a health care service corporation or any subsidiary of a
60 health care service corporation, including an insurer;

61 c. Not be subject to Section 27-29-3 or Section
62 27-29-3.1.

63 (3) Notwithstanding any other provision of law,
64 including this title or Chapter 29 of Title 27, as part of the
65 reorganization, a health care service corporation may make an
66 initial transfer of any combination of cash, investments, or
67 equity ownership interests in an affiliate or a subsidiary to
68 the nonprofit holding corporation or its subsidiary by
69 dividend, distribution, or other means, subject to both of the
70 following conditions:

71 a. The total statutory value of cash, investments, and
72 ownership interests in an affiliate or a subsidiary, net of
73 liabilities, shall not exceed 25 percent of the health care
74 service corporation's admitted assets as of its most current
75 annual statement filed with the department.

76 b. The transfer shall be subject to any risk-based
77 capital requirements imposed by the department which the
78 health care service corporation is operating under at the time
79 of the reorganization.

80 (4) A director, officer, or employee of the health care
81 service corporation shall not receive any fee, commission,
82 additional compensation, or other valuable consideration for
83 aiding, promoting, or assisting in the reorganization.

84 (5) Compliance with this subsection and subsections (c)



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85 and (d) shall be the exclusive means of effecting the
86 reorganization. Notwithstanding any other provision of law,
87 including Chapter 29 of Title 27, no filings, notices,
88 applications, or approvals, other than those filings and
89 notices required in subsection (d), shall be required in
90 connection with the reorganization, including a transfer
91 pursuant to subdivision (b) (3).

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

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

99 (3) Adopt amendments to the health care service
100 corporation's certificate of formation and bylaws to provide
101 for, but not be limited to, any of the following:

102 a. A class of members.

103 b. Characteristics, qualifications, limitations,
104 obligations, and rights of class members, including final
105 distributions.

106 c. Conditions for admission of members and issuance of
107 membership interests.

108 (d) Upon completion of the reorganization, a health
109 care service corporation shall submit a notice of completion
110 to the department, to which shall be attached all of the
111 following:

112 (1) A description of the transactions that effect the



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113 reorganization.

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

116 (3) A copy of the nonprofit holding corporation's
117 certificate of incorporation.

118 (4) A pro forma balance sheet and income statement for
119 the health care service corporation which demonstrates the
120 financial position of the health care service corporation on
121 the effective date of the reorganization.

122 (5) A pro forma balance sheet and income statement for
123 the nonprofit holding corporation that demonstrates the
124 financial position of the nonprofit holding corporation on the
125 effective date of the reorganization.

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

128 a. Not deemed to be an insurance company, insurer, or a
129 health care service corporation organized under this article;

130 b. Not otherwise subject to this article;

131 c. A nonprofit corporation that is subject to Chapter
132 3A and which has no members; and

133 d. The ultimate controlling person of the health care
134 service corporation.

135 (2) No subsidiary or affiliate of a nonprofit holding
136 corporation is subject to this article unless the subsidiary
137 or affiliate is organized under this article as a health care
138 service corporation.

139 (f) Notwithstanding any other provision of law, in
140 addition to any transfer in connection with the reorganization



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141 under subdivision (b) (3), a nonprofit holding corporation may
142 at any time directly or indirectly:

143 (1) Organize, acquire, hold, operate, manage, and
144 invest in any person, including any insurer, subsidiary, or
145 affiliate; and

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

150 (g) A nonprofit holding corporation, no later than June
151 1 of each year, shall file with the department a group capital
152 calculation for the preceding calendar year.

153 (h) The board of directors of a nonprofit holding
154 corporation shall be comprised solely of individuals who are
155 directors of the health care service corporation. No equity or
156 ownership interest in the nonprofit holding corporation or any
157 subsidiary thereof may be granted to any executive officer or
158 any member of the board of directors of the nonprofit holding
159 corporation or the health care service corporation.

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

164 (j) (1) The reorganization does not change the legal
165 form of a health care service corporation or the health care
166 service corporation's certificate of authority to do business.

167 (2) All subscriber contracts and certificates issued by
168 the health care service corporation shall remain in full force



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169 and effect.

