**Section 651.ILLUSTRATION A Statement Regarding the Acquisition of Control of a Domestic Insurer**

FORM A

GENERAL INSTRUCTIONS

A. Use of Form A

Form A shall be used by an acquiring party required to file a statement with the Director pursuant to Section 131.5 of the Illinois Insurance Code. Subsequent amendments shall also be filed on Form A, but shall include on the top of the cover sheet "Amendment No. to" and shall indicate the date of the amendment and not the date of the original filing. If the person being acquired is a "domestic insurer" solely because of the provisions of Section 131.4 of the Illinois Insurance Code, the name of the domestic insurer on the cover page shall be indicated as follows:

"ABC Insurance Company, a subsidiary of XYZ Holding Company."

B. Number of Copies – Signatures

(1) Two complete paper copies and one electronic copy of each statement, including exhibits and all other papers and documents filed as a part of the statement, shall be filed with the Director.

(2) At least one copy of each statement filed with the Director shall be manually signed in the manner prescribed by this form. The unsigned copy shall contain the same information as in the manually signed copy. If the signature of any person is affixed pursuant to a power of attorney or other similar authority, a copy of that power of attorney or other authority shall also be filed with the statement.

C. Requirements as to Printing and Language

(1) Statements shall be easily readable and suitable for review and reproduction. Debits in credit categories and credits in debit categories shall be designated in a manner other than color so as to be distinguishable on photocopies.

(2) Statements shall be in the English language and monetary values shall be stated in United States currency. If any exhibit or other paper or document filed with a statement is in a foreign language, it shall be accompanied by a translation into the English language and any monetary values shown in a foreign currency shall be converted into United States currency. Monetary conversions in the financial statement shall be made as of the date of the financial statement. Other required conversions shall be made as of the date stated on the Form A cover page.

D. Preparation of Statement

This form is not to be used as a blank form to be filled in, but only as a guide in the preparation of the statement. The statement shall contain the numbers and captions of all items, but the text of the items may be omitted at the option of the acquiring party provided the answers are so prepared as to indicate to the reader the coverage of the items without the necessity of referring to the text of the items or instructions. All instructions, whether appearing under the items of the form or elsewhere in the form, are to be omitted. Unless expressly provided otherwise within this Part, if any item is inapplicable or the answer is in the negative, a statement to that effect shall be made.

E. Additional Information and Exhibits

In addition to the information expressly required to be included in the statement, the Director may request such further material information, if any, as may be necessary to make the information contained in the statement not misleading. The person filing may also file such exhibits as it may desire in addition to those expressly required by the statement. The exhibits shall be so marked as to indicate clearly the subject matters to which they refer. Changes to the statement shall include on the top of the cover page the phrase: "Change No. (insert number) to" and shall indicate the date of the change and not the date of the original filing.

F. Information Unknown or Not Available

Information required need be given only insofar as it is known or reasonably available to the acquiring party. If any required information is unknown and not reasonably available to the acquiring party, either because obtaining the information would involve unreasonable effort or expense, or because it rests peculiarly within the knowledge of another person not affiliated with the acquiring party, the information may be omitted, subject to the following conditions:

(1) The acquiring party shall give such information on the subject as it possesses or can acquire without unreasonable effort or expense, including but not limited to impossibility or the loss or destruction of documents, together with the sources of the documents.

(2) The acquiring party shall include a statement either showing that unreasonable effort or expense would be involved or indicating the absence of any affiliation with the person within whose knowledge the information rests and stating the result of a request made to that person for the information.

G. Incorporation by Reference

(1) Materials required by any item of this statement may be incorporated by reference in answer or partial answer to any other item.

(2) Information contained in any financial statement, annual report, proxy statement, statement filed with a governmental authority, or any other document may be incorporated by reference in answer or partial answer to any item, provided the document or paper is filed as an exhibit to the statement. Excerpts of documents may be filed as exhibits if the documents are extensive. Documents currently on file with the Director that were filed within 3 years need not be attached as exhibits. References to information contained in exhibits or in documents already on file shall clearly identify the material and shall specifically indicate that the material is to be incorporated by reference in answer to the item. Material shall not be incorporated by reference in any case in which the incorporation would render the statement incomplete, unclear or confusing.

