



Rep. Jay Hoffman

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1 AMENDMENT TO SENATE BILL 1737

2 AMENDMENT NO. _____. Amend Senate Bill 1737 by replacing
3 everything after the enacting clause with the following:

4 "Section 1. Short title. This Act may be cited as the
5 Short-Term, Limited-Duration Health Insurance Coverage Act.

6 Section 5. Definitions. In this Act:

7 "Department" means the Department of Insurance.

8 "Health insurance coverage" has the meaning given to that
9 term in the Illinois Health Insurance Portability and
10 Accountability Act.

11 "Health insurance issuer" has the meaning given to that
12 term in the Illinois Health Insurance Portability and
13 Accountability Act.

14 "Fraud" means an intentional misrepresentation of a
15 material fact in connection with the coverage.

16 "Short-term, limited-duration health insurance coverage"

1 means health insurance coverage provided pursuant to a policy
2 with an issuer, regardless of the situs of the delivery of the
3 policy, that is less than 365 days after the effective date of
4 the policy.

5 Section 10. Application; scope; duration of coverage.

6 (a) This Act applies to health insurance issuers that offer
7 short-term, limited-duration health insurance coverage to
8 individuals in this State and to short-term, limited-duration
9 health insurance coverage that is delivered or issued for
10 delivery in this State, including coverage issued outside of
11 this State that covers individuals in this State.

12 (b) A short-term, limited-duration health insurance
13 coverage policy may not be issued or delivered to any person
14 residing in this State unless the policy, when delivered or
15 issued for delivery in this State, complies with the provisions
16 of this Act.

17 (c) Any short-term, limited-duration health insurance
18 coverage policy that is delivered or issued for delivery in
19 this State must have an expiration date in the policy that is
20 less than 181 days after the effective date and shall not be
21 renewable or extendable within a period of 365 days after the
22 individual's coverage under the policy ends, either at the
23 option of the issuer or the individual. Renewal of a
24 short-term, limited-duration health insurance coverage policy
25 includes the issuance of a new short-term, limited-duration

1 health insurance policy by an issuer to a policyholder within
2 60 days after the expiration of a policy previously issued by
3 the issuer to the policyholder.

4 (d) Any short-term, limited-duration health insurance
5 coverage policy that is delivered or issued for delivery in
6 this State may not be rescinded before the expiration date in
7 the policy, except in cases of nonpayment of premiums, fraud,
8 or as provided in subsection (e).

9 (e) Any short-term, limited-duration health insurance
10 coverage policy that is delivered or issued for delivery in
11 this State shall contain an option for an individual to cancel
12 coverage after any 30-day interval during the term of the plan.

13 Section 15. Disclosure requirements.

14 (a) A health insurance issuer that offers short-term,
15 limited-duration health insurance coverage to be delivered or
16 issued for delivery in this State shall, in addition to all
17 other documents required, including, but not limited to, the
18 policy, the certificate, the membership booklet, and a
19 description of appeal and external review rights, deliver an
20 outline of coverage to an applicant for or an enrollee in
21 short-term, limited-duration health insurance coverage
22 delivered or issued for delivery in this State.

23 (b) Any short-term, limited-duration health insurance
24 coverage policy that is delivered or issued for delivery in the
25 State shall display prominently in the policy, any application,

1 sales, and marketing materials provided in connection with
2 enrollment in such coverage, and the outline of coverage for
3 such coverage, in at least 14-point, bold type, the following:

4 "NOTICE: THE SHORT-TERM, LIMITED-DURATION INSURANCE BENEFITS
5 UNDER THIS COVERAGE DO NOT MEET ALL FEDERAL REQUIREMENTS TO
6 QUALIFY AS "MINIMUM ESSENTIAL COVERAGE" FOR HEALTH INSURANCE
7 UNDER THE AFFORDABLE CARE ACT. THIS PLAN OF COVERAGE DOES NOT
8 INCLUDE ALL ESSENTIAL HEALTH BENEFITS AS REQUIRED BY THE
9 AFFORDABLE CARE ACT. PREEXISTING CONDITIONS ARE NOT COVERED
10 UNDER THIS PLAN OF COVERAGE. BE SURE TO CHECK YOUR POLICY
11 CAREFULLY TO MAKE SURE YOU UNDERSTAND WHAT THE POLICY DOES AND
12 DOES NOT COVER. IF THIS COVERAGE EXPIRES OR YOU LOSE
13 ELIGIBILITY FOR THIS COVERAGE, YOU MIGHT HAVE TO WAIT UNTIL THE
14 NEXT OPEN ENROLLMENT PERIOD TO GET OTHER HEALTH INSURANCE
15 COVERAGE. YOU MAY BE ABLE TO GET LONGER TERM INSURANCE THAT
16 QUALIFIES AS "MINIMUM ESSENTIAL COVERAGE" FOR HEALTH INSURANCE
17 UNDER THE AFFORDABLE CARE ACT NOW AND HELP TO PAY FOR IT AT
18 WWW.HEALTHCARE.GOV."

19 (c) Any individual selling a short-term, limited-duration
20 health insurance coverage policy in this State in face-to-face
21 or telephonic sales interactions must read out loud the
22 disclosure in subsection (b) to a prospective purchaser. An
23 entity selling a short-term, limited-duration health insurance
24 coverage policy in Illinois must display the disclosure in
25 subsection (b) on the webpage where a prospective purchaser
26 would purchase coverage.

1 (d) Nothing in this Section precludes an insurer from
2 providing disclosures in addition to those required in
3 subsections (b) and (c). Nothing in this Section precludes an
4 insurer from providing disclosures intended to clarify those
5 required in subsections (b) and (c) if approved by the
6 Department.

7 Section 20. Filing and approval.

8 (a) Coverage subject to this Act may not be delivered or
9 issued for delivery in this State unless the policy evidencing
10 such coverage has been filed with and been approved by the
11 Department.

12 (b) A health insurance issuer who intends to deliver or
13 issue for delivery a short-term, limited-duration health
14 insurance coverage policy in this State shall file with the
15 Department:

16 (1) all paperwork required for individual health
17 insurance coverage pursuant to 50 Ill. Adm. Code 916; and

18 (2) all sales and marketing materials provided in
19 connection with enrollment in such coverage for
20 informational purposes.

21 (c) The Department shall adopt any rules necessary to carry
22 out the provisions of this Act.

23 Section 90. The Illinois Insurance Code is amended by
24 adding Article IIB and Sections 123C-23, 123C-24, 123C-25,

1 123C-26, 123C-27, 123C-28, and 462a and by changing Sections
2 121-2.08, 123C-1, 123C-2, 123C-3, 123C-9, 123C-11, 123C-12,
3 123C-13, 123C-16, 123C-17, 123C-19, 156, 173.1, 456, 457, and
4 458 as follows:

5 (215 ILCS 5/Art. IIB heading new)

6 ARTICLE IIB. DOMESTIC STOCK COMPANY DIVISION

7 (215 ILCS 5/35B-1 new)

8 Sec. 35B-1. Short title. This Article may be cited as the
9 Domestic Stock Company Division Law.

10 (215 ILCS 5/35B-5 new)

11 Sec. 35B-5. Purpose. The purpose of this Article is to
12 stimulate economic development in the State of Illinois by
13 creating and sustaining employment opportunities and
14 increasing and sustaining taxable revenue, through improving
15 the competitive position of domestic stock companies,
16 maintaining the competitiveness of this State as a state of
17 domicile for domestic stock companies, and enhancing the
18 desirability of this State as a jurisdiction of domicile for
19 newly incorporating and existing foreign stock companies.

20 (215 ILCS 5/35B-10 new)

21 Sec. 35B-10. Definitions. As used in this Article:

22 "Assets" means all assets or property, whether real,

1 personal or mixed, tangible or intangible, and any right or
2 interest therein, including all rights under contracts and
3 other agreements.

4 "Capital" means the capital stock component of statutory
5 surplus, as defined in the National Association of Insurance
6 Commissioners Accounting Practices and Procedures Manual,
7 version effective January 1, 2001, and subsequent revisions.

8 "Divide" or "division" means the act by operation of law by
9 which a domestic stock company divides into 2 or more resulting
10 companies in accordance with a plan of division and this
11 Article;

12 "Dividing company" means a domestic stock company that
13 approves a plan of division pursuant to Section 35B-20;

14 "Domestic stock company" means a domestic stock company
15 transacting or being organized to transact any of the kinds of
16 insurance business enumerated in Section 4.

17 "Liability" means a liability or obligation of any kind,
18 character, or description, whether known or unknown, absolute
19 or contingent, accrued or unaccrued, disputed or undisputed,
20 liquidated or unliquidated, secured or unsecured, joint or
21 several, due or to become due, determined, determinable, or
22 otherwise.

23 "New company" means a domestic stock company that is
24 created by a division occurring on or after the effective date
25 of this amendatory Act of the 100th General Assembly.

26 "Plan of division" means a plan of division approved by a

1 dividing company in accordance Section 35B-20.

2 "Policy liability" means a liability as defined in this
3 Section arising out of or related to an insurance policy,
4 contract of insurance, or reinsurance agreement.

5 "Recorder" means the office of the recorder of the county
6 where the principal office of a domestic stock company is
7 located.

8 "Resulting company" means a domestic stock company created
9 by a division or a dividing company that survives a division.

10 "Shareholder" means the person in whose name shares are
11 registered in the records of a corporation or the beneficial
12 owner of shares to the extent of the rights granted by a
13 nominee certificate on file with a corporation.

14 "Sign" or "signature" includes a manual, facsimile, or
15 conformed or electronic signature.

16 "Surplus" means total statutory surplus less capital,
17 calculated in accordance with the National Association of
18 Insurance Commissioners Accounting Practices and Procedures
19 Manual, version effective January 1, 2001, and subsequent
20 revisions.

21 "Transfer" includes an assignment, assumption, conveyance,
22 sale, lease, encumbrance, including a mortgage or security
23 interest, gift, or transfer by operation of law.

24 (215 ILCS 5/35B-15 new)

25 Sec. 35B-15. Plan of division.

1 (a) A domestic stock company may, in accordance with the
2 requirements of this Article, divide into 2 or more resulting
3 companies pursuant to a plan of division.

4 (b) Each plan of division shall include:

5 (1) the name of the domestic stock company seeking to
6 divide;

7 (2) the name of each resulting company that will be
8 created by the proposed division;

9 (3) for each new company that will be created by the
10 proposed division, a copy of its:

11 (A) proposed articles of incorporation;

12 (B) proposed bylaws; and

13 (C) the kinds of insurance business enumerated in
14 Section 4 that the new company would be authorized to
15 conduct;

16 (4) the manner of allocating between or among the
17 resulting companies:

18 (A) the assets of the domestic stock company that
19 will not be owned by all of the resulting companies as
20 tenants in common pursuant to Section 35B-35; and

21 (B) the liabilities of the domestic stock company,
22 including policy liabilities, to which not all of the
23 resulting companies will become jointly and severally
24 liable pursuant to paragraph (3) of subsection (a) of
25 Section 35B-40;

26 (5) the manner of distributing shares in the new

1 companies to the dividing company or its shareholders;

2 (6) a reasonable description of the liabilities,
3 including policy liabilities, and items of capital,
4 surplus, or other assets, in each case, that the domestic
5 stock company proposes to allocate to each resulting
6 company, including specifying the reinsurance contract,
7 reinsurance coverage obligations, and related claims that
8 are applicable to those policies;

9 (7) all terms and conditions required by the laws of
10 this State or the articles of incorporation and bylaws of
11 the domestic stock company;

12 (8) evidence demonstrating that the interest of all
13 classes of policyholders of the dividing company will be
14 properly protected; and

15 (9) all other terms and conditions of the division.

16 Nothing in this subsection (b) shall expand or reduce the
17 allocation and assignment of reinsurance as stated in the
18 reinsurance contract.

19 (c) If the domestic stock company survives the division,
20 the plan of division shall include, in addition to the
21 information required by subsection (b):

22 (1) all proposed amendments to the dividing company's
23 articles of incorporation and bylaws, if any;

24 (2) if the dividing company desires to cancel some, but
25 less than all, shares in the dividing company, the manner
26 in which it will cancel such shares; and

1 (3) if the dividing company desires to convert some,
2 but less than all, shares in the dividing company into
3 shares, securities, obligations, money, other property,
4 rights to acquire shares or securities, or any combination
5 thereof, a statement disclosing the manner in which it will
6 convert the shares.

7 (d) If the domestic stock company does not survive the
8 proposed division, the plan of division shall contain, in
9 addition to the information required by subsection (b), the
10 manner in which the dividing company will cancel or convert
11 shares in the dividing company into shares, securities,
12 obligations, money, other property, rights to acquire shares or
13 securities, or any combination thereof.

14 (e) Terms of a plan of division may be made dependent on
15 facts objectively ascertainable outside of the plan of
16 division.

17 (f) A dividing company may amend a plan of division in
18 accordance with any procedures set forth in the plan of
19 division or, if no such procedures are set forth in the plan of
20 division, in any manner determined by the board of directors of
21 the dividing company, except that a shareholder that was
22 entitled to vote on or consent to approval of the plan of
23 division is entitled to vote on or consent to any amendment of
24 the plan of division that will change:

25 (1) the amount or kind of shares, securities,
26 obligations, money, other property, rights to acquire

1 shares or securities, or any combination thereof, to be
2 received by any of the shareholders of the dividing company
3 under the plan of division;

4 (2) the articles of incorporation or bylaws of any
5 resulting company that will be in effect when the division
6 becomes effective, except for changes that do not require
7 approval of the shareholders of the resulting company under
8 its articles of incorporation or bylaws; or

9 (3) any other terms or conditions of the plan of
10 division, if the change would adversely affect the
11 shareholders in any material respect.

12 (g) A dividing company may abandon a plan of division after
13 it has approved the plan of division without any action by the
14 shareholders and in accordance with any procedures set forth in
15 the plan of division or, if no such procedures are set forth in
16 the plan of division, in a manner determined by the board of
17 directors of the dividing company.

18 (h) A dividing company may abandon a plan of division after
19 it has filed a certificate of division with the recorder by
20 filing with the recorder, with concurrent copy to the director,
21 a certificate of abandonment signed by the dividing company.
22 The certificate of abandonment shall be effective on the date
23 it is filed with the recorder and the dividing company shall be
24 deemed to have abandoned its plan of division on such date.

25 (i) A dividing company may not abandon or amend its plan of
26 division once the division becomes effective.

1 (215 ILCS 5/35B-20 new)

2 Sec. 35B-20. Requirements of a plan of division.

3 (a) A domestic stock company shall not file a plan of
4 division with the Director unless the plan of division has been
5 approved in accordance with:

6 (1) any applicable provisions of its articles of
7 incorporation and bylaws; and

8 (2) all laws of this State governing the internal
9 affairs of a domestic stock company that provide for
10 approval of a merger.

11 (b) If any provision of the articles of incorporation or
12 bylaws of a domestic stock company requires that a specific
13 number or percentage of board of directors or shareholders
14 approve the proposal or adoption of a plan of merger, or
15 imposes other special procedures for the proposal or adoption
16 of a plan of merger, such domestic stock company shall adhere
17 to such provision in proposing or adopting a plan of division.
18 If any provision of the articles of incorporation or bylaws of
19 a domestic stock company is amended, such amendment shall
20 thereafter apply to a division only in accordance with its
21 express terms.

