

AN ACT concerning regulation.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Intergovernmental Cooperation Act is amended by changing Section 6 as follows:

(5 ILCS 220/6) (from Ch. 127, par. 746)

Sec. 6. Joint self-insurance. An intergovernmental contract may, among other undertakings, authorize public agencies to jointly self-insure and authorize each public agency member of the contract to utilize its funds to pay to a joint insurance pool its costs and reserves to protect, wholly or partially, itself or any public agency member of the contract against liability or loss in the designated insurable area.

A joint insurance pool shall have an annual audit performed by an independent certified public accountant and shall file an annual audited financial report with the Director of Insurance no later than 150 days after the end of the pool's immediately preceding fiscal year. The Director of Insurance shall issue rules necessary to implement this audit and report requirement. The rule shall establish the due date for filing the initial annual audited financial report. Within 30 days after January 1, 1991, and within 30 days after each January 1 thereafter,

public agencies that are jointly self-insured to protect against liability under the Workers' Compensation Act and the Workers' Occupational Diseases Act shall file with the Illinois Workers' Compensation Commission a report indicating an election to self-insure.

The joint insurance pool shall also annually file with the Director a statement of actuarial opinion that conforms to the Actuarial Standards of Practice issued by the Actuarial Standards Board. All statements of actuarial opinion shall be issued by an independent actuary who is an associate or fellow of the Casualty Actuarial Society or of the Society of Actuaries. The statement of actuarial opinion shall include a statement ~~in a casualty actuarial society~~ that the pool's reserves are calculated in accordance with sound loss-reserving standards and adequate for the payment of claims. This opinion shall be filed no later than 150 days after the end of each fiscal year. The joint insurance pool shall be exempt from filing a statement of actuarial opinion by an independent actuary who is an associate or fellow of the Casualty Actuarial Society or of the Society of Actuaries ~~in a casualty actuarial society~~ that the joint insurance pool's reserves are in accordance with sound loss-reserving standards and payment of claims for the primary level of coverage if the joint insurance pool files with the Director, by the reporting deadline, a statement of actuarial opinion from the provider of the joint pool's aggregate coverage, reinsurance, or other

similar excess insurance coverage. Any statement of actuarial opinion must be prepared by an actuary who satisfies the qualification standards set forth by the American Academy of Actuaries to issue the opinion in the particular area of actuarial practice.

The Director may assess penalties against a joint insurance pool that fails to comply with the auditing, statement of actuarial opinion, and examination requirements of this Section in an amount equal to \$500 per day for each violation, up to a maximum of \$10,000 for each violation. The Director (or his or her staff) or a Director-selected independent auditor (or actuarial firm) that is not owned or affiliated with an insurance brokerage firm, insurance company, or other insurance industry affiliated entity may examine, as often as the Director deems advisable, the affairs, transactions, accounts, records, and assets and liabilities of each joint insurance pool that fails to comply with this Section. The joint insurance pool shall cooperate fully with the Director's representatives in all evaluations and audits of the joint insurance pool and resolve issues raised in those evaluations and audits. The failure to resolve those issues may constitute a violation of this Section, and may, after notice and an opportunity to be heard, result in the imposition of penalties pursuant to this Section. No sanctions under this Section may become effective until 30 days after the date that a notice of sanctions is delivered by registered or certified mail to the

joint insurance pool. The Director shall have the authority to extend the time for filing any statement by any joint insurance pool for reasons that he or she considers good and sufficient.

If a joint insurance pool requires a member to submit written notice in order for the member to withdraw from a qualified pool, then the period in which the member must provide the written notice cannot be greater than 120 days, except that this requirement applies only to joint insurance pool agreements entered into, modified, or renewed on or after the effective date of this amendatory Act of the 98th General Assembly.