(3) When an item requires a summary or outline of the provisions of any document, only a brief statement shall be made as to the pertinent provisions of the document. In addition to the statement, the summary or outline may incorporate by reference particular parts of any exhibit or document currently on file with the Director that was filed within three years and may be qualified in its entirety by that reference. In any case in which two or more documents required to be filed as exhibits are substantially identical in all material respects except as to the parties to the document, the dates of execution, or other details, a copy of only one of the documents needs to be filed, with a schedule identifying the omitted documents and setting forth the material details in which those documents differ from the documents a copy of which is filed.

H. Summaries or Outlines of Documents

When an item requires a summary or outline of the provisions of any document, only a brief statement shall be made as to the most important provisions of the document. In addition to that statement, the summary or outline may incorporate by reference particular parts of any exhibit and may be qualified in its entirety by the reference.

I. Additional Exhibits

The acquiring party may file such exhibits as it may desire, in addition to those expressly required by the statement. The exhibits shall be marked to indicate clearly the subject matters to which they refer.

J. Omission of Identical Documents

In any case in which two or more documents required to be filed as exhibits are identical in all respects except as to the parties to the document, the dates of execution, or other details, the acquiring party need file a copy of only one of the documents, with a schedule identifying the omitted documents and setting forth the details in which those documents differ from the documents a copy of which is filed. The Director may at any time require the filing of copies of any omitted documents in order to verify that the omitted documents are identical to documents on file.

K. Financial Statements

(1) The financial statements included as exhibits are to be audited by an independent certified public accountant in accordance with generally accepted auditing standards and are to contain financial information presented in accordance with generally accepted accounting principles for each acquiring party for the preceding five fiscal years (or for such lesser period as the acquiring party and any predecessors shall have been in existence) and similar unaudited information as of a date not earlier than 90 days prior to the filing of the statement.

(2) If the applicant is an insurer that is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the laws and regulations of that state.

L. Signature and Certification

For purposes of the signature and certification required by Item 19 of the Form A, the applicant may be any person that is an acquiring party. If the applicant is a natural person, that person shall sign and certify in an individual capacity. If the applicant is other than a natural person, the signature and certification is to be provided only by an executive officer of the applicant.

M. Filing Fee

Pursuant to Section 408 of the Illinois Insurance Code, the Director shall collect a fee for the filing of a statement of acquisition of a domestic insurance company. The Form A filing shall not be deemed complete until the Director has received the appropriate filing fee as required by Section 408.

FORM A

INSTRUCTIONS FOR COMPLETION

COVER PAGE.

FORM A

|  |
| --- |
|  |

NAME OF DOMESTIC INSURER

BY

|  |
| --- |
|  |

NAME OF ALL ACQUIRING PARTIES (APPLICANT)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
| Date: |  | , 20 |  |  |

Name, Title and Address of Person to Whom Notices and Correspondence Concerning This Statement Should be Addressed:

|  |
| --- |
|  |
|  |
|  |

ITEM 1. Insurer and Method of Acquisition

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

ITEM 2. Identity and Background of the Acquiring Party

(a) State the name and address of the acquiring party seeking to acquire control over the insurer.

(b) If the acquiring party is not an individual, state the nature of its business operations for the past five years or for such lesser period as that party and any predecessors shall have been in existence. Briefly describe the business intended to be done by the acquiring party and the acquiring party's subsidiaries.

(c) Furnish a chart or listing presenting the identities of and interrelationships among the acquiring party and all affiliates of the acquiring party. Indicate in the chart or listing the percentage of voting securities of each person that is owned or controlled by the acquiring party or by any other person. If control of any person is maintained other than by ownership or control of voting securities, indicate the basis of that control. As to each person specified in the chart or listing, indicate the type of organization (e.g., corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings looking toward a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and date when commenced.