22 (215 ILCS 5/35B-25 new)

23 Sec. 35B-25. Plan of division approval.

24 (a) A division shall not become effective until it is

1 approved by the Director after reasonable notice and a public
2 hearing, if the notice and hearing are deemed by the Director
3 to be in the public interest. The Director shall hold a public
4 hearing if one is requested by the dividing company. A hearing
5 conducted under this Section shall be conducted in accordance
6 with Article 10 of the Illinois Administrative Procedure Act.

7 (b) The Director shall approve a plan of division unless
8 the Director finds that:

9 (1) the interest of any class of policyholder or
10 shareholder of the dividing company will not be properly
11 protected;

12 (2) each new company created by the proposed division,
13 except a new company that is a nonsurviving party to a
14 merger pursuant to subsection (b) of Section 156, would be
15 ineligible to receive a license to do insurance business in
16 this State pursuant to Section 5;

17 (3) the proposed division violates a provision of the
18 Uniform Fraudulent Transfer Act;

19 (4) the division is being made for purposes of
20 hindering, delaying, or defrauding any policyholders or
21 other creditors of the dividing company;

22 (5) one or more resulting companies will not be solvent
23 upon the consummation of the division; or

24 (6) the remaining assets of one or more resulting
25 companies will be, upon consummation of a division,
26 unreasonably small in relation to the business and

1 transactions in which the resulting company was engaged or
2 is about to engage.

3 (c) In determining whether the standards set forth in
4 paragraph (3) of subsection (b) have been satisfied, the
5 Director shall only apply the Uniform Fraudulent Transfer Act
6 to a dividing company in its capacity as a resulting company
7 and shall not apply the Uniform Fraudulent Transfer Act to any
8 dividing company that is not proposed to survive the division.

9 (d) In determining whether the standards set forth in
10 paragraphs (3), (4), (5), and (6) of subsection (b) have been
11 satisfied, the Director may consider all proposed assets of the
12 resulting company, including, without limitation, reinsurance
13 agreements, parental guarantees, support or keep well
14 agreements, or capital maintenance or contingent capital
15 agreements, in each case, regardless of whether the same would
16 qualify as an admitted asset as defined in Section 3.1.

17 (e) In determining whether the standards set forth in
18 paragraph (3) of subsection (b) have been satisfied, with
19 respect to each resulting company, the Director shall, in
20 applying the Uniform Fraudulent Transfer Act, treat:

21 (1) the resulting company as a debtor;

22 (2) liabilities allocated to the resulting company as
23 obligations incurred by a debtor;

24 (3) the resulting company as not having received
25 reasonably equivalent value in exchange for incurring the
26 obligations; and

1 (4) assets allocated to the resulting company as
2 remaining property.

3 (f) All information, documents, materials, and copies
4 thereof submitted to, obtained by, or disclosed to the Director
5 in connection with a plan of division or in contemplation
6 thereof, including any information, documents, materials, or
7 copies provided by or on behalf of a domestic stock company in
8 advance of its adoption or submission of a plan of division,
9 shall be confidential and shall be subject to the same
10 protection and treatment in accordance with Section 131.14d as
11 documents and reports disclosed to or filed with the Director
12 pursuant to Section 131.14b until such time, if any, as a
13 notice of the hearing contemplated by subsection (a) is issued.

14 (g) From and after the issuance of a notice of the hearing
15 contemplated by subsection (a), all business, financial, and
16 actuarial information that the domestic stock company requests
17 confidential treatment, other than the plan of division, shall
18 continue to be confidential and shall not be available for
19 public inspection and shall be subject to the same protection
20 and treatment in accordance with Section 131.14d as documents
21 and reports disclosed to or filed with the Director pursuant to
22 Section 131.14b.

23 (h) All expenses incurred by the Director in connection
24 with proceedings under this Section, including expenses for the
25 services of any attorneys, actuaries, accountants, and other
26 experts as may be reasonably necessary to assist the Director

1 in reviewing the proposed division, shall be paid by the
2 dividing company filing the plan of division. A dividing
3 company may allocate expenses described in this subsection in a
4 plan of division in the same manner as any other liability.

5 (i) If the Director approves a plan of division, the
6 Director shall issue an order that shall be accompanied by
7 findings of fact and conclusions of law.

8 (j) The conditions in this Section for freeing one or more
9 of the resulting companies from the liabilities of the dividing
10 company and for allocating some or all of the liabilities of
11 the dividing company shall be conclusively deemed to have been
12 satisfied if the plan of division has been approved by the
13 Director in a final order that is not subject to further
14 appeal.

15 (215 ILCS 5/35B-30 new)

16 Sec. 35B-30. Certificate of division.

17 (a) After a plan of division has been adopted and approved,
18 an officer or duly authorized representative of the dividing
19 company shall sign a certificate of division.

20 (b) The certificate of division shall set forth:

21 (1) the name of the dividing company;

22 (2) a statement disclosing whether the dividing
23 company will survive the division;

24 (3) the name of each new company that will be created
25 by the division;

1 (4) the kinds of insurance business enumerated in
2 Section 4 that the new company will be authorized to
3 conduct;

4 (5) the date that the division is to be effective,
5 which shall not be more than 90 days after the dividing
6 company has filed the certificate of division with the
7 recorder, with a concurrent copy to the Director;

8 (6) a statement that the division was approved by the
9 Director in accordance with Section 35B-25;

10 (6) a statement that the dividing company provided, no
11 later than 10 business days after the dividing company
12 filed the plan of division with the Director, reasonable
13 notice to each reinsurer that is party to a reinsurance
14 contract that is applicable to the policies included in the
15 plan of division;

16 (7) if the dividing company will survive the division,
17 an amendment to its articles of incorporation or bylaws
18 approved as part of the plan of division;

19 (8) for each new company created by the division, its
20 articles of incorporation and bylaws, provided that the
21 articles of incorporation and bylaws need not state the
22 name or address of an incorporator; and

23 (9) a reasonable description of the capital, surplus,
24 other assets and liabilities, including policy
25 liabilities, of the dividing company that are to be
26 allocated to each resulting company.

1 (c) The articles of incorporation and bylaws of each new
2 company must satisfy the requirements of the laws of this
3 State, provided that the documents need not be signed or
4 include a provision that need not be included in a restatement
5 of the document.

6 (d) A certificate of division is effective when filed with
7 the recorder, with a concurrent copy to the Director, as
8 provided in this Section or on another date specified in the
9 plan of division, whichever is later, provided that a
10 certificate of division shall become effective not more than 90
11 days after it is filed with the recorder. A division is
12 effective when the relevant certificate of division is
13 effective.

14 (215 ILCS 5/35B-35 new)

15 Sec. 35B-35. Effects of division.

16 (a) When a division becomes effective pursuant to Section
17 35B-30:

18 (1) if the dividing company has survived the division:

19 (A) it continues to exist;

20 (B) its articles of incorporation shall be
21 amended, if necessary, as provided in the plan of
22 division; and

23 (C) its bylaws shall be amended, if necessary, as
24 provided in the plan of division;

25 (2) if the dividing company has not survived the

1 division, its separate existence ceases to exist;

2 (3) each new company:

3 (A) comes into existence;

4 (B) shall hold any capital, surplus, and other
5 assets allocated to such new company by the plan of
6 division as a successor to the dividing company,
7 automatically, by operation of law and not by transfer,
8 whether directly or indirectly; and

9 (C) its articles of incorporation, if any, and
10 bylaws, if any, shall be effective;

11 (4) capital, surplus, and other assets of the dividing
12 company:

13 (A) that is allocated by the plan of division
14 either:

15 (i) vests in the applicable new company as
16 provided in the plan of division; or

17 (ii) remains vested in the dividing company as
18 provided in the plan of division;

19 (B) that is not allocated by the plan of division
20 either:

21 (i) remains vested in the dividing company, if
22 the dividing company survives the division; or

23 (ii) is allocated to and vests equally in the
24 resulting companies as tenants in common, if the
25 dividing company does not survive the division; or

26 (C) otherwise vests as provided in this subsection

1 without transfer, reversion, or impairment;

2 (5) a resulting company to which a cause of action is
3 allocated as provided in paragraph (4) of this subsection
4 (a) may be substituted or added in any pending action or
5 proceeding to which the dividing company is a party when
6 the division becomes effective;

7 (6) the liabilities, including policy liabilities, of
8 the dividing company are allocated between or among the
9 resulting companies as provided in Section 35B-40 and each
10 resulting company to which liabilities are allocated is
11 liable only for those liabilities, including policy
12 liabilities, so allocated as successors to the dividing
13 company, automatically, by operation of law, and not by
14 transfer (or, for the avoidance of doubt, assumption),
15 whether directly or indirectly; and

16 (7) the shares in the dividing company that are to be
17 converted or canceled in the division are converted or
18 canceled, and the shareholders of those shares are entitled
19 only to the rights provided to them under the plan of
20 division and any appraisal rights that they may have
21 pursuant to Section 35B-45.

22 (b) Except as provided in the articles of incorporation or
23 bylaws of the dividing company, the division does not give rise
24 to any rights that a shareholder, director of a domestic stock
25 company, or third party would have upon a dissolution,
26 liquidation, or winding up of the dividing company.

1 (c) The allocation to a new company of capital, surplus, or
2 other assets that is collateral covered by an effective
3 financing statement shall not be effective until a new
4 financing statement naming the new company as a debtor is
5 effective under the Uniform Commercial Code.

6 (d) Unless otherwise provided in the plan of division, the
7 shares in and any securities of each new company shall be
8 distributed to:

9 (1) the dividing company, if it survives the division;

10 or

11 (2) shareholders of the dividing company that do not
12 assert any appraisal rights that they may have pursuant to
13 Section 35B-45, pro rata.

14 (215 ILCS 5/35B-40 new)

15 Sec. 35B-40. Resulting company liabilities.

16 (a) Except as otherwise expressly provided in this Section,
17 when a division becomes effective, each resulting company is
18 responsible, automatically, by operation of law, for:

19 (1) individually, the liabilities, including policy
20 liabilities, that the resulting company issues,
21 undertakes, or incurs in its own name after the division;

22 (2) individually, the liabilities, including policy
23 liabilities, of the dividing company that are allocated to
24 or remain the liability of the resulting company to the
25 extent specified in the plan of division; and

1 (3) jointly and severally with the other resulting
2 companies, the liabilities, including policy liabilities,
3 of the dividing company that are not allocated by the plan
4 of division.

5 (b) Except as otherwise expressly provided in this Section,
6 when a division becomes effective, no resulting company is
7 responsible for or shall have any liability or obligation in
8 respect of:

9 (1) any liabilities, including policy liabilities,
10 that another resulting company issues, undertakes, or
11 incurs in its own name after the division; or

12 (2) any liabilities, including policy liabilities, of
13 the dividing company that are allocated to or remain the
14 liability of another resulting company in accordance with
15 the plan of division.

16 (c) If a provision of a debt security, note, or similar
17 evidence of indebtedness for money borrowed, whether secured or
18 unsecured, indenture or other contract relating to
19 indebtedness, or a provision of any other type of contract
20 other than an insurance policy, annuity, or reinsurance
21 agreement, that was issued, incurred, or executed by the
22 domestic stock company before requires the consent of the
23 obligee to a merger of the dividing company or treats the
24 merger as a default, that provision applies to a division of
25 the dividing company as if the division was a merger.

26 (d) If a division breaches a contractual obligation of the

1 dividing company at the time the division becomes effective,
2 all of the resulting companies are liable, jointly and
3 severally, for the contractual breach, but the validity and
4 effectiveness of the division, including, without limitation,
5 the allocation of liabilities in accordance with the plan of
6 division, shall not be affected by the contractual breach.

7 (e) A direct or indirect allocation of capital, surplus,
8 assets, or liabilities, including policy liabilities, in a
9 division shall occur automatically, by operation of law, and
10 shall not be treated as a distribution or transfer for any
11 purpose with respect to either the dividing company or any of
12 the resulting companies.

13 (f) Liens, security interests, and other charges on the
14 capital, surplus, or other assets of the dividing company are
15 not impaired by the division, notwithstanding any otherwise
16 enforceable allocation of liabilities, including policy
17 liabilities, of the dividing company.

18 (g) If the dividing company is bound by a security
19 agreement governed by Article 9 of the Uniform Commercial Code
20 as enacted in this State or in any other jurisdiction, and the
21 security agreement provides that the security interest
22 attaches to after-acquired collateral, each resulting company
23 is bound by the security agreement.

24 (h) An allocation of a policy or other liability does not:

25 (1) except as provided in the plan of division and
26 specifically approved by the Director, affect the rights

1 that a policyholder or creditor has under other law in
2 respect of the policy or other liability, except that those
3 rights are available only against a resulting company
4 responsible for the policy or liability under this Section;
5 or

6 (2) release or reduce the obligation of a reinsurer,
7 surety, or guarantor of the policy or liability.

8 (215 ILCS 5/35B-45 new)

9 Sec. 35B-45. Shareholder rights. If the dividing company
10 does not survive the division, an objecting shareholder of a
11 dividing company is entitled to appraisal rights and to obtain
12 payment of the fair value of that shareholder's shares, in the
13 same manner and to the extent provided for pursuant to Section
14 167.

15 (215 ILCS 5/35B-50 new)

16 Sec. 35B-50. Rules. The Director may adopt such rules as
17 are necessary or appropriate to carry out this Article.

18 (215 ILCS 5/121-2.08) (from Ch. 73, par. 733-2.08)

19 Sec. 121-2.08. Transactions in this State involving
20 contracts of insurance independently procured directly from an
21 unauthorized insurer by industrial insureds.

22 (a) As used in this Section:

23 "Exempt commercial purchaser" means exempt commercial

1 purchaser as the term is defined in subsection (1) of Section
2 445 of this Code.

3 "Home state" means home state as the term is defined in
4 subsection (1) of Section 445 of this Code.

5 "Industrial insured" means an insured:

6 (i) that procures the insurance of any risk or risks of
7 the kinds specified in Classes 2 and 3 of Section 4 of this
8 Code by use of the services of a full-time employee who is
9 a qualified risk manager or the services of a regularly and
10 continuously retained consultant who is a qualified risk
11 manager;

12 (ii) that procures the insurance directly from an
13 unauthorized insurer without the services of an
14 intermediary insurance producer; and

15 (iii) that is an exempt commercial purchaser whose home
16 state is Illinois.

17 "Insurance producer" means insurance producer as the term
18 is defined in Section 500-10 of this Code.

19 "Qualified risk manager" means qualified risk manager as
20 the term is defined in subsection (1) of Section 445 of this
21 Code.

22 "Safety-Net Hospital" means an Illinois hospital that
23 qualifies as a Safety-Net Hospital under Section 5-5e.1 of the
24 Illinois Public Aid Code.

25 "Unauthorized insurer" means unauthorized insurer as the
26 term is defined in subsection (1) of Section 445 of this Code.

1 (b) For contracts of insurance effective January 1, 2015 or
2 later, within 90 days after the effective date of each contract
3 of insurance issued under this Section, the insured shall file
4 a report with the Director by submitting the report to the
5 Surplus Line Association of Illinois in writing or in a
6 computer readable format and provide information as designated
7 by the Surplus Line Association of Illinois. The information in
8 the report shall be substantially similar to that required for
9 surplus line submissions as described in subsection (5) of
10 Section 445 of this Code. Where applicable, the report shall
11 satisfy, with respect to the subject insurance, the reporting
12 requirement of Section 12 of the Fire Investigation Act.