For purposes of this Section, "public agency member" means any public agency defined or created under this Act, any local public entity as defined in Section 1-206 of the Local Governmental and Governmental Employees Tort Immunity Act, and any public agency, authority, instrumentality, council, board, service region, district, unit, bureau, or, commission, or any municipal corporation, college, or university, whether corporate or otherwise, and any other local governmental body or similar entity that is presently existing or created after the effective date of this amendatory Act of the 92nd General Assembly, whether or not specified in this Section. Only public agency members with tax receipts, tax revenues, taxing authority, or other resources sufficient to pay costs and to service debt related to intergovernmental activities described in this Section, or public agency members created by or as part

of a public agency with these powers, may enter into contracts or otherwise associate among themselves as permitted in this Section.

No joint insurance pool or other intergovernmental cooperative offering health insurance shall interfere with the statutory obligation of any public agency member to bargain over or to reach agreement with a labor organization over a mandatory subject of collective bargaining as those terms are used in the Illinois Public Labor Relations Act. No intergovernmental contract of insurance offering health insurance shall limit the rights or obligations of public agency members to engage in collective bargaining, and it shall be unlawful for a joint insurance pool or other intergovernmental cooperative offering health insurance to discriminate against public agency members or otherwise retaliate against such members for limiting their participation in a joint insurance pool as a result of a collective bargaining agreement.

It shall not be considered a violation of this Section for an intergovernmental contract of insurance relating to health insurance coverage, life insurance coverage, or both to permit the pool or cooperative, if a member withdraws employees or officers into a union-sponsored program, to re-price the costs of benefits provided to the continuing employees or officers based upon the same underwriting criteria used by that pool or cooperative in the normal course of its business, but no member

shall be expelled from a pool or cooperative if the continuing employees or officers meet the general criteria required of other members.

(Source: P.A. 98-504, eff. 1-1-14.)

Section 10. The Illinois Insurance Code is amended by changing Sections 26, 53, 174, and 245.1 as follows:

(215 ILCS 5/26) (from Ch. 73, par. 638)

(Section scheduled to be repealed on January 1, 2017)

Sec. 26. Deposit.

(a) A company subject to the provisions of this Article shall make and maintain with the Director for the protection of all creditors, policyholders and policy obligations of the company, a deposit of securities ~~which are authorized investments under Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2)~~ having a fair market value equal to the minimum capital and surplus required to be maintained under Section 13. The Director may release the required deposit of securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the company that it has no outstanding creditors, policyholders, or policy obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the company's board of directors effecting the surrender of its articles of incorporation for administrative dissolution by the Director;

and (iii) receipt of the name and forwarding address for each of the final officers and directors of the company, together with a plan of dissolution approved by the Director.

(b) All deposits by insurers subject to this Article must be limited to the following types:

(1) United States government bonds, notes, and bills for which the full faith and credit of the government of the United States is pledged for the payment of principal and interest.

(2) United States public bonds and notes of any state or of the District of Columbia, or Canadian public bonds and notes of any province thereof, for which the full faith and credit of the issuer has been pledged for the payment of principal and interest.

(3) United States and Canadian county, provincial, municipal, and district bonds and notes for which the issuer has lawful authority to levy taxes or make assessments for the payment of principal and interest.

(4) Bonds and notes of any federal agency that are guaranteed as to payment of principal and interest by the United States.

(5) International development bank bonds, bonds issued by the State of Israel and sold through the Development Corporation for Israel or its successor entities, and notes issued, assumed, and guaranteed by the International Bank for Reconstruction and Development, the Inter-American

Development Bank, the Asian Development Bank, the African Development Bank, or the International Finance Corporation.

(6) Corporate bonds and notes of any private corporations that are not affiliates or subsidiaries of the insurer, which corporations are organized under the laws of the United States, Canada, any state, the District of Columbia, any territory or possession of the United States, or any province of Canada.

(7) Certificates of deposit.

(c) To be eligible for deposit under subsection (b), any bond or note must have the following characteristics:

(1) The bond or note must be interest-bearing or interest-accruing, and the insurer must be the exclusive owner of the interest accruing thereon and entitled to receive the interest for its account.

