Sen. John G. Mulroe

Filed: 3/7/2017

AMENDMENT TO SENATE BILL 1297

AMENDMENT NO. _____. Amend Senate Bill 1297 by replacing everything after the enacting clause with the following:

"Section 5. The Illinois Insurance Code is amended by changing Sections 189 and 204 as follows:

(215 ILCS 5/189) (from Ch. 73, par. 801)

Sec. 189. Injunction. The court shall have jurisdiction, upon, or at any time after the filing of the complaint to issue an injunction restraining such company and its officers, agents, directors, employees and all other persons from transacting any company business or disposing of its property until the further order of the court. The court may also restrain all persons, companies, and entities from bringing or further prosecuting all actions and proceedings at law or in equity or otherwise, whether in this State or elsewhere, against the company or its assets or property or the Director

except insofar as those actions or proceedings arise in or are brought in the conservation, rehabilitation, or liquidation proceeding. The court may issue such other injunctions or enter such other orders as may be deemed necessary to prevent interference with the proceedings, or with the Director's possession and control or title, rights or interests as herein provided or to prevent interference with the conduct of the business by the Director, and may issue such other injunctions or enter such other orders as may be deemed necessary to prevent waste of assets or the obtaining, asserting, or enforcing of preferences, judgments, attachments, or other like liens, including common law retaining liens, or the making of any levy against such company or its property and assets while in the possession and control of the Director. The court may issue any other injunctions or enter any other orders that are necessary to protect enrollees in accordance with subsection (c) of Section 5-6 of the Health Maintenance Organization Act. Any injunction issued under this article may be served and enforced as in other civil proceedings, but no bond or other security shall be required of the plaintiff, either for costs or for any injunction. The provisions of this Section are subject to the exclusion set forth in subsection (o) of Section 204 of this Article.

(Source: P.A. 88-297; 89-206, eff. 7-21-95.)

(215 ILCS 5/204) (from Ch. 73, par. 816)

Sec. 204. Prohibited and voidable transfers and liens.

(a)(1) A preference is a transfer of any of the property of a company to or for the benefit of a creditor, for or on account of an antecedent debt, made or suffered by the company within 2 years before the filing of a complaint under this Article, the effect of which may be to enable the creditor to obtain a greater percentage of this debt than another creditor of the same class would receive.

(2) Any preference may be avoided by the Director as rehabilitator, liquidator, or conservator if:

(A) the company was insolvent at the time of the transfer; and

(B) the transfer was made within 4 months before the filing of the complaint; or the creditor receiving it was (i) an officer, or any employee or attorney or other person who was in fact in a position of comparable influence in the company to an officer whether or not that person held such a position, (ii) any shareholder holding, directly or indirectly, more than 5% of any class of any equity security issued by the company, or (iii) any other person, firm, corporation, association, or aggregation of individuals with whom the company did not deal at arm's length.

(3) Where the preference is voidable, the Director as rehabilitator, liquidator, or conservator may recover the property or, if it has been converted, its value from any

person who has received or converted the property; except where a bona fide purchaser or lienor has given less than fair equivalent value, the purchaser or lienor shall have a lien upon the property to the extent of the consideration actually given. Where a preference by way of lien or security title is voidable, the court may on due notice order the lien or title to be preserved for the benefit of the estate, in which event the lien or title shall pass to the Director as rehabilitator or liquidator.

(b) (1) A transfer of property other than real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent lien obtainable by legal or equitable proceedings on a simple contract could become superior to the rights of the transferee.

(2) A transfer of real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent bona fide purchaser from the company could obtain rights superior to the rights of the transferee.

(3) A transfer that creates an equitable lien shall not be deemed to be perfected if there are available means by which a legal lien could be created.

(4) A transfer not perfected before the filing of a complaint shall be deemed to be made immediately before the filing of the complaint.

(5) The provisions of this subsection apply whether or not there are or were creditors who might have obtained liens or

persons who might have become bona fide purchasers.

(c) For purposes of this Section:

(1) A lien obtainable by legal or equitable proceedings upon a simple contract is one arising in the ordinary course of the proceedings upon the entry or docketing of a judgment or decree, or upon attachment, garnishment, execution, or like process, whether before, upon, or after judgment or decree and whether before or upon levy. It does not include liens that, under applicable law, are given a special priority over other liens that are prior in time.

(2) A lien obtainable by legal or equitable proceedings could become superior to the rights of a transferee, or a purchaser could obtain rights superior to the rights of a transferee within the meaning of subsection (b) of this Section, if such consequences would follow only from the lien or purchase itself, or from the lien or purchase followed by any step wholly within the control of the respective lienholder or purchaser, with or without the aid of ministerial action by public officials. A lien could not, however, become superior and a purchase could not create superior rights for the purpose of subsection (b) of this Section through any acts subsequent to an obtaining of the lien or subsequent to a purchase that requires the agreement or concurrence of any third party or that requires any further judicial action or ruling.

(d) A transfer of property for or on account of a new and

contemporaneous consideration which is deemed under subsection (b) of this Section to be made or suffered after the transfer because of delay in perfecting it does not thereby become a transfer for or on account of an antecedent debt if any acts required by the applicable law to be performed in order to perfect the transfer as against liens or bona fide purchasers' rights are performed within 21 days or any period expressly allowed by the law, whichever is less. A transfer to secure a future loan, if the loan is actually made, or a transfer that becomes security for a future loan, shall have the same effect as a transfer for or on account of a new and contemporaneous consideration.

(e) If any lien deemed voidable under part (2) of subsection (a) of this Section has been dissolved by the furnishing of a bond or other obligation, the surety on which has been indemnified directly or indirectly by the transfer of or the creation of a lien upon any property of a company before the filing of a complaint under this Article, the indemnifying transfer or lien shall also be deemed voidable.