13 (c) For contracts of insurance effective January 1, 2015
14 through December 31, 2017 ~~or later~~, within 30 days after filing
15 the report, the insured shall pay to the Director for the use
16 and benefit of the State a sum equal to the gross premium of
17 the contract of insurance multiplied by the surplus line tax
18 rate, as described in paragraph (3) of subsection (a) of
19 Section 445 of this Code, and shall pay the fire marshal tax
20 that would otherwise be due annually in March for insurance
21 subject to tax under Section 12 of the Fire Investigation Act.
22 For contracts of insurance effective January 1, 2018 or later,
23 within 30 days after filing the report, the insured shall pay
24 to the Director for the use and benefit of the State a sum
25 equal to 0.5% of the gross premium of the contract of
26 insurance, and shall pay the fire marshal tax that would

1 otherwise be due annually in March for insurance subject to tax
2 under Section 12 of the Fire Investigation Act. For contracts
3 of insurance effective January 1, 2015 or later, within 30 days
4 after filing the report, the insured shall pay to the Surplus
5 Line Association of Illinois a countersigning fee that shall be
6 assessed at the same rate charged to members pursuant to
7 subsection (4) of Section 445.1 of this Code.

8 (d) For contracts of insurance effective January 1, 2015 or
9 later, the insured shall withhold the amount of the taxes and
10 countersignature fee from the amount of premium charged by and
11 otherwise payable to the insurer for the insurance. If the
12 insured fails to withhold the tax and countersignature fee from
13 the premium, then the insured shall be liable for the amounts
14 thereof and shall pay the amounts as prescribed in subsection
15 (c) of this Section.

16 (e) Contracts of insurance with an industrial insured that
17 qualifies as a Safety-Net Hospital are not subject to
18 subsections (b) through (d) of this Section.

19 (Source: P.A. 100-535, eff. 9-22-17.)

20 (215 ILCS 5/123C-1) (from Ch. 73, par. 735C-1)

21 (Section scheduled to be repealed on January 1, 2027)

22 Sec. 123C-1. Definitions. As used in this Article:

23 A. "Affiliate" or "Affiliated company" includes a parent
24 entity that controls a captive insurance company and:

25 (1) is an affiliate of another entity if the entity

1 directly or indirectly, through one or more
2 intermediaries, controls, is controlled by, or is under
3 common control with the other entity.

4 (2) is an affiliate of another entity if the entity is
5 an affiliate of and is controlled by the other entity
6 directly or indirectly through one or more intermediaries.

7 A subsidiary or holding company of an entity is an affiliate of
8 that entity. ~~shall have the meaning set forth in subsection (a)~~
9 ~~of Section 131.1 (and, for purposes of such definition, the~~
10 ~~definitions of "control" and "person", as set forth in~~
11 ~~subsections (b) and (c) of Section 131.1, respectively, shall~~
12 ~~be applicable).~~

13 B. "Association" means any entity meeting the requirements
14 set forth in either of the following paragraphs (1), (2) or
15 (3):

16 (1) any organized association of individuals, legal
17 representatives, corporations (whether for profit or not
18 for profit), partnerships, trusts, associations, units of
19 government or other organizations, or any combination of
20 the foregoing, that has been in continuous existence for at
21 least one year, the member organizations of which
22 collectively:

23 (a) own, control, or hold with power to vote
24 (directly or indirectly) all of the outstanding voting
25 securities of an association captive insurance company
26 incorporated as a stock insurer; or

1 (b) have complete voting control (directly or
2 indirectly) over an association captive insurance
3 company organized as a mutual insurer;

4 (2) any organized association of individuals, legal
5 representatives, corporations (whether for profit or not
6 for profit), partnerships, trusts, associations, units of
7 government or other organizations, or any combination of
8 the foregoing:

9 (a) whose member organizations are engaged in
10 businesses or activities similar or related with
11 respect to the liability of which such members are
12 exposed by virtue of any related, similar, or common
13 business, trade, product, services, premises, or
14 operations; and

15 (b) whose member organizations:

16 (i) directly or indirectly own or control, and
17 hold with power to vote, at least 80% of all of the
18 outstanding voting securities of an association
19 captive insurance company incorporated as a stock
20 insurer; or

21 (ii) directly or indirectly have at least 80%
22 of the voting control over an association captive
23 insurance company organized as a mutual insurer;
24 or

25 (3) any risk retention group, as defined in subsection
26 (11) of Section 123B-2, domiciled in this State and

1 organized under this Article; however, beginning 6 months
2 after the effective date of this amendatory Act of 1995, a
3 risk retention group shall no longer qualify as an
4 association under this Article.

5 Provided, however, that with respect to each of the
6 associations described in paragraphs (1), (2) and (3) above, no
7 member organization may (i) own, control, or hold with power to
8 vote in excess of 25% of the voting securities of an
9 association captive insurance company incorporated as a stock
10 insurer, or (ii) have more than 25% of the voting control of an
11 association captive insurance company organized as a mutual
12 insurer.

13 C. "Association captive insurance company" means any
14 company that insures risks of (i) the member organizations of
15 an association, and (ii) their affiliated companies.

16 D. "Captive insurance company" means any pure captive
17 insurance company, association captive insurance company or
18 industrial insured captive insurance company organized under
19 the provisions of this Article.

20 E. "Director" means the Director of the Department of
21 Insurance.

22 F. "Industrial insured" means an insured which (together
23 with its affiliates) at the time of its initial procurement of
24 insurance from an industrial insured captive insurance
25 company:

26 (1) has available to it advice with respect to the

1 purchase of insurance through the use of the services of a
2 full-time employee acting as an insurance manager or buyer
3 or the services of a regularly and continuously retained
4 qualified insurance consultant; and

5 (2) pays aggregate annual premiums in excess of
6 \$100,000 for insurance on all risks except for life,
7 accident and health; and

8 (3) either (i) has at least 25 full-time employees, or
9 (ii) has gross assets in excess of \$3,000,000, or (iii) has
10 annual gross revenues in excess of \$5,000,000.

11 G. "Industrial insured captive insurance company" means
12 any company that insures risks of industrial insureds that are
13 members of the industrial insured group, and their affiliated
14 companies.

15 H. "Industrial insured group" means any group of industrial
16 insureds that collectively:

17 (1) directly or indirectly (including ownership or
18 control through a company which is wholly owned by such
19 group of industrial insureds) own or control, and hold with
20 power to vote, all of the outstanding voting securities of
21 an industrial insured captive insurance company
22 incorporated as a stock insurer; or

23 (2) directly or indirectly (including control through
24 a company which is wholly owned by such group of industrial
25 insureds) have complete voting control over an industrial
26 insured captive insurance company organized as a mutual

1 insurer; provided, however, that no member organization
2 may (i) own, control, or hold with power to vote in excess
3 of 25% of the voting securities of an industrial insured
4 captive insurance company incorporated as a stock insurer,
5 or (ii) have more than 25% of the voting control of an
6 industrial insured captive insurance company organized as
7 a mutual insurer.

8 I. "Member organization" means any individual, legal
9 representative, corporation (whether for profit or not for
10 profit), partnership, association, unit of government, trust
11 or other organization that belongs to an association or an
12 industrial insured group.

13 J. "Parent" means a corporation, partnership, individual
14 or other legal entity that directly or indirectly owns,
15 controls, or holds with power to vote more than 50% of the
16 outstanding voting securities of a company.

17 K. "Personal risk liability" means liability to other
18 persons for (i) damage because of injury to any person, (ii)
19 damage to property, or (iii) other loss or damage, in each case
20 resulting from any personal, familial, or household
21 responsibilities or activities, but does not include legal
22 liability for damages (including costs of defense, legal costs
23 and fees, and other claims expenses) because of injuries to
24 other persons, damage to their property, or other damage or
25 loss to such other persons resulting from or arising out of:

26 (i) any business (whether for profit or not for

1 profit), trade, product, services (including professional
2 services), premises, or operations; or

3 (ii) any activity of any state or local government, or
4 any agency or political subdivision thereof.

5 L. "Pure captive insurance company" means any company that
6 insures only risks of its parent or affiliated companies or
7 both.

8 M. "Unit of government" includes any state, regional or
9 local government, or any agency or political subdivision
10 thereof, or any district, authority, public educational
11 institution or school district, public corporation or other
12 unit of government in this State or any similar unit of
13 government in any other state.

14 N. "Control" means the power to direct, or cause the
15 direction of, the management and policies of an entity, other
16 than the power that results from an official position with or
17 corporate office held in the entity. The power may be possessed
18 directly or indirectly by any means, including through the
19 ownership of voting securities or by contract, other than a
20 commercial contract for goods or non-management services.

21 O. "Qualified independent actuary" means a person that is
22 either:

23 (1) a member in good standing with the Casualty
24 Actuarial Society; or

25 (2) a member in good standing with the American Academy
26 of Actuaries who has been approved as qualified for signing

1 casualty loss reserve opinions by the Casualty Practice
2 Council of the American Academy of Actuaries.

3 P. "Controlled unaffiliated business" means an entity:

4 (1) that is not an affiliate;

5 (2) that has an existing contractual relationship with
6 an affiliate under which the affiliate bears a potential
7 financial loss; and

8 (3) whose risks are managed by a captive insurance
9 company under Section 123C-24 of this Code.

10 Q. "Operational risk" means any potential financial loss of
11 an affiliate, except for a loss arising from an insurance
12 policy issued by a captive or insurance affiliate.

13 R. "Captive management company" means an entity providing
14 administrative services to a captive insurance company.

15 S. "Safety-Net Hospital" means an Illinois hospital that
16 qualifies as a Safety-Net Hospital under Section 5-5e.1 of the
17 Illinois Public Aid Code.

18 (Source: P.A. 89-97, eff. 7-7-95; 90-794, eff. 8-14-98.)

19 (215 ILCS 5/123C-2) (from Ch. 73, par. 735C-2)

20 (Section scheduled to be repealed on January 1, 2027)

21 Sec. 123C-2. Authority of captives; restrictions.

22 A. Except as provided by this Section, a captive insurance
23 company may write any type of insurance, but may only insure
24 the operational risks of the company's affiliates and risks of
25 a controlled unaffiliated business. ~~Any captive insurance~~

1 ~~company, when permitted by its articles of association or~~
2 ~~charter, may apply to the Director for a certificate of~~
3 ~~authority to transact any and all insurance in classes 2 and 3~~
4 ~~of Section 4 of this Code, except that:~~

5 ~~(1) no pure captive insurance company may insure any~~
6 ~~risks other than those of its parent and affiliated~~
7 ~~companies;~~

8 ~~(2) no association captive insurance company may~~
9 ~~insure any risks other than those of the member~~
10 ~~organizations of its association, and their affiliated~~
11 ~~companies;~~

12 ~~(3) no industrial insured captive insurance company~~
13 ~~may insure any risks other than those of the members of the~~
14 ~~industrial insured group, and their affiliated companies;~~
15 ~~and~~

16 ~~(4) no captive insurance company may provide:~~

17 ~~(i) personal motor vehicle coverage or homeowner's~~
18 ~~insurance coverage or any component thereof, or~~

19 ~~(ii) personal coverage for personal risk~~
20 ~~liability, or~~

21 ~~(iii) coverage for an employer's liability to its~~
22 ~~employees other than legal liability under the federal~~
23 ~~Employers' Liability Act (45 U.S.C. 51 et seq.),~~
24 ~~provided, however, this exclusion does not preclude~~
25 ~~reinsurance of such employer's liability, or~~

26 ~~(iv) accident and health insurance as provided in~~

1 ~~clause (a) of Class 2 of Section 4, provided, however,~~
2 ~~this exclusion does not preclude stop-loss insurance~~
3 ~~or reinsurance of a single employer self-funded~~
4 ~~employee disability benefit plan or an employee~~
5 ~~welfare plan as described in 29 U.S.C. 1001 et seq.~~

6 A-5. A captive insurance company may not issue:

7 (1) life insurance;

8 (2) annuities;

9 (3) accident and health insurance for the company's
10 parent and affiliates, except to insure employee benefits
11 that are subject to the federal Employee Retirement Income
12 Security Act of 1974;

13 (4) title insurance;

14 (5) mortgage guaranty insurance;

15 (6) financial guaranty insurance;

16 (7) residential property insurance;

17 (8) personal automobile insurance; or

18 (9) workers' compensation insurance.

19 A-10. A captive insurance company may not issue a type of
20 insurance, including automobile liability insurance, that is
21 required under the laws of this State or a political
22 subdivision of this State as a prerequisite for obtaining a
23 license or permit if the law requires that the liability
24 insurance be issued by an insurer authorized to engage in the
25 business of insurance in this State.

26 A-15. A captive insurance company is authorized to issue a

1 contractual reimbursement policy to:

2 (1) an affiliated certified self-insurer authorized
3 under the Workers' Compensation Act or a similar affiliated
4 entity expressly authorized by analogous laws of another
5 state; or

6 (2) an affiliate that is insured by a workers'
7 compensation insurance policy with a negotiated deductible
8 endorsement.

9 B. No captive insurance company shall do any insurance
10 business in this State unless:

11 (1) it first obtains from the Director a certificate of
12 authority authorizing it to do such insurance business in
13 this State; and

14 (2) it appoints a resident registered agent to accept
15 service of process and to otherwise act on its behalf in
16 this State.

17 C. No captive insurance company shall adopt a name that is
18 the same as, deceptively similar to, or likely to be confused
19 with or mistaken for, any other existing business name
20 registered in this State.

21 D. Each captive insurance company, or the organizations
22 providing the principal administrative or management services
23 to such captive insurance company, shall maintain a place of
24 business in this State.

25 (Source: P.A. 91-357, eff. 7-29-99.)