ITEM 3. Identity and Background of Individuals Associated with the Acquiring Party

With respect to (1) the acquiring party if that person is an individual, and (2) all persons who are directors or executive officers of the acquiring party that will acquire direct control of the domestic insurer, if that acquiring party is not an individual, provide a biographical affidavit which shall include, but not be limited to, the following information: identifying information; affiant's identifying and contact information; affiant's educational, residential and employment history; affiant's professional, business and technical licenses and memberships; a complete history of affiant's fidelity bonding; affiant's criminal charges and convictions; civil, regulatory, administrative and disciplinary actions in affiant's individual or corporate capacity; a complete history of affiant's bankruptcy, insolvency, liens and foreclosures in an individual or corporate capacity; affiant's consent to release background reports to the Department and consent for third parties to cooperate in the gathering of background information; and affiant's and affiant's immediate family's equity holdings in any entity subject to insurance regulation. The Department will accept the biographical affidavit, and any supplement to that affidavit, that is obtained from the website of the National Association of Insurance Commissioners (NAIC) or the Department. On the biographical affidavit, include a third party background check.

ITEM 4. Nature, Source and Amount of Consideration

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the acquisition of control. If any part of the funds or other consideration is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, including any pledge of the acquiring party's own securities or the securities of any of its subsidiaries or affiliates or securities of the domestic company to be acquired, the names of the parties, and copies of all agreements relating to the transaction.

(b) An explanation of the criteria used in determining the nature and amount of the consideration. Nature, as used in this subsection, means form of consideration, such as, but not limited to, cash, debentures and their terms.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the acquiring party wishes the identity to remain confidential, the acquiring party must specifically request that the identity be kept confidential. However, that identity may be disclosed to other insurance departments, provided they agree to observe the confidentiality.

ITEM 5. Future Plans for Insurer

Describe any plans or proposals that the acquiring party may have to liquidate the insurer, to sell its assets to or merge it with any other persons, or to make any other material change in its business operations or corporate structure or management. Describe any operational changes that may occur as a result of any integration of the insurer's operations with the operation of the applicant or any of its affiliates. For purposes of this Item, a change in business operations or corporate structure or management shall be deemed material when it is likely that a reasonable corporate officer would attach importance to the change, considering the overall impact of the change on the corporation.

ITEM 6. Voting Securities or Policyholder Proxies To Be Acquired or Controlled

State the number of shares of the insurer's voting securities or number of policyholder proxies that the acquiring party, its affiliates and any person listed in Item 3 plan to acquire or control, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived.

ITEM 7. Ownership of Voting Securities or Control of Policyholder Proxies

State the amount of the insurer's voting securities that is beneficially owned or concerning which there is a right to acquire beneficial ownership by the acquiring party, its affiliates or any person listed in Item 3. State the number of policyholder proxies currently controlled or concerning which there is a right to acquire control of by the acquiring party, its affiliates or any person listed in Item 3.

ITEM 8. Contracts, Arrangements or Understandings with Respect to Voting Securities or Policyholder Proxies of the Insurer

(a) Give a description of any contracts, arrangements or understandings with respect to any voting security or policyholder proxy of the insurer in which the acquiring party, its affiliates or any persons listed in Item 3 are involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. The description shall identify the persons with whom the contracts, arrangements or understandings have been entered.

(b) Copies of all tender offers for, request or invitations for tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer, and (if distributed) of additional related soliciting material, shall be filed as exhibits.

ITEM 9. Recent Acquisition of Voting Securities or Policyholders Proxies

Describe any acquisition of any voting securities or control of policyholder's proxies of the insurer during the 12 calendar months preceding the filing of this Statement by the acquiring party, its affiliates or any person listed in Item 3. Include in the description the dates of purchase acquisition, the names of the acquirers, and the consideration paid or agreed to be paid.

ITEM 10. Recent Recommendations to Acquire

Describe any recommendations to purchase any voting security or policyholder's proxies of the insurer made during the 12 calendar months preceding the filing of this statement by the acquiring party, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the acquiring party, its affiliates or any person listed in Item 3.

ITEM 11. Agreements with Brokers-Dealers

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard to the solicitation.

ITEM 12. Financial Statements and Exhibits

(a) Financial statements, exhibits and three-year financial projections of the insurers shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached. However, when an individual as the acquiring party must file financial information, that information need not be delivered to the domestic company, but shall be physically available at a hearing proceeding.