(2) The issuer must be in a solvent financial condition and the bond or note must not be in default.

(3) The bond, note, or debt of the issuing country must be rated in one of the 4 highest classifications by an established, nationally recognized investment rating service or must have been given a rating of 1 by the Securities Valuation Office of the National Association of Insurance Commissioners.

(4) The market value of the bond or note must be readily ascertainable or the value of the bond or note must

be obtainable by the insurer or its custodian from the issuer's fiscal agent.

(5) The bond or note must be the direct obligation of the issuer.

(6) The bond or note must be stated in United States dollar denominations.

(7) The bond or note must be eligible for book-entry form on the books of the Federal Reserve's book-entry system or in a depository trust clearing system or on the books of the issuer's transfer agent or evidenced by a certificate delivered to the insurer or its custodian.

(d) To be eligible for deposit under item (7) of subsection (b), a certificate of deposit must have the following characteristics:

(1) The certificate of deposit must be issued by a bank, savings bank, or savings association that is organized under the laws of the United States, of this State, or of any other state and that has a principal office or branch office in this State that is authorized to receive deposits in this State.

(2) The certificate of deposit must be interest-bearing and may not be issued in discounted form.

(3) The certificate of deposit must be issued for a period of not less than one year.

(4) The issuing bank, savings bank, or savings association must agree to the terms and conditions of the

Director regarding the rights to the certificate of deposit and must have executed a written certificate of deposit agreement with the Director. The terms and conditions of the agreement shall include, but need not be limited to:

(A) Exclusive authorized signature authority for the chief financial officer.

(B) An agreement to pay, without protest, the proceeds of its certificate of deposit to the Director within 30 business days after presentation.

(C) A prohibition against levies, setoffs, survivorship, or other conditions that might hinder the Director's ability to recover the full face value of a certificate of deposit.

(D) Instructions regarding interest payments, renewals, taxpayer identification, and early withdrawal penalties.

(E) An agreement to be subject to the jurisdiction of the courts of this State, or those of the United States that are located in this State, for the purposes of any litigation arising out of this Section.

(F) Such other conditions as the Director requires.

(e) The Director may refuse to accept certain securities or refuse to accept the reported market value of certain securities offered pursuant to this Section in order to ensure that sufficient cash and securities are on hand to meet the

purposes of the deposit. In making a refusal under this subsection (e), the guidelines for use of the Director may include, but need not be limited to, whether the market value of the securities cannot be readily ascertained and the lack of liquidity of the securities. Securities refused under this subsection (e) are not acceptable as deposits.

(f) All deposits required of a domestic insurer pursuant to the laws of another state, province, or country must be comprised of securities of the kinds required under subsection (b), having the characteristics required under subsections (c) and (d), and permitted by the laws of the other state, province, or country, except common stocks, mortgages or loans of any kind, real estate investment trust funds or programs, commercial paper, and letters of credit.

(Source: P.A. 98-110, eff. 1-1-14.)

(215 ILCS 5/53) (from Ch. 73, par. 665)

(Section scheduled to be repealed on January 1, 2017)

Sec. 53. Deposit.

(a) A company subject to the provisions of this Article shall make and maintain with the Director for the protection of all creditors, policyholders and policy obligations of the company, a deposit of securities ~~which are authorized investments under Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2)~~ having a fair market value equal to the minimum surplus required to be maintained under Section 43. The

Director may release the required deposit of securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the company that it has no outstanding creditors, policyholders, or policy obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the company's board of directors effecting the surrender of its articles of incorporation for administrative dissolution by the Director; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the company, together with a plan of dissolution approved by the Director.

(b) All deposits by insurers subject to this Article must be limited to the following types:

(1) United States government bonds, notes, and bills for which the full faith and credit of the government of the United States is pledged for the payment of principal and interest.

(2) United States public bonds and notes of any state or of the District of Columbia, or Canadian public bonds and notes of any province thereof, for which the full faith and credit of the issuer has been pledged for the payment of principal and interest.