1 (215 ILCS 5/123C-3) (from Ch. 73, par. 735C-3)

2 (Section scheduled to be repealed on January 1, 2027)

3 Sec. 123C-3. Minimum capital and surplus.

4 A. The Department may not issue a certificate of authority
5 to a captive insurance company unless the company possesses and
6 maintains unencumbered capital and surplus in an amount
7 determined by the Director after considering:

8 (1) the amount of premium written by the captive
9 insurance company;

10 (2) the characteristics of the assets held by the
11 captive insurance company;

12 (3) the terms of reinsurance arrangements entered into
13 by the captive insurance company;

14 (4) the type of business covered in policies issued by
15 the captive insurance company;

16 (5) the underwriting practices and procedures of the
17 captive insurance company; and

18 (6) any other criteria that has an impact on the
19 operations of the captive insurance company determined to
20 be significant by the Director. ~~No pure captive insurance~~
21 ~~company, association captive insurance company~~
22 ~~incorporated as a stock insurer, or industrial insured~~
23 ~~captive insurance company incorporated as a stock insurer~~
24 ~~shall be issued a certificate of authority unless it shall~~
25 ~~possess and thereafter maintain unimpaired paid in capital~~
26 ~~of not less than the minimum capital requirement applicable~~

1 ~~to the class or classes and clause or clauses of Section 4~~
2 ~~describing the kind or kinds of insurance which such~~
3 ~~captive insurance company is authorized to write, as set~~
4 ~~forth in subsection (1) of Section 13.~~

5 B. The amount of capital and surplus determined by the
6 Director under subsection A of this Section may not be less
7 than \$250,000 for a pure captive insurance company, \$500,000
8 for an industrial insured captive insurance company, and
9 \$750,000 for an association captive insurance company. Such
10 ~~capital may be in the form of (1) all cash or cash equivalents;~~
11 ~~or (2) cash or cash equivalents representing at least 20% of~~
12 ~~the requisite capital, together with an irrevocable letter of~~
13 ~~credit for the remainder of the requisite capital, which letter~~
14 ~~of credit must (a) be approved by the Director, (b) be issued~~
15 ~~or unconditionally confirmed by (i) a bank chartered by this~~
16 ~~State, (ii) a member bank of the Federal Reserve System or~~
17 ~~(iii) a United States office of a foreign banking corporation~~
18 ~~that is: (A) licensed under the laws of the United States or~~
19 ~~any state thereof, (B) regulated, supervised and examined by~~
20 ~~United States federal or state authorities having regulatory~~
21 ~~authority over banks and trust companies, and (C) designated by~~
22 ~~the Securities Valuation Office of the National Association of~~
23 ~~Insurance Commissioners as meeting its credit standards for~~
24 ~~issuing or confirming letters of credit or, in the event that~~
25 ~~the Director elects to establish credit standards by rule, in~~
26 ~~compliance with rules promulgated by the Director establishing~~

1 ~~reasonable standards of safety and soundness substantially~~
2 ~~equivalent to those of the Securities Valuation Office of the~~
3 ~~National Association of Insurance Commissioners, and (c)~~
4 ~~satisfy the requirements of Section 123C-19; or (3) cash or~~
5 ~~cash equivalents representing at least 33% of the requisite~~
6 ~~capital, together with irrevocable contractual obligations of~~
7 ~~the member organizations of the captive insurance company for~~
8 ~~the payment of the remainder of the requisite capital in no~~
9 ~~more than 3 equal installments in each of the 3 calendar years~~
10 ~~following the date of the grant of the certificate of authority~~
11 ~~to the captive insurance company, which irrevocable~~
12 ~~contractual obligations shall by contract be subject to~~
13 ~~acceleration (in a manner acceptable to the Director) by the~~
14 ~~Company at the direction of the Director and shall be secured~~
15 ~~by a letter of credit or other form of guarantee or security~~
16 ~~acceptable to the Director.~~

17 C. The capital and surplus required by subsection A of this
18 Section must be in the form of:

19 (1) United States currency;

20 (2) an irrevocable letter of credit, in a form approved
21 by the Director and not secured by a guarantee from an
22 affiliate, naming the Director as beneficiary for the
23 security of the captive insurance company's policyholders
24 and issued by a bank approved by the Director;

25 (3) bonds of this State; or

26 (4) bonds or other evidences of indebtedness of the

1 United States, the principal and interest of which are
2 guaranteed by the United States.

3 (Source: P.A. 86-632.)

4 (215 ILCS 5/123C-9) (from Ch. 73, par. 735C-9)

5 (Section scheduled to be repealed on January 1, 2027)

6 Sec. 123C-9. Reports, statements and mandatory reserves.

7 A. Captive insurance companies shall not be required to
8 make any annual report except as provided in this Article.

9 B. (1) On or before ~~Prior to~~ March 1 of each year, each
10 captive insurance company shall submit to the Director a report
11 of its financial condition, verified by oath of 2 of its
12 executive officers and including (i) a balance sheet reporting
13 assets, liabilities, capital and surplus, (ii) a statement of
14 gain or loss from operations, (iii) a statement of changes in
15 financial position, (iv) a statement of changes in capital and
16 surplus, ~~and~~ (v) in the case of industrial insured captive
17 insurance companies, an analysis of loss reserve development,
18 information on risks ceded and assumed under reinsurance
19 agreements, on forms prescribed by the Director, and a schedule
20 of its invested assets on forms prescribed by the Director, and
21 (vi) a statement of actuarial opinion by a qualified
22 independent actuary concerning the reasonableness of the
23 captive insurance company's loss and loss adjustment expense
24 reserves in such form and of such content as specified in the
25 National Association of Insurance Commissioners Annual

1 Statement Instructions: Property and Casualty.

2 (2) In addition, prior to March 1 of each year, each
3 association captive insurance company shall submit to the
4 Director such additional data or information, which the
5 Director may from time to time require, on a form specified by
6 the Director.

7 (3) On or before June 1 of each year, each captive
8 insurance company shall submit to the Director a report of its
9 financial condition at last year's end with an independent
10 certified public accountant's opinion of the company's
11 financial condition. ~~Prior to June 1 of each year, each~~
12 ~~association and industrial insured captive insurance company~~
13 ~~shall submit to the Director a report of its financial~~
14 ~~condition, certified by a recognized firm of independent public~~
15 ~~accountants acceptable to the Director and including the items~~
16 ~~referred to in items (i), (ii), (iii) and (iv) of paragraph (1)~~
17 ~~of this subsection B.~~

18 (4) Unless the Director permits otherwise, the reports of
19 financial condition referred to in paragraphs (1) and (3) of
20 this subsection B are to be prepared in accordance with the
21 Accounting Practices and Procedures Manual adopted by the
22 National Association of Insurance Commissioners. The Director
23 shall have authority to extend the time for filing any report
24 or statement by any company for reasons which he considers good
25 and sufficient.

26 C. In addition, any captive insurance company may be

1 required by the Director, when he considers such action to be
2 necessary and appropriate for the protection of policyholders,
3 creditors, shareholders or claimants, to file, within 60 days
4 after mailing to the company of a notice that such is required,
5 a supplemental summary statement as of the last day of any
6 calendar month occurring during the 100 days next preceding the
7 mailing of such notice designated by him on forms prescribed
8 and furnished by the Director. No company shall be required to
9 file more than 4 supplemental summary statements during any
10 consecutive 12 month period.

11 D. Every captive insurance company shall, at all times,
12 maintain reserves in an amount estimated in the aggregate to
13 provide for the payment of all losses and claims incurred,
14 whether reported or unreported, which are unpaid and for which
15 such company may be liable, and to provide for the expenses of
16 adjustment or settlement of such losses and claims. The
17 aggregate reserves shall be reduced by reinsurance ceded which
18 meets the requirements of Section 123C-13. For the purpose of
19 such reserves, the company shall keep a complete and itemized
20 record showing all losses and claims on which it has received
21 notice, including all notices received by it of the occurrence
22 of any event which may result in a loss. Such record shall be
23 opened in chronological receipt order, with each notice of loss
24 or claim identified by appropriate number or coding.

25 E. Every captive insurance company shall maintain an
26 unearned premium reserve on all policies in force which reserve

1 shall be charged as a liability. The portions of the gross
2 premiums in force, after deducting reinsurance qualifying
3 under Section 123C-13, which shall be held as a premium
4 reserve, shall never be less in the aggregate than the
5 company's actual liability to all its insureds for the return
6 of gross unearned premiums. In the calculation of the company's
7 actual liability to all its insureds, the reserve shall be
8 computed pursuant to the method commonly referred to as the
9 monthly pro rata method; provided, however, that the Director
10 may require that such reserve shall be equal to the unearned
11 portions of the gross premiums in force, after deducting
12 reinsurance qualifying under Section 123C-13, in which case the
13 reserve shall be computed on each respective risk from the date
14 of the issuance of the policy.

15 E-5. A captive insurance company may make a written
16 application to the Director for filing its annual report
17 required under this Section on a fiscal year's end. If an
18 alternative filing date is granted, the company shall file:

19 (1) the annual report, including a statement of
20 actuarial opinion by a qualified independent actuary
21 concerning the reasonableness of the captive insurance
22 company's loss and loss adjustment expense reserves in such
23 form and of such content as specified in the National
24 Association of Insurance Commissioners Annual Statement
25 Instructions: Property and Casualty, no later than the 60th
26 day after the date of the company's fiscal year's end;

1 (2) the report of its financial condition at last
2 year's end with an independent certified public
3 accountant's opinion of the company's financial condition;
4 and

5 (3) its balance sheet, income statement, and statement
6 of cash flows, verified by 2 of its executive officers,
7 before March 1 of each year to provide sufficient detail to
8 support a premium tax return.

9 F. The reports required by this Section shall be prepared
10 and filed on a calendar year basis.

11 G. Notwithstanding the requirements of this Section, a
12 captive insurance company may prepare and issue financial
13 statements prepared in accordance with generally accepted
14 accounting principles.

15 (Source: P.A. 85-131; 86-1155; 86-1156.)

16 (215 ILCS 5/123C-11) (from Ch. 73, par. 735C-11)

17 (Section scheduled to be repealed on January 1, 2027)

18 Sec. 123C-11. Grounds and procedures for suspension or
19 revocation of certificate of authority.

20 A. The certificate of authority of a captive insurance
21 company to do an insurance business in this State may be
22 suspended or revoked by the Director for any of the following
23 reasons:

24 (1) insolvency or impairment of required capital or
25 surplus to policy holders;

1 (2) failure to meet the requirements of Sections 123C-3
2 or 123C-4;

3 (3) refusal or failure to submit an annual report, as
4 required by Section 123C-9, or any other report or
5 statement required by law or by lawful order of the
6 Director;

7 (4) failure to comply with the provisions of its own
8 charter or bylaws (or, in the case of an industrial insured
9 captive, with the provisions of the investment policy set
10 forth in its plan of operation as approved from time to
11 time by the Director);

12 (5) failure to submit to examination or any legal
13 obligation relative thereto, as required by Section
14 123C-10;

15 (6) refusal or failure to pay expenses, ~~and~~ charges, ~~and~~
16 and taxes as required by Sections 408, 409, 123C-10, and
17 123C-17;

18 (7) use of methods that, although not otherwise
19 specifically prohibited by law, nevertheless render its
20 operation detrimental or its condition unsound with
21 respect to the public or to its policyholders; or

22 (8) failure otherwise to comply with the laws of this
23 State.

24 B. If the Director finds, upon examination, hearing, or
25 other evidence, that any captive insurance company has
26 committed any of the acts specified in subsection A, he may

1 suspend or revoke such certificate of authority if he deems it
2 in the best interest of the public and the policyholders of
3 such captive insurance company, notwithstanding any other
4 provision of this Article.

5 C. The provisions of Articles XIII and XIII 1/2 shall apply
6 to and govern the conservation, rehabilitation, liquidation
7 and dissolution of captive insurance companies.

8 (Source: P.A. 85-131.)

9 (215 ILCS 5/123C-12) (from Ch. 73, par. 735C-12)

10 (Section scheduled to be repealed on January 1, 2027)

11 Sec. 123C-12. Legal investments.

12 A. The provisions of Article VIII and of Sections 131.2 and
13 131.3 shall apply to association captive insurance companies.

14 B. No pure captive insurance company or industrial insured
15 captive insurance company shall be subject to any restrictions
16 on allowable investments whatever, including those limitations
17 contained in Articles VIII and VIII 1/2; provided, however,
18 that the Director may prohibit or limit any investment or type
19 of investment that threatens the solvency or liquidity of any
20 such company; and provided further that an industrial insured
21 captive insurance company must adhere to the investment policy
22 set forth in its plan of operation as approved from time to
23 time by the Director.

24 C. A captive insurance company may make loans to its
25 affiliates with the prior approval of the Director. Each loan

1 must be evidenced by a note approved by the Director. A captive
2 insurance company may not make a loan of the minimum capital
3 and surplus funds required by this Article.

4 D. The Director may prohibit or limit an investment that
5 threatens the solvency or liquidity of a captive insurance
6 company.

7 (Source: P.A. 85-131.)

8 (215 ILCS 5/123C-13) (from Ch. 73, par. 735C-13)

9 (Section scheduled to be repealed on January 1, 2027)

10 Sec. 123C-13. Reinsurance.

11 A. Any captive insurance company may provide reinsurance on
12 risks ceded by any other insurer; provided, however, that the
13 risks so assumed are the same as the captive insurance company
14 could legally insure on a direct basis.

15 The provisions of Section 174.1 shall not apply to any
16 captive insurance company providing reinsurance.

17 B. Subject to the provisions of Article XI, any captive
18 insurance company may cede, and may take credit for in the
19 establishment of reserves, all or any part of its risks.
20 Furthermore, in addition to Section 173.1, any pure or
21 industrial insured captive insurance company may take credit,
22 as either an asset or a deduction from liability, for
23 reinsurance so ceded to the extent:

24 (1) The reinsurer satisfies all of the following (a)
25 through (g):

1 (a) the principal business of the reinsurer (other
2 than investments in subsidiaries and other investment
3 activities) is to accept reinsurance from captive
4 insurance companies organized under Article VIIC, of
5 which the company accepting the reinsurance directly
6 or indirectly owns, controls, or holds with power to
7 vote more than 80% of the outstanding voting securities
8 if organized as a stock company or more than 80% of the
9 voting control if organized as a mutual company and to
10 provide insurance related services;

11 (b) is licensed to transact insurance or
12 reinsurance in its jurisdiction of domicile;

13 (c) submits to this State's authority to examine
14 its books and records and agrees to pay the cost
15 thereof;

16 (d) files annually with the Director a copy of its
17 most recent audited financial statements;

18 (e) maintains a surplus as regards policyholders
19 in an amount that is not less than \$20,000,000;

20 (f) files with the Department the following:

21 (i) evidence of its submission to the
22 jurisdiction of any court of competent
23 jurisdiction in any state of the United States and
24 its agreement to comply with all requirements
25 necessary to give the court jurisdiction and to
26 abide by the final decision of the court or of any

1 appellate court in the event of an appeal; and

2 (ii) an instrument designating the Director or
3 a designated attorney as its true and lawful
4 attorney upon whom may be served any lawful process
5 in any action, suit, or proceeding instituted by or
6 on behalf of the ceding company;

7 (g) has not been the subject of an order of the
8 Director entered after notice and hearing prohibiting
9 the reinsurer from utilizing this paragraph (1); or

10 (2) the taking of credit by the captive insurance
11 company has otherwise received the prior approval of the
12 Director.

13 C. A captive insurance company shall provide notice to the
14 Director of a reinsurance agreement to which the company
15 becomes a party not later than the 30th day after the date of
16 the execution of the agreement.

17 D. A captive insurance company shall provide notice of a
18 termination of a previously filed reinsurance agreement to the
19 Director not later than the 30th day after the date of
20 termination.

21 E. Notwithstanding Section 123C-15 of this Code, a captive
22 insurance company, with the Director's approval, may accept
23 risks from and cede risks to or take credit for reserves on
24 risks ceded to:

25 (1) a captive reinsurance pool composed only of other
26 captive insurance companies holding a certificate of

1 authority under this Article or a similar law of another
2 jurisdiction; or

3 (2) an affiliated captive insurance company holding a
4 certificate of authority under this Article or a similar
5 law of another jurisdiction.

6 (Source: P.A. 87-108.)

7 (215 ILCS 5/123C-16) (from Ch. 73, par. 735C-16)

8 (Section scheduled to be repealed on January 1, 2027)

9 Sec. 123C-16. Tax.

10 A. Every captive insurance company organized under the
11 provisions of this Article and doing business in this State
12 shall, for the privilege of doing business in this State, pay
13 to the Director for the State treasury the State tax imposed
14 under Section 409 to the same extent and in the same manner as
15 a domestic insurance company using a tax form prescribed by the
16 Director on or before March 15 of each year.

17 B. Domestic captive insurance companies shall be insurance
18 companies subject to the rules now provided for such companies
19 under the Illinois Income Tax Act.