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

173 a. Neither the reorganization nor any other transaction
174 permitted by this section shall constitute or require a
175 conversion of the health care service corporation pursuant to
176 any law of this state.

177 b. In addition to a transfer in connection with the
178 reorganization under subdivision (b)(3), the health care
179 service corporation may approve and pay any direct or indirect
180 dividend or distribution to the nonprofit holding corporation
181 if the dividend or distribution satisfies the applicable
182 standards for payment of a dividend or distribution pursuant
183 to Sections 10A-3A-6.40, 27-29-4(e), and 27-29-5.

184 c. To the extent not otherwise addressed in, and not
185 contrary to, the certificate of formation or bylaws of the
186 health care service corporation as amended, or this section,
187 all aspects of the membership relationship between the health
188 care service corporation and its member nonprofit holding
189 corporation resulting from the reorganization shall be
190 governed by the applicable provisions of Chapter 3A.

191 d. A health care service corporation that has completed
192 the reorganization is permitted, pursuant to Section
193 10A-1-8.02, and subject to any required filings and approvals
194 under Chapter 29 of Title 27, to merge with any domestic or
195 foreign nonprofit corporation if the health care service
196 corporation is the surviving corporation in the merger.



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197 (k) As to a person operating one or more hospitals as
198 defined in Section 22-21-20 in the State of Alabama or
199 operating any other direct health care provider in the State
200 of Alabama, a nonprofit holding corporation, including its
201 affiliates, shall not control, directly or indirectly, or own
202 in whole or in part, directly or indirectly, the person. This
203 subsection shall not prohibit the acquisition of such a person
204 that is a foreign entity if the nonprofit holding corporation
205 agrees to have divested the person's direct health care
206 provider in the State of Alabama within two years after the
207 acquisition closes. As used in this subsection, neither the
208 term "affiliate" nor the term "person" shall mean or include,
209 and the restrictions in this subsection shall not apply with
210 respect to, a health care service corporation organized under
211 this article or a subsidiary thereof.

212 (1) Except if existing before or resulting from the
213 reorganization, the nonprofit holding corporation, including
214 its affiliates, shall not control, directly or indirectly, or
215 own in whole or in part, directly or indirectly, any of the
216 following entities providing health insurance in the State of
217 Alabama:

218 (1) An insurance company licensed pursuant to Chapter 3
219 of Title 27.

220 (2) A health care service plan formed after calendar
221 year 2025 and licensed pursuant to this article.

222 (3) A fraternal benefit society licensed pursuant to
223 Chapter 34 of Title 27.

224 (4) A health maintenance organization licensed pursuant



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225 to Chapter 21A of Title 27.

226 (m) Notwithstanding anything to the contrary, nothing
227 in this section is intended to, nor shall prevent, limit, or
228 restrict in any way, any direct or indirect acquisition,
229 ownership, transaction, business, investment, or other
230 activity that is made, held, or conducted by a health care
231 service corporation or a subsidiary of a health care service
232 corporation that is otherwise permissible for that person
233 under applicable law.

234 (n) Following the reorganization, if a transaction
235 involving a health care service corporation: (i) requires
236 notice to the commissioner of the department pursuant to
237 Section 27-29-5(b)(1)a.1.; and (ii) exceeds five percent of
238 the health care service corporation's admitted assets as of
239 the 31st day of December next preceding, then in addition to
240 other applicable requirements under Section 27-29-5, the
241 department shall provide the public with notice and an
242 opportunity for a period of 30 days following the date of the
243 public notice, to provide written comments to the department
244 on the transaction, and the transaction at issue may be
245 entered into unless the commissioner of the department
246 disapproves the transaction with the 30-day comment period.

247 Section 2. This act shall become effective on October
248 1, 2026.



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251 Senate

252 Read for the first time and referred03-Feb-26
253 to the Senate committee on Banking
254 and Insurance
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256 Read for the second time and placed05-Feb-26
257 on the calendar:
258 0 amendments
259
260 Read for the third time and passed17-Feb-26
261 as amended
262 Yeas 32
263 Nays 0
264 Abstains 1
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Patrick Harris,
Secretary.