**Section 654.30 Prior Notification of Transactions – Required Information**

a) Any domestic company required, pursuant to Section 131.20a(1) of the Code, to notify the Director of a transaction between it and any person in its holding company system shall notify the Director of the transaction in writing at least 30 days prior to entering into the transaction. The notice shall be deemed incomplete unless it includes all the information required by this Part.

b) The Director shall, within the 30 day period, disapprove the transactions if the standards contained in Section 131.20 of the Code have not been met.

c) Transactions Subject to Prior Notice – Notice Filing

1) An insurer required to give notice of a proposed transaction pursuant to Section 131.20a(1) of the Code shall furnish the required information on Form D-1.

2) Agreements for cost sharing services and management services shall, at a minimum and as applicable:

A) Identify the person providing services and the nature of those services;

B) Set forth the methods to allocate costs;

C) Require timely settlement, not less frequently than on a quarterly basis, and compliance with the 2018 edition of the NAIC Accounting Practices and Procedures Manual (available at https://www.naic.org/prod\_serv\_alpha\_listing.htm; this incorporation by reference does not include any subsequent editions or amendments);

D) Prohibit advancement of funds by the insurer to the affiliate except to pay for services defined in the agreement;

E) State that the insurer will maintain oversight for functions provided to the insurer by the affiliate and that the insurer will monitor services annually for quality assurance;

F) Define books and records of the insurer to include all books and records developed or maintained under or related to the agreement;

G) Specify that all books and records of the insurer are and remain the property of the insurer, are subject to control of the insurer, and will be made available to the Director;

H) State that all funds and invested assets of the insurer are the exclusive property of the insurer, are held for the benefit of the insurer, and are subject to the control of the insurer;

I) Include standards for termination of the agreement, with and without cause;

J) Include provisions for indemnification of the insurer in the event of gross negligence or willful misconduct on the part of the affiliate providing the services;

K) Specify that, if the insurer is placed in receivership or seized by the Director under Article XIII of the Code:

i) all of the rights of the insurer under the agreement extend to the receiver or Director; and

ii) all books and records will immediately be made available to the receiver or the Director, and shall be turned over to the receiver or Director immediately upon the receiver's or the Director's request;

L) Specify that the affiliate has no automatic right to terminate the agreement if the insurer is placed in receivership pursuant to Article XIII of the Code; and

M) Specify that the affiliate will continue to maintain any systems, programs, or other infrastructure notwithstanding a seizure pursuant to Article XIII of the Code, and will make them available to the receiver for as long as the affiliate continues to receive timely payment for services rendered.

(Source: Amended at 43 Ill. Reg. 373, effective December 21, 2018)