20 C. A domestic captive insurance company that has engaged
21 one or more administrative or management service organizations
22 in order to comply with subsection D of Section 123C-2 shall be
23 deemed to meet the requirements of Section 409(4)(a) through
24 (d) provided that the company and such organizations when
25 viewed collectively as a group:

- 1 (a) maintain a place of business in this State; and
- 2 (b) maintain in this State personnel knowledgeable of
3 and responsible for the company's operations, books,
4 records, administration and annual statement; and
- 5 (c) conduct in this State substantially all of the
6 company's underwriting, policy issuing and servicing
7 operations relating to the company's policyholders and
8 certificate holders; and
- 9 (d) comply with the provisions of Section 133(2) with
10 respect to such domestic captive insurance company's
11 books, records, documents, accounts, vouchers and
12 securities.

13 (Source: P.A. 86-632; 86-634.)

14 (215 ILCS 5/123C-17) (from Ch. 73, par. 735C-17)
15 (Section scheduled to be repealed on January 1, 2027)
16 Sec. 123C-17. Fees.

17 A. The Director shall charge, collect, and give proper
18 acquittances for the payment of the following fees and charges
19 with respect to a captive insurance company:

20 1. For filing all documents submitted for the
21 incorporation or organization or certification of a
22 captive insurance company, \$2,000 ~~\$7,000~~.

23 2. For filing requests for approval of changes in the
24 elements of a plan of operations, \$200.

25 B. Except as otherwise provided in subsection A of this

1 Section and in Section 123C-10, the provisions of Section 408
2 shall apply to captive insurance companies.

3 C. Any funds collected from captive insurance companies
4 pursuant to this Section shall be treated in the manner
5 provided in subsection (11) of Section 408.

6 (Source: P.A. 93-32, eff. 7-1-03.)

7 (215 ILCS 5/123C-19) (from Ch. 73, par. 735C-19)

8 (Section scheduled to be repealed on January 1, 2027)

9 Sec. 123C-19. Letters of credit.

10 A. Any letter of credit used to meet the requirements set
11 forth in Sections 123C-3 and 123C-4:

12 (1) (blank); ~~may not be used to provide more than 80%~~
13 ~~of the amount required in Section 123C-3 and may not be~~
14 ~~used to provide more than 80% of the amount required in~~
15 ~~Section 123C-4;~~

16 (2) may not be allowed to expire without the prior
17 written approval of the Director and shall provide for 30
18 days' advance written notice to the Director of the
19 proposed expiration of the letter of credit; and

20 (3) must be provided pursuant to arrangements,
21 acceptable to the Director, wherein all funds obtained by
22 the company under the letter of credit are free of claims
23 of any party which may arise on account of the company's
24 resort to the letter of credit.

25 B. If letters of credit are used to provide surplus in

1 excess of the amounts required in Section 123C-4:

2 (1) the aggregate amount of all such letters of credit
3 shall not exceed the policyholder surplus of the company;

4 (2) without the prior written approval of the Director,
5 no such letter of credit may be allowed to expire, in any
6 period of 12 consecutive months ending on the date of such
7 expiration, in an amount greater than the greater of (a)
8 10% of the company's surplus as regards policyholders as of
9 the 31st day of December next preceding, or (b) the net
10 income of the company for the 12 month period ending the
11 31st ~~31st~~ day of December next preceding. For purposes of
12 this Section, net income includes net realized capital
13 gains in an amount not to exceed 20% of net unrealized
14 capital gains; and

15 (3) each such letter of credit shall provide for 30
16 days' advance written notice to the Director of the
17 proposed expiration of the letter of credit.

18 C. (Blank). ~~The Director may require any company to draw~~
19 ~~upon its letters of credit, in amounts determined by the~~
20 ~~Director, if the Director determines that such action is~~
21 ~~necessary for the protection of the interests of policyholders.~~

22 D. (Blank). ~~Any company including amounts supported by~~
23 ~~letters of credit in its capital or surplus shall, prior to the~~
24 ~~time any person becomes a policyholder, notify such person of~~
25 ~~the amounts supported by letters of credit and included in the~~
26 ~~company's capital or surplus.~~

1 (Source: P.A. 85-131.)

2 (215 ILCS 5/123C-23 new)

3 Sec. 123C-23. Approval of captive reinsurance pools.

4 Before determining whether to approve a captive insurance
5 company's participation in a captive reinsurance pool under
6 Section 123C-13 of this Code, the Director may:

7 (1) require the captive insurance company provide to
8 the Director evidence that the captive reinsurance pool:

9 (a) is composed only of other captive insurance
10 companies holding a certificate of authority under
11 this Article or a similar law of another jurisdiction;
12 and

13 (b) will be able to meet the pool's financial
14 obligations; and

15 (2) impose any other limitation or requirement on the
16 captive insurance company that is necessary and proper to
17 provide adequate security for the captive insurance
18 company.

19 (215 ILCS 5/123C-24 new)

20 Sec. 123C-24. Standards for risk management of controlled
21 unaffiliated business. The Director may adopt rules
22 establishing standards to ensure that an affiliated company is
23 able to exercise control of the risk management function of any
24 controlled unaffiliated business to be insured by the captive

1 insurance company.

2 (215 ILCS 5/123C-25 new)

3 Sec. 123C-25. Captive managers. Before providing captive
4 management services to a licensed captive insurance company, a
5 captive management company shall register with the Director by
6 providing the information required on a form adopted by the
7 Director.

8 (215 ILCS 5/123C-26 new)

9 Sec. 123C-26. Dividends.

10 A. A captive insurance company shall notify the Director in
11 writing when issuing policyholder dividends.

12 B. A captive insurance company, with the Director's
13 approval, may issue dividends or distributions to the holders
14 of an equity interest in the captive insurance company. The
15 Director shall adopt rules to implement this subsection B.

16 (215 ILCS 5/123C-27 new)

17 Sec. 123C-27. Rulemaking authority. The Director may adopt
18 reasonable rules as necessary to implement the purposes and
19 provisions of this Article.

20 (215 ILCS 5/123C-28 new)

21 Sec. 123C-28. Confidentiality.

22 A. Any information filed by an applicant or captive

1 insurance company under this Article is confidential and
2 privileged for all purposes, including for purposes of the
3 Freedom of Information Act, a response to a subpoena, or
4 evidence in a civil action. Except as provided by subsections B
5 and C of this Section, the information may not be disclosed
6 without the prior written consent of the applicant or captive
7 insurance company to which the information pertains.

8 B. If the recipient of the information described by
9 subsection A of this Section has the legal authority to
10 maintain the confidential or privileged status of the
11 information and verifies that authority in writing, the
12 Director or his or her designee may disclose the information to
13 any of the following entities functioning in an official
14 capacity:

15 (1) a director of insurance or an insurance department
16 of another state;

17 (2) an authorized law enforcement official;

18 (3) a State's Attorney of this State;

19 (4) the Attorney General;

20 (5) a grand jury;

21 (6) the National Association of Insurance
22 Commissioners if the captive insurance company is
23 affiliated with an insurance company that is part of an
24 insurance holding company system as described in Article
25 VIII 1/2 of this Code;

26 (7) another state or federal regulator if the applicant

1 or captive insurance company to which the information
2 relates operates in the entity's jurisdiction;

3 (8) an international insurance regulator or analogous
4 financial agency if the captive insurance company is
5 affiliated with an insurance company that is part of an
6 insurance holding company system as described in Article
7 VIII 1/2 of this Code and the holding company system
8 operates in the entity's jurisdiction; or

9 (9) members of a supervisory college described by
10 Section 131.20c of this Code, if the captive insurance
11 company is affiliated with an insurance company that is
12 part of an insurance holding company system as described in
13 Article VIII 1/2 of this Code.

14 C. The Director may use information described by subsection
15 A of this Section in the furtherance of a legal or regulatory
16 action relating to the administration of this Code.

17 (215 ILCS 5/156) (from Ch. 73, par. 768)

18 Sec. 156. Merger and consolidation permitted.

19 (a) Upon complying with the provisions of this article, any
20 domestic company, except a Lloyds, is hereby authorized and
21 empowered to merge or consolidate with any domestic company or
22 with any foreign or alien company, except a Lloyds if the
23 surviving company meets the requirements for authorization to
24 engage in the insurance business in this state and, if such
25 merger or consolidation is authorized by the laws of the state

1 or country under which such foreign or alien company is
2 incorporated or organized.

3 (b) The Director may permit the formation of a domestic
4 stock company that is established for the sole purpose of
5 merging or consolidating with an existing stock company
6 simultaneously with the effectiveness of a division authorized
7 by this Code. Upon request of the dividing company, the
8 Director may waive the requirements of Section 131.8 of this
9 Code. Each domestic stock company formed under this subsection
10 shall be deemed to exist before a merger and division under
11 this Section becomes effective, but solely for the purpose of
12 being a party to such merger and division. The Director shall
13 not require that such domestic stock company be licensed to
14 transact insurance business in this state before such merger
15 and division. All insurance policies, annuities, or
16 reinsurance agreements allocated to such domestic stock
17 company shall become the obligation of the domestic stock
18 company that survives the merger simultaneously with the
19 effectiveness of the merger and division. The plan of merger or
20 consolidation shall be deemed to have been authorized and
21 approved by such domestic stock company if the dividing company
22 authorized and approved such plan. The certificate of merger
23 shall state that it was approved by the domestic stock company
24 formed under this subsection.

25 (Source: Laws 1967, p. 1760.)

1 (215 ILCS 5/173.1) (from Ch. 73, par. 785.1)

2 Sec. 173.1. Credit allowed a domestic ceding insurer.

3 (1) Except as otherwise provided under Article VIII 1/2 of
4 this Code and related provisions of the Illinois Administrative
5 Code, credit for reinsurance shall be allowed a domestic ceding
6 insurer as either an admitted asset or a deduction from
7 liability on account of reinsurance ceded only when the
8 reinsurer meets the requirements of paragraph (A) ~~subsection~~
9 ~~(1) (A)~~ or (B) or (B-5) or (C) or (C-5) or (D) of this
10 subsection (1). Credit shall be allowed under paragraph (A),
11 ~~subsection (1) (A) or (B), or (B-5) of this subsection (1)~~ only
12 as respects cessions of those kinds or classes of business in
13 which the assuming insurer is licensed or otherwise permitted
14 to write or assume in its state of domicile, or in the case of a
15 U.S. branch of an alien assuming insurer, in the state through
16 which it is entered and licensed to transact insurance or
17 reinsurance. Credit shall be allowed under paragraph (B-5) or
18 (C) of this subsection (1) ~~(C) of this Section~~ only if the
19 applicable requirements of paragraph (E) of this subsection (1)
20 ~~subsection (1) (E)~~ have been satisfied.

21 (A) Credit shall be allowed when the reinsurance is
22 ceded to an assuming insurer that is authorized in this
23 State to transact the types of insurance ceded and has at
24 least \$5,000,000 in capital and surplus.

25 (B) Credit shall be allowed when the reinsurance is
26 ceded to an assuming insurer that is accredited as a

1 reinsurer in this State. An accredited reinsurer is one
2 that:

3 (1) files with the Director evidence of its
4 submission to this State's jurisdiction;

5 (2) submits to this State's authority to examine
6 its books and records;

7 (3) is licensed to transact insurance or
8 reinsurance in at least one state, or in the case of a
9 U.S. branch of an alien assuming insurer is entered
10 through and licensed to transact insurance or
11 reinsurance in at least one state;

12 (4) files annually with the Director a copy of its
13 annual statement filed with the insurance department
14 of its state of domicile and a copy of its most recent
15 audited financial statement; and

16 (5) maintains a surplus as regards policyholders
17 in an amount that is not less than \$20,000,000 and
18 whose accreditation has been approved by the Director.
19 ~~No credit shall be allowed a domestic ceding insurer,~~
20 ~~if the assuming insurers' accreditation has been~~
21 ~~revoked by the Director after notice and hearing.~~

22 (B-5) (1) Credit shall be allowed when the reinsurance
23 is ceded to an assuming insurer that is domiciled in, or in
24 the case of a U.S. branch of an alien assuming insurer is
25 entered through, a state that employs standards regarding
26 credit for reinsurance substantially similar to those

1 applicable under this Code and the assuming insurer or U.S.
2 branch of an alien assuming insurer:

3 (a) maintains a surplus as regards policyholders
4 in an amount not less than \$20,000,000; and

5 (b) submits to the authority of this State to
6 examine its books and records.

7 (2) The requirement of item (a) of subparagraph (1) of
8 paragraph (B-5) of this subsection (1) does not apply to
9 reinsurance ceded and assumed pursuant to pooling
10 arrangements among insurers in the same holding company
11 system.

12 (C) (1) Credit shall be allowed when the reinsurance is
13 ceded to an assuming insurer that maintains a trust fund in
14 a qualified United States financial institution, as
15 defined in paragraph (B) of subsection (3) of this Section
16 ~~subsection 3(B)~~, for the payment of the valid claims of its
17 United States policyholders and ceding insurers, their
18 assigns and successors in interest. The assuming insurer
19 shall report to the Director information substantially the
20 same as that required to be reported on the NAIC annual and
21 quarterly financial statement by authorized insurers and
22 any other financial information that the Director deems
23 necessary to determine the financial condition of the
24 assuming insurer and the sufficiency of the trust fund. The
25 assuming insurer shall provide or make the information
26 available to the ceding insurer. The assuming insurer may

1 decline to release trade secrets or commercially sensitive
2 information that would qualify as exempt from disclosure
3 under the Freedom of Information Act. The Director shall
4 also make the information publicly available, subject only
5 to such reasonable objections as might be raised to a
6 request pursuant to the Freedom of Information Act, as
7 determined by the Director. The assuming insurer shall
8 submit to examination of its books and records by the
9 Director and bear the expense of examination.

10 (2) (a) Credit for reinsurance shall not be granted
11 under this subsection unless the form of the trust and any
12 amendments to the trust have been approved by:

13 (i) the regulatory official of the state where the
14 trust is domiciled; or

15 (ii) the regulatory official of another state who,
16 pursuant to the terms of the trust instrument, has
17 accepted principal regulatory oversight of the trust.

18 (b) The form of the trust and any trust amendments also
19 shall be filed with the regulatory official of every state
20 in which the ceding insurer beneficiaries of the trust are
21 domiciled. The trust instrument shall provide that
22 contested claims shall be valid and enforceable upon the
23 final order of any court of competent jurisdiction in the
24 United States. The trust shall vest legal title to its
25 assets in its trustees for the benefit of the assuming
26 insurer's United States policyholders and ceding insures

1 and their assigns and successors in interest. The trust and
2 the assuming insurer shall be subject to examination as
3 determined by the Director.

4 (c) The trust shall remain in effect for as long as the
5 assuming insurer has outstanding obligations due under the
6 reinsurance agreements subject to the trust. No later than
7 February 28 of each year the trustee of the trust shall
8 report to the Director in writing the balance of the trust
9 and a list of the trust's investments at the preceding
10 year-end and shall certify the date of termination of the
11 trust, if so planned, or certify that the trust will not
12 expire prior to the next following December 31.

13 No later than February 28 of each year, the assuming
14 insurer's chief executive officer or chief financial
15 officer shall certify to the Director that the trust fund
16 contains funds in an amount not less than the assuming
17 insurer's liabilities (as reported to the assuming insurer
18 by its cedent) attributable to reinsurance ceded by U.S.
19 ceding insurers, and in addition, a trustee surplus of no
20 less than \$20,000,000. In the event that item (a-5) of
21 subparagraph (3) of this paragraph (C) applies to the
22 trust, the assuming insurer's chief executive officer or
23 chief financial officer shall then certify to the Director
24 that the trust fund contains funds in an amount not less
25 than the assuming insurer's liabilities (as reported to the
26 assuming insurer by its cedent) attributable to

1 reinsurance ceded by U.S. ceding insurers and, in addition,
2 a reduced trustee surplus of not less than the amount that
3 has been authorized by the regulatory authority having
4 principal regulatory oversight of the trust.