(3) United States and Canadian county, provincial, municipal, and district bonds and notes for which the issuer has lawful authority to levy taxes or make assessments for the payment of principal and interest.

(4) Bonds and notes of any federal agency that are guaranteed as to payment of principal and interest by the United States.

(5) International development bank bonds, bonds issued by the State of Israel and sold through the Development Corporation for Israel or its successor entities, and notes issued, assumed, and guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or the International Finance Corporation.

(6) Corporate bonds and notes of any private corporations that are not affiliates or subsidiaries of the insurer, which corporations are organized under the laws of the United States, Canada, any state, the District of Columbia, any territory or possession of the United States, or any province of Canada.

(7) Certificates of deposit.

(c) To be eligible for deposit under subsection (b), any bond or note must have the following characteristics:

(1) The bond or note must be interest-bearing or interest-accruing, and the insurer must be the exclusive owner of the interest accruing thereon and entitled to receive the interest for its account.

(2) The issuer must be in a solvent financial condition and the bond or note must not be in default.

(3) The bond, note, or debt of the issuing country must be rated in one of the 4 highest classifications by an established, nationally recognized investment rating service or must have been given a rating of 1 by the Securities Valuation Office of the National Association of Insurance Commissioners.

(4) The market value of the bond or note must be readily ascertainable or the value of the bond or note must be obtainable by the insurer or its custodian from the issuer's fiscal agent.

(5) The bond or note must be the direct obligation of the issuer.

(6) The bond or note must be stated in United States dollar denominations.

(7) The bond or note must be eligible for book-entry form on the books of the Federal Reserve's book-entry system or in a depository trust clearing system or on the books of the issuer's transfer agent or evidenced by a certificate delivered to the insurer or its custodian.

(d) To be eligible for deposit under item (7) of subsection (b), a certificate of deposit must have the following characteristics:

(1) The certificate of deposit must be issued by a bank, savings bank, or savings association that is organized under the laws of the United States, of this State, or of any other state and that has a principal

office or branch office in this State that is authorized to receive deposits in this State.

(2) The certificate of deposit must be interest-bearing and may not be issued in discounted form.

(3) The certificate of deposit must be issued for a period of not less than one year.

(4) The issuing bank, savings bank, or savings association must agree to the terms and conditions of the Director regarding the rights to the certificate of deposit and must have executed a written certificate of deposit agreement with the Director. The terms and conditions of the agreement shall include, but need not be limited to:

(A) Exclusive authorized signature authority for the chief financial officer.

(B) An agreement to pay, without protest, the proceeds of its certificate of deposit to the Director within 30 business days after presentation.

(C) A prohibition against levies, setoffs, survivorship, or other conditions that might hinder the Director's ability to recover the full face value of a certificate of deposit.

(D) Instructions regarding interest payments, renewals, taxpayer identification, and early withdrawal penalties.

(E) An agreement to be subject to the jurisdiction of the courts of this State, or those of the United

States that are located in this State, for the purposes of any litigation arising out of this Section.

(F) Such other conditions as the Director requires.

(e) The Director may refuse to accept certain securities or refuse to accept the reported market value of certain securities offered pursuant to this Section in order to ensure that sufficient cash and securities are on hand to meet the purposes of the deposit. In making a refusal under this subsection (e), the guidelines for use of the Director may include, but need not be limited to, whether the market value of the securities cannot be readily ascertained and the lack of liquidity of the securities. Securities refused under this subsection (e) are not acceptable as deposits.

(f) All deposits required of a domestic insurer pursuant to the laws of another state, province, or country must be comprised of securities of the kinds required under subsection (b), having the characteristics required under subsections (c) and (d), and permitted by the laws of the other state, province, or country, except common stocks, mortgages or loans of any kind, real estate investment trust funds or programs, commercial paper, and letters of credit.

(Source: P.A. 98-110, eff. 1-1-14.)

(215 ILCS 5/174) (from Ch. 73, par. 786)

Sec. 174. Kinds of agreements requiring approval.

