

§ 58-47-120. Board; composition, powers, duties, and prohibitions.

(a) Each group shall be governed by a board or other governing body comprising no fewer than three persons, elected for stated terms of office, and subject to the Commissioner's approval. All board members shall be residents of this State or members of the group. At least two-thirds of the board shall comprise employees, officers, or directors of members; provided that the Commissioner may waive this requirement for good cause. The group's TPA, service company, or any owner, officer, employee, or agent of, or any other person affiliated with, the TPA or service company shall not serve as a board member. The board shall ensure that all claims are paid promptly and take all necessary precautions to safeguard the assets of the group.

(b) The board shall be responsible for the following:

- (1) Maintaining minutes of its meetings and making the minutes available to the Commissioner.
- (2) Providing for the execution of its policies, including providing for day-to-day management of the group and delineating in the minutes of its meetings the areas of authority it delegates.
- (3) Designating a chair to facilitate communication between the group and the Commissioner.
- (4) Adopting a policy of reimbursement from the assets of the group for out-of-pocket expenses incurred as board members, if so desired.

(c) The board shall not:

- (1) Be compensated by the group, TPA, or service company except for out-of-pocket expenses incurred as board members.
- (2) Extend credit to members for payment of a premium, except under payment requirements set forth in this Part.
- (3) Borrow any money from the group or in the name of the group, except in the ordinary course of business, without first informing the Commissioner of the nature and purpose of the loan and obtaining the Commissioner's approval.

(d) The board shall adopt bylaws to govern the operation of the group. The bylaws shall comply with the provisions of this section and shall include:

- (1) The method for selecting the board members, including terms of office.
- (2) The method for amending the bylaws and the plans of operation and assessment.
- (3) The method for establishing and maintaining the group.
- (4) The procedures and requirements for dissolving the group.

(e) Each group shall file a copy of its bylaws with the Commissioner. Any changes to the bylaws shall be filed with the Commissioner no later than 30 days before their effective dates. The Commissioner may order the group to rescind or revoke any bylaw if it violates this section or any other applicable law or administrative rule.

(f) The board shall adopt and administer a plan of operation to assure the fair, reasonable, and equitable administration of the group. All members shall comply with the plan. The plan shall comply with this section and include:

- (1) Procedures for administering the assets of the group.
- (2) A plan of assessment.
- (3) Loss control services to be provided to the members.
- (4) Rules for payment and collection of premium.
- (5) Basis for dividends.
- (6) Reimbursement of board members.

- (7) Intervals for meetings of the board, which shall be held at least semiannually.
 - (8) Procedures for the maintenance of records of all transactions of the group.
 - (9) Procedures for the selection of the board members.
 - (10) Additional provisions necessary or proper for the execution of the powers and duties of the group.
 - (11) Qualifications for group membership, including underwriting guidelines and procedures to identify any member that is in a hazardous financial condition.
 - (g) The plan and any amendments become effective upon approval in writing by the Commissioner.
 - (h) Each year the board shall review:
 - (1) The performance evaluation of the TPA or service company, if applicable.
 - (2) Loss control services.
 - (3) Investment policies.
 - (4) Delinquent debts.
 - (5) Membership cancellation procedures.
 - (6) Admission of new members.
 - (7) Claims administration and reporting.
 - (8) Payroll audits and findings.
 - (9) Excess insurance or reinsurance coverage.
- The board's findings from its review shall be documented in the board's minutes.
- (i) G.S. 58-7-140 applies to board members. (1997-362, s. 3; 1999-132, s. 13.3.)