5 (d) No later than February 28 of each year, an assuming
6 insurer that maintains a trust fund in accordance with this
7 paragraph (C) shall provide or make available, if requested
8 by a beneficiary under the trust fund, the following
9 information to the assuming insurer's U.S. ceding insurers
10 or their assigns and successors in interest:

11 (i) a copy of the form of the trust agreement and
12 any trust amendments to the trust agreement pertaining
13 to the trust fund;

14 (ii) a copy of the annual and quarterly financial
15 information, and its most recent audited financial
16 statement provided to the Director by the assuming
17 insurer, including any exhibits and schedules thereto;

18 (iii) any financial information provided to the
19 Director by the assuming insurer that the Director has
20 deemed necessary to determine the financial condition
21 of the assuming insurer and the sufficiency of the
22 trust fund;

23 (iv) a copy of any annual and quarterly financial
24 information provided to the Director by the trustee of
25 the trust fund maintained by the assuming insurer,
26 including any exhibits and schedules thereto;

1 (v) a copy of the information required to be
2 reported by the trustee of the trust to the Director
3 under the provisions of this paragraph (C); and

4 (vi) a written certification that the trust fund
5 consists of funds in trust in an amount not less than
6 the assuming insurer's liabilities attributable to
7 reinsurance liabilities (as reported to the assuming
8 insurer by its cedent) attributable to reinsurance
9 ceded by U.S. ceding insurers and, in addition, a
10 trusted surplus of not less than \$20,000,000.

11 (3) The following requirements apply to the following
12 categories of assuming insurer:

13 (a) The trust fund for a single assuming insurer
14 shall consist of funds in trust in an amount not less
15 than the assuming insurer's liabilities attributable
16 to reinsurance ceded by U.S. ceding insurers, and in
17 addition, the assuming insurer shall maintain a
18 trusted surplus of not less than \$20,000,000, except
19 as provided in item (a-5) of this subparagraph (3).

20 (a-5) At any time after the assuming insurer has
21 permanently discontinued underwriting new business
22 secured by the trust for at least 3 full years, the
23 Director with principal regulatory oversight of the
24 trust may authorize a reduction in the required
25 trusted surplus, but only after a finding, based on an
26 assessment of the risk, that the new required surplus

1 level is adequate for the protection of U.S. ceding
2 insurers, policyholders, and claimants in light of
3 reasonably foreseeable adverse loss development. The
4 risk assessment may involve an actuarial review,
5 including an independent analysis of reserves and cash
6 flows, and shall consider all material risk factors,
7 including, when applicable, the lines of business
8 involved, the stability of the incurred loss
9 estimates, and the effect of the surplus requirements
10 on the assuming insurer's liquidity or solvency. The
11 minimum required trusteed surplus may not be reduced to
12 an amount less than 30% of the assuming insurer's
13 liabilities attributable to reinsurance ceded by U.S.
14 ceding insurers covered by the trust.

15 (b) (i) In the case of a group including
16 incorporated and individual unincorporated
17 underwriters:

18 (I) for reinsurance ceded under reinsurance
19 agreements with an inception, amendment, or
20 renewal date on or after January 1, 1993 ~~August 1,~~
21 ~~1995~~, the trust shall consist of a trusteed account
22 in an amount not less than the respective
23 underwriters' ~~group's~~ several liabilities
24 attributable to business ceded by U.S. domiciled
25 ceding insurers to any member of the group;

26 (II) for reinsurance ceded under reinsurance

1 agreements with an inception date on or before
2 December 31, 1992 ~~July 31, 1995~~ and not amended or
3 renewed after that date, notwithstanding the other
4 provisions of this Act, the trust shall consist of
5 a trusted account in an amount not less than the
6 group's several insurance and reinsurance
7 liabilities attributable to business written in
8 the United States; and

9 (III) in addition to these trusts, the group
10 shall maintain in trust a trusted surplus of which
11 not less than \$100,000,000 shall be held jointly
12 for the benefit of the U.S. domiciled ceding
13 insurers of any member of the group for all years
14 of account.

15 (ii) The incorporated members of the group shall
16 not be engaged in any business other than underwriting
17 as a member of the group and shall be subject to the
18 same level of solvency regulation and control by the
19 group's domiciliary regulator as are the
20 unincorporated members.

21 (iii) Within 90 days after its financial
22 statements are due to be filed with the group's
23 domiciliary regulator, the group shall provide to the
24 Director an annual certification by the group's
25 domiciliary regulator of the solvency of each
26 underwriter member, or if a certification is

1 underwriter member's solvency by the member's
2 domiciliary regulator and financial statements of
3 each underwriter member of the group prepared by
4 its independent public accountant.

5 (C-5) Credit shall be allowed when the reinsurance is
6 ceded to an assuming insurer that has been certified by the
7 Director as a reinsurer in this State and secures its
8 obligations in accordance with the requirements of this
9 paragraph (C-5).

10 (1) In order to be eligible for certification, the
11 assuming insurer shall meet the following
12 requirements:

13 (a) the assuming insurer must be domiciled and
14 licensed to transact insurance or reinsurance in a
15 qualified jurisdiction, as determined by the
16 Director pursuant to subparagraph (3) of this
17 paragraph (C-5);

18 (b) the assuming insurer must maintain minimum
19 capital and surplus, or its equivalent, in an
20 amount not less than \$250,000,000 or such greater
21 amount as determined by the Director pursuant to
22 regulation; this requirement may also be satisfied
23 by an association, including incorporated and
24 individual unincorporated underwriters, having
25 minimum capital and surplus equivalents (net of
26 liabilities) of at least \$250,000,000 and a

1 central fund containing a balance of at least
2 \$250,000,000;

3 (c) the assuming insurer must maintain
4 financial strength ratings from 2 or more rating
5 agencies deemed acceptable by the Director; these
6 ratings shall be based on interactive
7 communication between the rating agency and the
8 assuming insurer and shall not be based solely on
9 publicly available information; each certified
10 reinsurer shall be rated on a legal entity basis,
11 with due consideration being given to the group
12 rating where appropriate, except that an
13 association, including incorporated and individual
14 unincorporated underwriters, that has been
15 approved to do business as a single certified
16 reinsurer may be evaluated on the basis of its
17 group rating; these financial strength ratings
18 shall be one factor used by the Director in
19 determining the rating that is assigned to the
20 assuming insurer; acceptable rating agencies
21 include the following:

22 (i) Standard & Poor's;

23 (ii) Moody's Investors Service;

24 (iii) Fitch Ratings;

25 (iv) A.M. Best Company; or

26 (v) any other nationally recognized

1 statistical rating organization;

2 (d) the assuming insurer must agree to submit
3 to the jurisdiction of this State, appoint the
4 Director as its agent for service of process in
5 this State, and agree to provide security for 100%
6 of the assuming insurer's liabilities attributable
7 to reinsurance ceded by U.S. ceding insurers if it
8 resists enforcement of a final U.S. judgment; and

9 (e) the assuming insurer must agree to meet
10 applicable information filing requirements as
11 determined by the Director, both with respect to an
12 initial application for certification and on an
13 ongoing basis.

14 (2) An association, including incorporated and
15 individual unincorporated underwriters, may be a
16 certified reinsurer. In order to be eligible for
17 certification, in addition to satisfying the
18 requirements of subparagraph (1) of this paragraph
19 (C-5):

20 (a) the association shall satisfy its minimum
21 capital and surplus requirements through the
22 capital and surplus equivalents (net of
23 liabilities) of the association and its members,
24 which shall include a joint central fund that may
25 be applied to any unsatisfied obligation of the
26 association or any of its members, in the amounts

1 specified in item (b) of subparagraph (1) of this
2 paragraph (C-5);

3 (b) the incorporated members of the
4 association shall not be engaged in any business
5 other than underwriting as a member of the
6 association and shall be subject to the same level
7 of regulation and solvency control by the
8 association's domiciliary regulator as are the
9 unincorporated members; and

10 (c) within 90 days after its financial
11 statements are due to be filed with the
12 association's domiciliary regulator, the
13 association shall provide to the Director an
14 annual certification by the association's
15 domiciliary regulator of the solvency of each
16 underwriter member; or if a certification is
17 unavailable, financial statements, prepared by
18 independent public accountants, of each
19 underwriter member of the association.

20 (3) The Director shall create and publish a list of
21 qualified jurisdictions, under which an assuming
22 insurer licensed and domiciled in such jurisdiction is
23 eligible to be considered for certification by the
24 Director as a certified reinsurer.

25 (a) In order to determine whether the
26 domiciliary jurisdiction of a non-U.S. assuming

1 insurer is eligible to be recognized as a qualified
2 jurisdiction, the Director shall evaluate the
3 appropriateness and effectiveness of the
4 reinsurance supervisory system of the
5 jurisdiction, both initially and on an ongoing
6 basis, and consider the rights, benefits, and
7 extent of reciprocal recognition afforded by the
8 non-U.S. jurisdiction to reinsurers licensed and
9 domiciled in the U.S. A qualified jurisdiction
10 must agree in writing to share information and
11 cooperate with the Director with respect to all
12 certified reinsurers domiciled within that
13 jurisdiction. A jurisdiction may not be recognized
14 as a qualified jurisdiction if the Director has
15 determined that the jurisdiction does not
16 adequately and promptly enforce final U.S.
17 judgments and arbitration awards. The costs and
18 expenses associated with the Director's review and
19 evaluation of the domiciliary jurisdictions of
20 non-U.S. assuming insurers shall be borne by the
21 certified reinsurer or reinsurers domiciled in
22 such jurisdiction.

23 (b) Additional factors to be considered in
24 determining whether to recognize a qualified
25 jurisdiction include, but are not limited to, the
26 following:

1 (i) the framework under which the assuming
2 insurer is regulated;

3 (ii) the structure and authority of the
4 domiciliary regulator with regard to solvency
5 regulation requirements and financial
6 surveillance;

7 (iii) the substance of financial and
8 operating standards for assuming insurers in
9 the domiciliary jurisdiction;

10 (iv) the form and substance of financial
11 reports required to be filed or made publicly
12 available by reinsurers in the domiciliary
13 jurisdiction and the accounting principles
14 used;

15 (v) the domiciliary regulator's
16 willingness to cooperate with U.S. regulators
17 in general and the Director in particular;

18 (vi) the history of performance by
19 assuming insurers in the domiciliary
20 jurisdiction;

21 (vii) any documented evidence of
22 substantial problems with the enforcement of
23 final U.S. judgments in the domiciliary
24 jurisdiction; and

25 (viii) any relevant international
26 standards or guidance with respect to mutual

1 recognition of reinsurance supervision adopted
2 by the International Association of Insurance
3 Supervisors or its successor organization.

4 (c) If, upon conducting an evaluation under
5 this paragraph with respect to the reinsurance
6 supervisory system of any non-U.S. assuming
7 insurer, the Director determines that the
8 jurisdiction qualifies to be recognized as a
9 qualified jurisdiction, the Director shall publish
10 notice and evidence of such recognition in an
11 appropriate manner. The Director may establish a
12 procedure to withdraw recognition of those
13 jurisdictions that are no longer qualified.

14 (d) The Director shall consider the list of
15 qualified jurisdictions through the NAIC committee
16 process in determining qualified jurisdictions. If
17 the Director approves a jurisdiction as qualified
18 that does not appear on the list of qualified
19 jurisdictions, then the Director shall provide
20 thoroughly documented justification in accordance
21 with criteria to be developed under regulations.

22 (e) U.S. jurisdictions that meet the
23 requirement for accreditation under the NAIC
24 financial standards and accreditation program
25 shall be recognized as qualified jurisdictions.

26 (f) If a certified reinsurer's domiciliary

1 jurisdiction ceases to be a qualified
2 jurisdiction, then the Director may suspend the
3 reinsurer's certification indefinitely, in lieu of
4 revocation.

5 (4) If an applicant for certification has been
6 certified as a reinsurer in an NAIC accredited
7 jurisdiction, then the Director may defer to that
8 jurisdiction's certification and to the rating
9 assigned by that jurisdiction if the assuming insurer
10 submits a properly executed Form CR-1 and such
11 additional information as the Director requires. Such
12 assuming insurer shall be considered to be a certified
13 reinsurer in this State but only upon the Director's
14 assignment of an Illinois rating, which shall be made
15 based on the requirements of subparagraph (5) of this
16 paragraph (C-5). The following shall apply:

17 (a) Any change in the certified reinsurer's
18 status or rating in the other jurisdiction shall
19 apply automatically in Illinois as of the date it
20 takes effect in the other jurisdiction. The
21 certified reinsurer shall notify the Director of
22 any change in its status or rating within 10 days
23 after receiving notice of the change.

24 (b) The Director may withdraw recognition of
25 the other jurisdiction's rating at any time and
26 assign a new rating in accordance with

1 subparagraph (5) of this paragraph (C-5).

2 (c) The Director may withdraw recognition of
3 the other jurisdiction's certification at any time
4 with written notice to the certified reinsurer.
5 Unless the Director suspends or revokes the
6 certified reinsurer's certification in accordance
7 with item (c) of subparagraph (9) of this paragraph
8 (C-5), the certified reinsurer's certification
9 shall remain in good standing in Illinois for a
10 period of 3 months, which shall be extended if
11 additional time is necessary to consider the
12 assuming insurer's application for certification
13 in Illinois.

14 (5) The Director shall assign a rating to each
15 certified reinsurer pursuant to rules adopted by the
16 Department. Factors that shall be considered as part of
17 the evaluation process include the following:

18 (a) The certified reinsurer's financial
19 strength rating from an acceptable rating agency.
20 Financial strength ratings shall be classified
21 according to the following ratings categories:

22 (i) Ratings Category "Secure - 1"
23 corresponds to the highest level of rating
24 given by a rating agency, including, but not
25 limited to, A.M. Best Company rating A++;
26 Standard & Poor's rating AAA; Moody's

1 Investors Service rating Aaa; and Fitch
2 Ratings rating AAA.

3 (ii) Ratings Category "Secure - 2"
4 corresponds to the second-highest level of
5 rating or group of ratings given by a rating
6 agency, including, but not limited to, A.M.
7 Best Company rating A+; Standard & Poor's
8 rating AA+, AA, or AA-; Moody's Investors
9 Service ratings Aa1, Aa2, or Aa3; and Fitch
10 Ratings ratings AA+, AA, or AA-.

11 (iii) Ratings Category "Secure - 3"
12 corresponds to the third-highest level of
13 rating or group of ratings given by a rating
14 agency, including, but not limited to, A.M.
15 Best Company rating A; Standard & Poor's
16 ratings A+ or A; Moody's Investors Service
17 ratings A1 or A2; and Fitch Ratings ratings A+
18 or A.

19 (iv) Ratings Category "Secure - 4"
20 corresponds to the fourth-highest level of
21 rating or group of ratings given by a rating
22 agency, including, but not limited to, A.M.
23 Best Company rating A-; Standard & Poor's
24 rating A-; Moody's Investors Service rating
25 A3; and Fitch Ratings rating A-.