(1) The following kinds of reinsurance agreements shall not be entered into by any domestic company unless such agreements are approved in writing by the Director:

(a) Agreements of reinsurance of any such company transacting the kind or kinds of business enumerated in Class 1 of Section 4, or as a Fraternal Benefit Society under Article XVII, a Mutual Benefit Association under Article XVIII, a Burial Society under Article XIX or an Assessment Accident and Assessment Accident and Health Company under Article XXI, cedes previously issued and outstanding risks to any company, or cedes any risks to a company not authorized to transact business in this State, or assumes any outstanding risks on which the aggregate reserves and claim liabilities exceed 20 percent of the aggregate reserves and claim liabilities of the assuming company, as reported in the preceding annual statement, for the business of either life or accident and health insurance.

(b) Any agreement or agreements of reinsurance whereby any company transacting the kind or kinds of business enumerated in either Class 2 or Class 3 of Section 4 cedes to any company or companies at one time, or during a period of six consecutive months more than twenty per centum of the total amount of its previously retained unearned premium reserve liability.

(c) (Blank). ~~Any agreement or agreements of reinsurance whereby any company transacting the kind or kinds of business enumerated in either Class 2 or 3 of section 4 except Class~~

~~2(a) cedes any outstanding risks to a stock company with less than \$2,000,000 in capital and surplus or to a mutual or reciprocal company with less than \$2,000,000 in surplus.~~

(2) An agreement which is not disapproved by the Director within thirty days after its submission shall be deemed approved.

(Source: P.A. 82-626.)

(215 ILCS 5/245.1) (from Ch. 73, par. 857.1)

Sec. 245.1. Assignability of Life Insurance.

No provision of the Illinois Insurance Code, or any other law prohibits an insured under any policy of life insurance, or any other person who may be the owner of any rights under such policy, from making an assignment of all or any part of his rights and privileges under the policy including but not limited to the right to designate a beneficiary thereunder and to have an individual policy issued in accordance with paragraphs (G), (H), and (K) of Section 231.1 ~~(d) and (g) of Section 231~~ of the Illinois Insurance Code. Subject to the terms of the policy or any contract relating thereto, an assignment by an insured or by any other owner of rights under the policy, made before or after the effective date of this amendatory Act of 1969 is valid for the purpose of vesting in the assignee, in accordance with any provisions included therein as to the time at which it is effective, all rights and privileges so assigned. However, such assignment is without

prejudice to the company on account of any payment it makes or individual policy it issues in accordance with paragraphs (d) and (g) of Section 231 before receipt of notice of the assignment. This amendatory Act of 1969 acknowledges, declares and codifies the existing right of assignment of interests under life insurance policies.

(Source: P.A. 76-1443.)

(215 ILCS 5/Art. V.5 rep.)

(215 ILCS 5/Art. XVI rep.)

(215 ILCS 5/Art. XVIII rep.)

(215 ILCS 5/Art. XIXB rep.)

(215 ILCS 5/178 rep.)

(215 ILCS 5/359b rep.)

(215 ILCS 5/359c rep.)

Section 15. The Illinois Insurance Code is amended by repealing Articles V 1/2, XVI, XVIII, and XIXB and Sections 178, 359b, and 359c.

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Statutes amended in order of appearance

5 ILCS 220/6	from Ch. 127, par. 746
215 ILCS 5/26	from Ch. 73, par. 638
215 ILCS 5/53	from Ch. 73, par. 665
215 ILCS 5/174	from Ch. 73, par. 786
215 ILCS 5/245.1	from Ch. 73, par. 857.1
215 ILCS 5/Art. V.5 rep.	
215 ILCS 5/Art. XVI rep.	
215 ILCS 5/Art. XVIII rep.	
215 ILCS 5/Art. XIXB rep.	
215 ILCS 5/155.39 rep.	
215 ILCS 5/178 rep.	
215 ILCS 5/359b rep.	
215 ILCS 5/359c rep.	