(b) The financial statements shall include the annual financial statements of the persons identified in Item 2(a) for the preceding five fiscal years (or for such lesser period as the applicant and its affiliates and any predecessors shall have been in existence), and similar unaudited information as of a date not earlier than 90 days prior to the filing of the statement. The statements may be prepared on either an individual basis, or, unless the Director otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that those statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer that is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the laws and regulations of that state.

ITEM 13. Licensing Requirements

Describe how the domestic company would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed after the change of control.

ITEM 14. Effect of Change of Control Upon Competition

Describe how the effect of the change of control would not substantially lessen competition or tend to create a monopoly in insurance in Illinois. Refer to the competitive standards as set forth in Section 131.12a(4) of the Insurance Code. If these standards would apply, provide information outlined in 50 Ill. Adm. Code 653.Illustration A. The optional expert opinion referred to in Part 653 is also optional under this Part.

ITEM 15. Financial Stability

Briefly outline the financial condition of each acquiring party to demonstrate that the financial condition would not jeopardize the financial stability of the domestic company or the interest of its policyholders. For purposes of this Item, each acquiring party shall submit information regarding its financial condition as affecting the financial stability of a domestic insurer when a corporate officer could reasonably believe that the fiscal integrity of the domestic insurer would be affected by the financial condition of the acquiring party.

ITEM 16. Reasonableness of the Terms

Provide a statement that specifies the method by which the fairness of the terms of the offer, request, invitation, agreement or acquisition in relationship to the value of the domestic company was determined.

ITEM 17. Plans for Material Change in the Domestic Company

Briefly outline facts that would tend to show that the plans or proposals that the acquiring party has to liquidate the domestic company, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are fair and reasonable to the policyholders of the domestic company. Briefly outline any intended business relationship between the company to be acquired and the acquiring party or any affiliate of the acquiring party. For purposes of this Item, a change in business operations or corporate structure or management shall be deemed material when it is likely that a reasonable corporate officer would attach importance to the change considering the overall impact of the change on the corporation.

ITEM 18. Qualifications of the Managing Persons

Briefly describe the competence, experience and integrity of those persons who would manage the operation of the domestic company so as to show that the change of control would not be adverse to the policyholders of the domestic company and of the insurance buying public.

ITEM 19. Statement that Enterprise Risk Management Information Will Be Provided

After the acquisition of control occurs, the applicant shall agree to provide the annual report specified in Section 131.14b of the Code.

ITEM 20. Signature and Certification

Signature and Certification shall be in the following form:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Pursuant to the requirements of Section 131.5 of the Illinois Insurance Code and 50 Ill. Adm. | | | | | | | | | | | | | | | | |
| Code 651, | |  | | | | | | has caused this application to be duly signed | | | | | | | | |
|  | | | Name of Applicant | | | | |  | | | | | | | | |
| on its behalf in the City of | | | |  | | | | | and State of | |  | | | | , |
| on the |  | | | | day of |  | | | | , 20 | |  | . | | | |
|  | | | | | | |  | | | | | | | | | |
|  | | | | | | | Name of Applicant | | | | | | | | | |
| BY | | | | | | |  | | | | | | | | | |
|  | | | | | | | (Name) | | | | | | | (Title) | | |

Attest:

|  |
| --- |
| (Signature of Officer) |
|  |
| (Title) |

CERTIFICATION

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The undersigned deposes and says that the undersigned had duly executed the attached application | | | | | | | | | | | | | |  |
| dated |  | | | | , 20 | | |  | , for and on behalf of | |  | | , |  |
|  | |  |  |  | | | | | | | | (Name of Applicant) |  | |
| that the undersigned is the | | | | | |  | | | | of that company, and that the undersigned | | | |  |
|  | | | | | | | (Title of Officer) | | |  | | | |  |

is authorized to execute and file the application. Deponent further acknowledges familiarity with the application and the contents of the application, and that the facts in the application are true to the best of the undersigned's knowledge, information and belief.

|  |  |
| --- | --- |
| Signature |  |
| (Type or Print Name Beneath) |  |

(Source: Amended at 46 Ill. Reg. 12007, effective June 30, 2022)