26 (v) Ratings Category "Secure - 5"

1 corresponds to the fifth-highest level of
2 rating or group of ratings given by a rating
3 agency, including, but not limited to, A.M.
4 Best Company ratings B++ or B+; Standard &
5 Poor's ratings BBB+, BBB, or BBB-; Moody's
6 Investors Service ratings Baa1, Baa2, or Baa3;
7 and Fitch Ratings ratings BBB+, BBB, or BBB-.

8 (vi) Ratings Category "Vulnerable - 6"
9 corresponds to a level of rating given by a
10 rating agency, other than those described in
11 subitems (i) through (v) of this item (a),
12 including, but not limited to, A.M. Best
13 Company rating B, B-, C++, C+, C, C-, D, E, or
14 F; Standard & Poor's ratings BB+, BB, BB-, B+,
15 B, B-, CCC, CC, C, D, or R; Moody's Investors
16 Service ratings Ba1, Ba2, Ba3, B1, B2, B3, Caa,
17 Ca, or C; and Fitch Ratings ratings BB+, BB,
18 BB-, B+, B, B-, CCC+, CCC, CCC-, or D.

19 A failure to obtain or maintain at least 2
20 financial strength ratings from acceptable rating
21 agencies shall result in loss of eligibility for
22 certification.

23 (b) The business practices of the certified
24 reinsurer in dealing with its ceding insurers,
25 including its record of compliance with
26 reinsurance contractual terms and obligations.

1 (c) For certified reinsurers domiciled in the
2 U.S., a review of the most recent applicable NAIC
3 Annual Statement Blank, either Schedule F (for
4 property and casualty reinsurers) or Schedule S
5 (for life and health reinsurers).

6 (d) For certified reinsurers not domiciled in
7 the U.S., a review annually of Form CR-F (for
8 property and casualty reinsurers) or Form CR-S
9 (for life and health reinsurers).

10 (e) The reputation of the certified reinsurer
11 for prompt payment of claims under reinsurance
12 agreements, based on an analysis of ceding
13 insurers' Schedule F reporting of overdue
14 reinsurance recoverables, including the proportion
15 of obligations that are more than 90 days past due
16 or are in dispute, with specific attention given to
17 obligations payable to companies that are in
18 administrative supervision or receivership.

19 (f) Regulatory actions against the certified
20 reinsurer.

21 (g) The report of the independent auditor on
22 the financial statements of the insurance
23 enterprise, on the basis described in item (h) of
24 this subparagraph (5).

25 (h) For certified reinsurers not domiciled in
26 the U.S., audited financial statements (audited

1 Generally Accepted Accounting Principles (U.S.
2 GAAP) basis statement if available, audited
3 International Financial Reporting Standards (IFRS)
4 basis statements are allowed but must include an
5 audited footnote reconciling equity and net income
6 to U.S. GAAP basis or, with the permission of the
7 Director, audited IFRS basis statements with
8 reconciliation to U.S. GAAP basis certified by an
9 officer of the company), regulatory filings, and
10 actuarial opinion (as filed with the non-U.S.
11 jurisdiction supervisor). Upon the initial
12 application for certification, the Director shall
13 consider the audited financial statements filed
14 with its non-U.S. jurisdiction supervisor for the
15 3 years immediately preceding the date of the
16 initial application for certification.

17 (i) The liquidation priority of obligations to
18 a ceding insurer in the certified reinsurer's
19 domiciliary jurisdiction in the context of an
20 insolvency proceeding.

21 (j) A certified reinsurer's participation in
22 any solvent scheme of arrangement, or similar
23 procedure, that involves U.S. ceding insurers. The
24 Director shall receive prior notice from a
25 certified reinsurer that proposes participation by
26 the certified reinsurer in a solvent scheme of

1 arrangement.

2 The maximum rating that a certified reinsurer may
3 be assigned shall correspond to its financial strength
4 rating, which shall be determined according to
5 subitems (i) through (vi) of item (a) of this
6 subparagraph (5). The Director shall use the lowest
7 financial strength rating received from an acceptable
8 rating agency in establishing the maximum rating of a
9 certified reinsurer.

10 (6) Based on the analysis conducted under item (e)
11 of subparagraph (5) of this paragraph (C-5) of a
12 certified reinsurer's reputation for prompt payment of
13 claims, the Director may make appropriate adjustments
14 in the security the certified reinsurer is required to
15 post to protect its liabilities to U.S. ceding
16 insurers, provided that the Director shall, at a
17 minimum, increase the security the certified reinsurer
18 is required to post by one rating level under item (a)
19 of subparagraph (8) of this paragraph (C-5) if the
20 Director finds that:

21 (a) more than 15% of the certified reinsurer's
22 ceding insurance clients have overdue reinsurance
23 recoverables on paid losses of 90 days or more that
24 are not in dispute and that exceed \$100,000 for
25 each cedent; or

26 (b) the aggregate amount of reinsurance

1 recoverables on paid losses that are not in dispute
2 that are overdue by 90 days or more exceeds
3 \$50,000,000.

4 (7) The Director shall post notice on the
5 Department's website promptly upon receipt of any
6 application for certification, including instructions
7 on how members of the public may respond to the
8 application. The Director may not take final action on
9 the application until at least 30 days after posting
10 the notice required by this subparagraph. The Director
11 shall publish a list of all certified reinsurers and
12 their ratings.

13 (8) A certified reinsurer shall secure obligations
14 assumed from U.S. ceding insurers under this
15 subsection (1) at a level consistent with its rating.

16 (a) The amount of security required in order
17 for full credit to be allowed shall correspond with
18 the applicable ratings category:

19 Secure - 1: 0%.

20 Secure - 2: 10%.

21 Secure - 3: 20%.

22 Secure - 4: 50%.

23 Secure - 5: 75%.

24 Vulnerable - 6: 100%.

25 (b) Nothing in this subparagraph (8) shall
26 prohibit the parties to a reinsurance agreement

1 from agreeing to provisions establishing security
2 requirements that exceed the minimum security
3 requirements established for certified reinsurers
4 under this Section.

5 (c) In order for a domestic ceding insurer to
6 qualify for full financial statement credit for
7 reinsurance ceded to a certified reinsurer, the
8 certified reinsurer shall maintain security in a
9 form acceptable to the Director and consistent
10 with the provisions of subsection (2) of this
11 Section, or in a multibeneficiary trust in
12 accordance with paragraph (C) of this subsection
13 (1), except as otherwise provided in this
14 subparagraph (8).

15 (d) If a certified reinsurer maintains a trust
16 to fully secure its obligations subject to
17 paragraph (C) of this subsection (1), and chooses
18 to secure its obligations incurred as a certified
19 reinsurer in the form of a multibeneficiary trust,
20 then the certified reinsurer shall maintain
21 separate trust accounts for its obligations
22 incurred under reinsurance agreements issued or
23 renewed as a certified reinsurer with reduced
24 security as permitted by this subsection or
25 comparable laws of other U.S. jurisdictions and
26 for its obligations subject to paragraph (C) of

1 this subsection (1). It shall be a condition to the
2 grant of certification under this paragraph (C-5)
3 that the certified reinsurer shall have bound
4 itself, by the language of the trust and agreement
5 with the Director with principal regulatory
6 oversight of each such trust account, to fund, upon
7 termination of any such trust account, out of the
8 remaining surplus of such trust any deficiency of
9 any other such trust account. The certified
10 reinsurer shall also provide or make available, if
11 requested by a beneficiary under a trust, all the
12 information that is required to be provided under
13 the requirements of item (d) of subparagraph (2) of
14 paragraph (C) of this subsection (1) to the
15 certified reinsurer's U.S. ceding insurers or
16 their assigns and successors in interest. The
17 assuming insurer may decline to release trade
18 secrets or commercially sensitive information that
19 would qualify as exempt from disclosure under the
20 Freedom of Information Act.

21 (e) The minimum trustee surplus requirements
22 provided in paragraph (C) of this subsection (1)
23 are not applicable with respect to a
24 multibeneficiary trust maintained by a certified
25 reinsurer for the purpose of securing obligations
26 incurred under this subsection, except that such

1 trust shall maintain a minimum trustee surplus of
2 \$10,000,000.

3 (f) With respect to obligations incurred by a
4 certified reinsurer under this subsection (1), if
5 the security is insufficient, then the Director
6 may reduce the allowable credit by an amount
7 proportionate to the deficiency and may impose
8 further reductions in allowable credit upon
9 finding that there is a material risk that the
10 certified reinsurer's obligations will not be paid
11 in full when due.

12 (9)(a) In the case of a downgrade by a rating
13 agency or other disqualifying circumstance, the
14 Director shall by written notice assign a new rating to
15 the certified reinsurer in accordance with the
16 requirements of subparagraph (5) of this paragraph
17 (C-5).

18 (b) If the rating of a certified reinsurer is
19 upgraded by the Director, then the certified reinsurer
20 may meet the security requirements applicable to its
21 new rating on a prospective basis, but the Director
22 shall require the certified reinsurer to post security
23 under the previously applicable security requirements
24 as to all contracts in force on or before the effective
25 date of the upgraded rating. If the rating of a
26 certified reinsurer is downgraded by the Director,

1 then the Director shall require the certified
2 reinsurer to meet the security requirements applicable
3 to its new rating for all business it has assumed as a
4 certified reinsurer.

5 (c) The Director may suspend, revoke, or otherwise
6 modify a certified reinsurer's certification at any
7 time if the certified reinsurer fails to meet its
8 obligations or security requirements under this
9 Section or if other financial or operating results of
10 the certified reinsurer, or documented significant
11 delays in payment by the certified reinsurer, lead the
12 Director to reconsider the certified reinsurer's
13 ability or willingness to meet its contractual
14 obligations. In seeking to suspend, revoke, or
15 otherwise modify a certified reinsurer's
16 certification, the Director shall follow the
17 procedures provided in paragraph (G) of this
18 subsection (1).

19 (d) For purposes of this subsection (1), a
20 certified reinsurer whose certification has been
21 terminated for any reason shall be treated as a
22 certified reinsurer required to secure 100% of its
23 obligations.

24 (i) As used in this item (d), the term
25 "terminated" refers to revocation, suspension,
26 voluntary surrender and inactive status.

1 (ii) If the Director continues to assign a
2 higher rating as permitted by other provisions of
3 this Section, then this requirement does not apply
4 to a certified reinsurer in inactive status or to a
5 reinsurer whose certification has been suspended.

6 (e) Upon revocation of the certification of a
7 certified reinsurer by the Director, the assuming
8 insurer shall be required to post security in
9 accordance with subsection (2) of this Section in order
10 for the ceding insurer to continue to take credit for
11 reinsurance ceded to the assuming insurer. If funds
12 continue to be held in trust, then the Director may
13 allow additional credit equal to the ceding insurer's
14 pro rata share of the funds, discounted to reflect the
15 risk of uncollectibility and anticipated expenses of
16 trust administration.

17 (f) Notwithstanding the change of a certified
18 reinsurer's rating or revocation of its certification,
19 a domestic insurer that has ceded reinsurance to that
20 certified reinsurer may not be denied credit for
21 reinsurance for a period of 3 months for all
22 reinsurance ceded to that certified reinsurer, unless
23 the reinsurance is found by the Director to be at high
24 risk of uncollectibility.

25 (10) A certified reinsurer that ceases to assume
26 new business in this State may request to maintain its

1 certification in inactive status in order to continue
2 to qualify for a reduction in security for its in-force
3 business. An inactive certified reinsurer shall
4 continue to comply with all applicable requirements of
5 this subsection (1), and the Director shall assign a
6 rating that takes into account, if relevant, the
7 reasons why the reinsurer is not assuming new business.

8 (11) Credit for reinsurance under this paragraph
9 (C-5) shall apply only to reinsurance contracts
10 entered into or renewed on or after the effective date
11 of the certification of the assuming insurer.

12 (12) The Director shall comply with all reporting
13 and notification requirements that may be established
14 by the NAIC with respect to certified reinsurers and
15 qualified jurisdictions.

16 (D) Credit shall be allowed when the reinsurance is
17 ceded to an assuming insurer not meeting the requirements
18 of paragraph ~~subsection (1)~~ (A), (B), or (C) of this
19 subsection (1) but only with respect to the insurance of
20 risks located in jurisdictions where that reinsurance is
21 required by applicable law or regulation of that
22 jurisdiction.

23 (E) If the assuming insurer is not licensed to transact
24 insurance in this State or an accredited or certified
25 reinsurer in this State, the credit permitted by paragraphs
26 (B-5) and ~~subsection (1)~~ (C) of this subsection (1) shall

1 not be allowed unless the assuming insurer agrees in the
2 reinsurance agreements:

3 (1) that in the event of the failure of the
4 assuming insurer to perform its obligations under the
5 terms of the reinsurance agreement, the assuming
6 insurer, at the request of the ceding insurer, shall
7 submit to the jurisdiction of any court of competent
8 jurisdiction in any state of the United States, will
9 comply with all requirements necessary to give the
10 court jurisdiction, and will abide by the final
11 decision of the court or of any appellate court in the
12 event of an appeal; and

13 (2) to designate the Director or a designated
14 attorney as its true and lawful attorney upon whom may
15 be served any lawful process in any action, suit, or
16 proceeding instituted by or on behalf of the ceding
17 company.

18 This provision is not intended to conflict with or
19 override the obligation of the parties to a reinsurance
20 agreement to arbitrate their disputes, if an obligation to
21 arbitrate is created in the agreement.

22 (F) If the assuming insurer does not meet the
23 requirements of paragraph (A) or (B) of this subsection (1)
24 ~~(1) (A) or (B)~~, the credit permitted by paragraph (C) of
25 this subsection (1) ~~(1) (C)~~ shall not be allowed unless the
26 assuming insurer agrees in the trust agreements to the

1 following conditions:

2 (1) Notwithstanding any other provisions in the
3 trust instrument, if the trust fund is inadequate
4 because it contains an amount less than the amount
5 required by subparagraph (3) of paragraph (C)
6 ~~subsection (C) (3)~~ of this subsection (1) Section or if
7 the grantor of the trust has been declared insolvent or
8 placed into receivership, rehabilitation, liquidation,
9 or similar proceedings under the laws of its state or
10 country of domicile, the trustee shall comply with an
11 order of the state official with regulatory oversight
12 over the trust or with an order of a court of competent
13 jurisdiction directing the trustee to transfer to the
14 state official with regulatory oversight all of the
15 assets of the trust fund.

16 (2) The assets shall be distributed by and claims
17 shall be filed with and valued by the state official
18 with regulatory oversight in accordance with the laws
19 of the state in which the trust is domiciled that are
20 applicable to the liquidation of domestic insurance
21 companies.

22 (3) If the state official with regulatory
23 oversight determines that the assets of the trust fund
24 or any part thereof are not necessary to satisfy the
25 claims of the U.S. ceding insurers of the grantor of
26 the trust, the assets or part thereof shall be returned

1 by the state official with regulatory oversight to the
2 trustee for distribution in accordance with the trust
3 agreement.

4 (4) The grantor shall waive any rights otherwise
5 available to it under U.S. law that are inconsistent
6 with the provision.

7 (G) If an accredited or certified reinsurer ceases to
8 meet the requirements for accreditation or certification,
9 then the Director may suspend or revoke the reinsurer's
10 accreditation or certification.

