

**SB247 ENROLLED**



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



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1 Enrolled, An Act,

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

12 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

15 §10A-20-6.17

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

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

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

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

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

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

25 (6) MEMBERSHIP INTERESTS. As defined in Section  
26 10A-3A-1.02.

27 (7) NONPROFIT HOLDING CORPORATION. A domestic nonprofit  
28 corporation formed in connection with a reorganization that



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29 operates under Chapter 3A and that, directly or indirectly  
30 through another domestic nonprofit corporation that operates  
31 under Chapter 3A, holds all the membership interests in a  
32 health care service corporation organized under this article.

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

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

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

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

43 (b) (1) Notwithstanding any other provision of this  
44 article, a health care service corporation, including a  
45 subsidiary of a health care service corporation, by means of  
46 one reorganization, may have a nonprofit holding corporation  
47 as the ultimate controlling person.

48 (2) The reorganization shall:

49 a. Be deemed an internal restructuring that does not  
50 result in a change of control of a health care service  
51 corporation or any subsidiary of a health care service  
52 corporation, including an insurer;

53 b. Not be deemed an acquisition or change of control of  
54 a health care service corporation or any subsidiary of a  
55 health care service corporation, including an insurer;

56 c. Not be subject to Section 27-29-3 or Section



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57 27-29-3.1.

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

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

71 b. The transfer shall be subject to any risk-based  
72 capital requirements imposed by the department which the  
73 health care service corporation is operating under at the time  
74 of the reorganization.

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

79 (5) Compliance with this subsection and subsections (c)  
80 and (d) shall be the exclusive means of effecting the  
81 reorganization. Notwithstanding any other provision of law,  
82 including Chapter 29 of Title 27, no filings, notices,  
83 applications, or approvals, other than those filings and  
84 notices required in subsection (d), shall be required in



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85 connection with the reorganization, including a transfer  
86 pursuant to subdivision (b) (3).

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

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

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

97 a. A class of members.

98 b. Characteristics, qualifications, limitations,  
99 obligations, and rights of class members, including final  
100 distributions.

101 c. Conditions for admission of members and issuance of  
102 membership interests.

103 (d) Upon completion of the reorganization, a health  
104 care service corporation shall submit a notice of completion  
105 to the department, to which shall be attached all of the  
106 following:

107 (1) A description of the transactions that effect the  
108 reorganization.

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

111 (3) A copy of the nonprofit holding corporation's  
112 certificate of incorporation.



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113 (4) A pro forma balance sheet and income statement for  
114 the health care service corporation which demonstrates the  
115 financial position of the health care service corporation on  
116 the effective date of the reorganization.

117 (5) A pro forma balance sheet and income statement for  
118 the nonprofit holding corporation that demonstrates the  
119 financial position of the nonprofit holding corporation on the  
120 effective date of the reorganization.

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

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

125 b. Not otherwise subject to this article;

126 c. A nonprofit corporation that is subject to Chapter  
127 3A and which has no members; and

128 d. The ultimate controlling person of the health care  
129 service corporation.

130 (2) No subsidiary or affiliate of a nonprofit holding  
131 corporation is subject to this article unless the subsidiary  
132 or affiliate is organized under this article as a health care  
133 service corporation.

134 (f) Notwithstanding any other provision of law, in  
135 addition to any transfer in connection with the reorganization  
136 under subdivision (b) (3), a nonprofit holding corporation may  
137 at any time directly or indirectly:

138 (1) Organize, acquire, hold, operate, manage, and  
139 invest in any person, including any insurer, subsidiary, or  
140 affiliate; and



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

145 (g) A nonprofit holding corporation, no later than June  
146 1 of each year, shall file with the department a group capital  
147 calculation for the preceding calendar year.

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

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

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

162 (2) All subscriber contracts and certificates issued by  
163 the health care service corporation shall remain in full force  
164 and effect.

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

168 a. Neither the reorganization nor any other transaction



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169 permitted by this section shall constitute or require a  
170 conversion of the health care service corporation pursuant to  
171 any law of this state.

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

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

186           d. A health care service corporation that has completed  
187 the reorganization is permitted, pursuant to Section  
188 10A-1-8.02, and subject to any required filings and approvals  
189 under Chapter 29 of Title 27, to merge with any domestic or  
190 foreign nonprofit corporation if the health care service  
191 corporation is the surviving corporation in the merger.

192           (k) As to a person operating one or more hospitals as  
193 defined in Section 22-21-20 in the State of Alabama or  
194 operating any other direct health care provider in the State  
195 of Alabama, a nonprofit holding corporation, including its  
196 affiliates, shall not control, directly or indirectly, or own



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197 in whole or in part, directly or indirectly, the person. This  
198 subsection shall not prohibit the acquisition of such a person  
199 that is a foreign entity if the nonprofit holding corporation  
200 agrees to have divested the person's direct health care  
201 provider in the State of Alabama within two years after the  
202 acquisition closes. As used in this subsection, neither the  
203 term "affiliate" nor the term "person" shall mean or include,  
204 and the restrictions in this subsection shall not apply with  
205 respect to, a health care service corporation organized under  
206 this article or a subsidiary thereof.

207 (1) Except if existing before or resulting from the  
208 reorganization, the nonprofit holding corporation, including  
209 its affiliates, shall not control, directly or indirectly, or  
210 own in whole or in part, directly or indirectly, any of the  
211 following entities providing health insurance in the State of  
212 Alabama:

213 (1) An insurance company licensed pursuant to Chapter 3  
214 of Title 27.

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

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

219 (4) A health maintenance organization licensed pursuant  
220 to Chapter 21A of Title 27.

221 (m) Notwithstanding anything to the contrary, nothing  
222 in this section is intended to, nor shall prevent, limit, or  
223 restrict in any way, any direct or indirect acquisition,  
224 ownership, transaction, business, investment, or other



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225 activity that is made, held, or conducted by a health care  
226 service corporation or a subsidiary of a health care service  
227 corporation that is otherwise permissible for that person  
228 under applicable law.

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

242 Section 2. This act shall become effective on October  
243 1, 2026.



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President and Presiding Officer of the Senate

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Speaker of the House of Representatives

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Senate 17-Feb-26

I hereby certify that the within Act originated in and passed the Senate, as amended.

Patrick Harris,  
Secretary.

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House of Representatives  
Amended and passed: 17-Mar-26

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Senate concurred in House amendment

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By: Senator Jones