(f) The property affected by any lien deemed voidable under subsections (a) and (e) of this Section shall be discharged from the lien, and that property and any of the indemnifying property transferred to or for the benefit of a surety shall pass to the Director as rehabilitator or liquidator, except that the court may, on due notice, order any such lien to be preserved for the benefit of the estate and the court may

direct that such conveyance be executed as may be proper or adequate to evidence the title of the Director as rehabilitator or liquidator.

(g) The court shall have summary jurisdiction over any proceeding by the Director as rehabilitator, liquidator, or conservator to hear and determine the rights of any parties under this Section. Reasonable notice of any hearings in the proceeding shall be given to all parties in interest, including the obligee of a releasing bond or other life obligation. Where an order is entered for the recovery of indemnifying property in kind or for the avoidance of an indemnifying lien, the court, upon application of any party in interest, shall in the same proceeding ascertain the value of the property or lien, and if the value is less than the amount for which the property is indemnity or than the amount of the lien, the transferee or lienholder may elect to retain the property or lien upon payment of its value, as ascertained by the court, to the Director as rehabilitator, liquidator, or conservator, within such reasonable times as the court shall fix.

(h) The liability of the surety under the releasing bond or other similar obligation shall be discharged to the extent of the value of the indemnifying property recovered or the indemnifying lien nullified and avoided by the Director as rehabilitator, liquidator, or conservator. Where the property is retained under subsection (g) of this Section, the liability shall be discharged to the extent of the amount paid to the

Director as rehabilitator, liquidator, or conservator.

(i) If a creditor has been preferred and thereafter in good faith gives the company further credit without security of any kind, for property which becomes a part of the company's estate, the amount of the new credit remaining unpaid at the time of the petition may be set off against the preference which would otherwise be recoverable from the creditor.

(j) If a company shall, directly or indirectly, within 4 months before the filing of a complaint under this Article, or at any time in contemplation of such a proceeding, pay money or transfer property to any attorney for services rendered or to be rendered, the transactions may be examined by the court on its own motion or shall be examined by the court on petition of the Director as rehabilitator, liquidator, or conservator and shall be held valid only to the extent of a reasonable amount to be determined by the court, and the excess may be recovered by the Director as rehabilitator, liquidator, or conservator for the benefit of the estate provided that where the attorney is in a position of influence in the company or an affiliate thereof payment of any money or the transfer of any property to the attorney for services rendered or to be rendered shall be governed by item (B) of part (2) of subsection (a) of this Section.

(k) (1) An officer, director, manager, employee, shareholder, member, subscriber, attorney, or other person acting on behalf of the company who knowingly participates in

giving any preference when that officer, director, manager, employee, shareholder, member, subscriber, attorney, or other person has reasonable cause to believe the company is or is about to become insolvent at the time of the preference shall be personally liable to the Director as rehabilitator, liquidator, or conservator for the amount of the preference. There is a reasonable cause to so believe if the transfer was made within 4 months before the date of filing of the complaint.

(2) A person receiving any property from the company or the benefit thereof as a preference voidable under subsection (a) of this Section shall be personally liable therefor and shall be bound to account to the Director as rehabilitator, liquidator, or conservator.

(3) Nothing in this Section shall prejudice any other claim by the Director as rehabilitator, liquidator, or conservator against any person.

(l) For purposes of this Section, the company is presumed to have been insolvent on and during the 4 month period immediately preceding the date of the filing of the complaint.

(m) The Director as rehabilitator, liquidator, or conservator may not avoid a transfer under this Section to the extent that the transfer was:

(A) Intended by the company and the creditor to or for whose benefit the transfer was made to be a contemporaneous exchange for new value given to the company, and was in

fact a substantially contemporaneous exchange; or

(B) In payment of a debt incurred by the company in the ordinary course of business or financial affairs of the company and the transferee; made in the ordinary course of business or financial affairs of the company and the transferee; and made according to ordinary business terms; ~~or~~

(C) In the case of a transfer by a company where the Director has determined that an event described in Section 35A-25 or 35A-30 has occurred, specifically approved by the Director in writing pursuant to this subsection, whether or not the company is in receivership under this Article. Upon approval by the Director, such a transfer cannot later be found to constitute a prohibited or voidable transfer based solely upon a deviation from the statutory payment priorities established by law for any subsequent receivership; or ~~.~~

(D) Of money or other property arising under or in connection with any Federal Home Loan Bank security agreement or any pledge, security, collateral or guarantee agreement, or any other similar arrangement or credit enhancement relating to a Federal Home Loan Bank security agreement.

(n) The Director as rehabilitator, liquidator, or conservator may avoid any transfer of or lien upon the property of a company that the estate of the company or a policyholder,

creditor, member, or stockholder of the company may have avoided, and the Director as rehabilitator, liquidator, or conservator may recover and collect the property so transferred or its value from the person to whom it was transferred unless the property was transferred to a bona fide holder for value before the filing of the complaint. The Director as rehabilitator, liquidator, or conservator shall be deemed a creditor for purposes of pursuing claims under the Uniform Fraudulent Transfer Act.

(o) Notwithstanding any provision of this Article to the contrary, a Federal Home Loan Bank shall not be stayed, enjoined, or prohibited from exercising or enforcing any right or cause of action regarding collateral pledged under any security agreement or any pledge, security, collateral or guarantee agreement, or any other similar arrangement or credit enhancement relating to a Federal Home Loan Bank security agreement.

(Source: P.A. 93-1083, eff. 2-7-05.)

Section 99. Effective date. This Act takes effect upon becoming law.".