11 (1) The Director must give the reinsurer notice and
12 opportunity for hearing. The suspension or revocation
13 may not take effect until after the Director's order on
14 hearing, unless:

15 (a) the reinsurer waives its right to hearing;

16 (b) the Director's order is based on
17 regulatory action by the reinsurer's domiciliary
18 jurisdiction or the voluntary surrender or
19 termination of the reinsurer's eligibility to
20 transact insurance or reinsurance business in its
21 domiciliary jurisdiction or in the primary
22 certifying state of the reinsurer under
23 subparagraph (4) of paragraph (C-5) of this
24 subsection (1); or

25 (c) the Director finds that an emergency
26 requires immediate action and a court of competent

1 jurisdiction has not stayed the Director's action.

2 (2) While a reinsurer's accreditation or
3 certification is suspended, no reinsurance contract
4 issued or renewed after the effective date of the
5 suspension qualifies for credit except to the extent
6 that the reinsurer's obligations under the contract
7 are secured in accordance with subsection (2) of this
8 Section. If a reinsurer's accreditation or
9 certification is revoked, no credit for reinsurance
10 may be granted after the effective date of the
11 revocation, except to the extent that the reinsurer's
12 obligations under the contract are secured in
13 accordance with subsection (2) of this Section.

14 (H) The following provisions shall apply concerning
15 concentration of risk:

16 (1) A ceding insurer shall take steps to manage its
17 reinsurance recoverable proportionate to its own book
18 of business. A domestic ceding insurer shall notify the
19 Director within 30 days after reinsurance recoverables
20 from any single assuming insurer, or group of
21 affiliated assuming insurers, exceeds 50% of the
22 domestic ceding insurer's last reported surplus to
23 policyholders, or after it is determined that
24 reinsurance recoverables from any single assuming
25 insurer, or group of affiliated assuming insurers, is
26 likely to exceed this limit. The notification shall

1 demonstrate that the exposure is safely managed by the
2 domestic ceding insurer.

3 (2) A ceding insurer shall take steps to diversify
4 its reinsurance program. A domestic ceding insurer
5 shall notify the Director within 30 days after ceding
6 to any single assuming insurer, or group of affiliated
7 assuming insurers, more than 20% of the ceding
8 insurer's gross written premium in the prior calendar
9 year, or after it has determined that the reinsurance
10 ceded to any single assuming insurer, or group of
11 affiliated assuming insurers, is likely to exceed this
12 limit. The notification shall demonstrate that the
13 exposure is safely managed by the domestic ceding
14 insurer.

15 (2) Credit for the reinsurance ceded by a domestic insurer
16 to an assuming insurer not meeting the requirements of
17 subsection (1) of this Section shall be allowed in an amount
18 not exceeding the assets or liabilities carried by the ceding
19 insurer. The credit shall not exceed the amount of funds held
20 by or held in trust for the ceding insurer under a reinsurance
21 contract with the assuming insurer as security for the payment
22 of obligations thereunder, if the security is held in the
23 United States subject to withdrawal solely by, and under the
24 exclusive control of, the ceding insurer; or, in the case of a
25 trust, held in a qualified United States financial institution,
26 as defined in paragraph (B) of subsection (3) of this Section

1 ~~(3) (B)~~. This security may be in the form of:

2 (A) Cash.

3 (B) Securities listed by the Securities Valuation
4 Office of the National Association of Insurance
5 Commissioners, including those deemed exempt from filing
6 as defined by the Purposes and Procedures Manual of the
7 Securities Valuation Office that conform to the
8 requirements of Article VIII of this Code that are not
9 issued by an affiliate of either the assuming or ceding
10 company.

11 (C) Clean, irrevocable, unconditional, letters of
12 credit issued or confirmed by a qualified United States
13 financial institution, as defined in paragraph (A) of
14 subsection (3) of this Section ~~(3) (A)~~. The letters of
15 credit shall be effective no later than December 31 of the
16 year for which filing is being made, and in the possession
17 of, or in trust for, the ceding company on or before the
18 filing date of its annual statement. Letters of credit
19 meeting applicable standards of issuer acceptability as of
20 the dates of their issuance (or confirmation) shall,
21 notwithstanding the issuing (or confirming) institution's
22 subsequent failure to meet applicable standards of issuer
23 acceptability, continue to be acceptable as security until
24 their expiration, extension, renewal, modification, or
25 amendment, whichever first occurs.

26 (D) Any other form of security acceptable to the

1 Director.

2 (3) (A) For purposes of paragraph (C) of subsection (2) of
3 this Section ~~subsection 2(C)~~, a "qualified United States
4 financial institution" means an institution that:

5 (1) is organized or, in the case of a U.S. office of a
6 foreign banking organization, licensed under the laws of
7 the United States or any state thereof;

8 (2) is regulated, supervised, and examined by U.S.
9 federal or state authorities having regulatory authority
10 over banks and trust companies;

11 (3) has been designated by either the Director or the
12 Securities Valuation Office of the National Association of
13 Insurance Commissioners as meeting such standards of
14 financial condition and standing as are considered
15 necessary and appropriate to regulate the quality of
16 financial institutions whose letters of credit will be
17 acceptable to the Director; and

18 (4) is not affiliated with the assuming company.

19 (B) A "qualified United States financial institution"
20 means, for purposes of those provisions of this law specifying
21 those institutions that are eligible to act as a fiduciary of a
22 trust, an institution that:

23 (1) is organized or, in the case of the U.S. branch or
24 agency office of a foreign banking organization, licensed
25 under the laws of the United States or any state thereof
26 and has been granted authority to operate with fiduciary

1 powers;

2 (2) is regulated, supervised, and examined by federal
3 or state authorities having regulatory authority over
4 banks and trust companies; and

5 (3) is not affiliated with the assuming company,
6 however, if the subject of the reinsurance contract is
7 insurance written pursuant to Section 155.51 of this Code,
8 the financial institution may be affiliated with the
9 assuming company with the prior approval of the Director.

10 (C) Except as set forth in subparagraph (11) of paragraph
11 (C-5) of subsection (1) of this Section as to cessions by
12 certified reinsurers, this amendatory Act of the 100th General
13 Assembly shall apply to all cessions after the effective date
14 of this amendatory Act of the 100th General Assembly under
15 reinsurance agreements that have an inception, anniversary, or
16 renewal date not less than 6 months after the effective date of
17 this amendatory Act of the 100th General Assembly.

18 (D) The Department shall adopt rules implementing the
19 provisions of this Article.

20 (Source: P.A. 90-381, eff. 8-14-97.)

21 (215 ILCS 5/456) (from Ch. 73, par. 1065.3)

22 Sec. 456. Making of rates. (1) All rates shall be made in
23 accordance with the following provisions:

24 (a) Due consideration shall be given to past and
25 prospective loss experience within and outside this state, to

1 catastrophe hazards, if any, to a reasonable margin for profit
2 and contingencies, to dividends, savings or unabsorbed premium
3 deposits allowed or returned by companies to their
4 policyholders, members or subscribers, to past and prospective
5 expenses both countrywide and those specially applicable to
6 this state, to underwriting practice and judgment and to all
7 other relevant factors within and outside this state;

8 (b) The systems of expense provisions included in the rates
9 for use by any company or group of companies may differ from
10 those of other companies or groups of companies to reflect the
11 requirements of the operating methods of any such company or
12 group with respect to any kind of insurance, or with respect to
13 any subdivision or combination thereof for which subdivision or
14 combination separate expense provisions are applicable;

15 (c) Risks may be grouped by classifications for the
16 establishment of rates and minimum premiums. Classification
17 rates may be modified to produce rates for individual risks in
18 accordance with rating plans which measure variation in hazards
19 or expense provisions, or both. Such rating plans may measure
20 any differences among risks that have a probable effect upon
21 losses or expenses;

22 (d) Rates shall not be excessive, inadequate or unfairly
23 discriminatory.

24 ~~A rate in a competitive market is not excessive. A rate in~~
25 ~~a noncompetitive market~~ is excessive if it is likely to produce
26 a ~~long-run~~ profit that is unreasonably high for the insurance

1 provided or if expenses are unreasonably high in relation to
2 the services rendered.

3 A rate is not inadequate unless such rate is clearly
4 insufficient to sustain projected losses and expenses in the
5 class of business to which it applies and the use of such rate
6 has or, if continued, will have the effect of substantially
7 lessening competition or the tendency to create monopoly in any
8 market.

9 Unfair discrimination exists if, after allowing for
10 practical limitations, price differentials fail to reflect
11 equitably the differences in expected losses and expenses. A
12 rate is not unfairly discriminatory because different premiums
13 result for policyholders with like exposures but different
14 expenses, or like expenses but different loss exposures, so
15 long as the rate reflects the differences with reasonable
16 accuracy.

17 (e) The rating plan shall contain a mandatory offer of a
18 deductible applicable only to the medical benefit under the
19 Workers' Compensation Act. Such deductible offer shall be in a
20 minimum amount of at least \$1,000 per accident.

21 (f) Any rating plan or program shall include a rule
22 permitting 2 or more employers with similar risk
23 characteristics, who participate in a loss prevention program
24 or safety group, to pool their premium and loss experience in
25 determining their rate or premium for such participation in the
26 program.

1 (2) Except to the extent necessary to meet the provisions
2 of subdivision (d) of subsection (1) of this Section,
3 uniformity among companies in any matters within the scope of
4 this Section is neither required nor prohibited.

5 (Source: P.A. 82-939.)

6 (215 ILCS 5/457) (from Ch. 73, par. 1065.4)

7 Sec. 457. Rate filings. (1) ~~Every Beginning January 1,~~
8 ~~1983, every~~ company shall prefile file with the Director every
9 manual of classifications, every manual of rules and rates,
10 every rating plan and every modification of the foregoing which
11 it intends to use. Such filings shall be made at least ~~not~~
12 ~~later than~~ 30 days before ~~after~~ they become effective. A
13 company may satisfy its obligation to make such filings by
14 adopting the filing of a licensed rating organization of which
15 it is a member or subscriber, filed pursuant to subsection (2)
16 of this Section, in total or, with the approval of the
17 Director, by notifying the Director in what respects it intends
18 ~~to~~ deviate from such filing. If a company intends to deviate
19 from the filing of a licensed rating organization of which it
20 is a member, the company shall provide the Director with
21 supporting information that specifies the basis for the
22 requested deviation and provides justification for the
23 deviation. Any company adopting a pure premium filed by a
24 rating organization pursuant to subsection (2) must file with
25 the Director the modification factor it is using for expenses

1 and profit so that the final rates in use by such company can
2 be determined.

3 (2) ~~Each Beginning January 1, 1983, each~~ licensed rating
4 organization must prefile ~~file~~ with the Director every manual
5 of classification, every manual of rules and advisory rates,
6 every pure premium which has been fully adjusted and fully
7 developed, every rating plan and every modification of any of
8 the foregoing which it intends to recommend for use to its
9 members and subscribers, at least not later than 30 days before
10 ~~after~~ such manual, premium, plan or modification thereof takes
11 effect. Every licensed rating organization shall also file with
12 the Director the rate classification system, all rating rules,
13 rating plans, policy forms, underwriting rules or similar
14 materials, and each modification of any of the foregoing which
15 it requires its members and subscribers to adhere to not later
16 than 30 days before such filings or modifications thereof are
17 to take effect. Every such filing shall state the proposed
18 effective date thereof and shall indicate the character and
19 extent of the coverage contemplated.

20 (3) A filing and any supporting information made pursuant
21 to this Section shall be open to public inspection as soon as
22 filed ~~after the filing becomes effective~~.

23 (4) A filing shall not be effective nor used until approved
24 by the Director. A filing shall be deemed approved and legally
25 effective if the Director fails to disapprove within 30 days
26 after the filing.

1 (Source: P.A. 82-939.)

2 (215 ILCS 5/458) (from Ch. 73, par. 1065.5)

3 Sec. 458. Disapproval of filings. (1) If within 30 ~~thirty~~
4 days of any filing the Director finds that such filing does not
5 meet the requirements of this Article, he shall send to the
6 company or rating organization which made such filing a written
7 notice of disapproval of such filing, specifying therein in
8 what respects he finds that such filing fails to meet the
9 requirements of this Article ~~and stating when, within a~~
10 ~~reasonable period thereafter, such filing shall be deemed no~~
11 ~~longer effective. A company or rating organization whose filing~~
12 ~~has been disapproved shall be given a hearing upon a written~~
13 ~~request made within 30 days after the disapproval order. If the~~
14 ~~company or rating organization making the filing shall, prior~~
15 ~~to the expiration of the period prescribed in the notice,~~
16 ~~request a hearing, such filings shall be effective until the~~
17 ~~expiration of a reasonable period specified in any order~~
18 ~~entered thereon. If the rate resulting from such filing be~~
19 ~~unfairly discriminatory or materially inadequate, and the~~
20 ~~difference between such rate and the approved rate equals or~~
21 ~~exceeds the cost of making an adjustment, the Director shall in~~
22 ~~such notice or order direct an adjustment of the premium to be~~
23 ~~made with the policyholder either by refund or collection of~~
24 ~~additional premium. If the policyholder does not accept the~~
25 ~~increased rate, cancellation shall be made on a pro rata basis.~~

1 ~~Any policy issued pursuant to this subsection shall contain a~~
2 ~~provision that the premium thereon shall be subject to~~
3 ~~adjustment upon the basis of the filing finally approved.~~

4 (2) If at any time subsequent to the applicable review
5 period provided for in subsection (1) of this Section, the
6 Director finds that a filing does not meet the requirements of
7 this Article, he shall, after a hearing held upon not less than
8 ten days written notice, specifying the matters to be
9 considered at such hearing, to every company and rating
10 organization which made such filing, issue an order specifying
11 in what respects he finds that such filing fails to meet the
12 requirements of this Article, and stating when, within a
13 reasonable period thereafter, such filings shall be deemed no
14 longer effective. Copies of said order shall be sent to every
15 such company and rating organization. Said order shall not
16 affect any contract or policy made or issued prior to the
17 expiration of the period set forth in said order.

18 (3) Any person or organization aggrieved with respect to
19 any filing which is in effect may make written application to
20 the Director for a hearing thereon, provided, however, that the
21 company or rating organization that made the filing shall not
22 be authorized to proceed under this subsection. Such
23 application shall specify the grounds to be relied upon by the
24 applicant. If the Director shall find that the application is
25 made in good faith, that the applicant would be so aggrieved if
26 his grounds are established, and that such grounds otherwise

1 justify holding such a hearing, he shall, within thirty days
2 after receipt of such application, hold a hearing upon not less
3 than ten days written notice to the applicant and to every
4 company and rating organization which made such filing.

5 If, after such hearing, the Director finds that the filing
6 does not meet the requirements of this Article, he shall issue
7 an order specifying in what respects he finds that such filing
8 fails to meet the requirements of this Article, and stating
9 when, within a reasonable period thereafter, such filing shall
10 be deemed no longer effective. Copies of said order shall be
11 sent to the applicant and to every such company and rating
12 organization. Said order shall not affect any contract or
13 policy made or issued prior to the expiration of the period set
14 forth in said order.

15 (4) Whenever an insurer has no legally effective rates as a
16 result of the Director's disapproval of rates or other act, the
17 Director shall on request of the insurer specify interim rates
18 for the insurer that are high enough to protect the interests
19 of all parties and may order that a specified portion of the
20 premiums be placed in an escrow account approved by him or her.
21 When new rates become legally effective, the Director shall
22 order the escrowed funds or any overcharge in the interim rates
23 to be distributed appropriately, except that refunds to
24 policyholders that are de minimis shall not be required.

25 (Source: P.A. 82-939.)

1 (215 ILCS 5/462a new)

2 Sec. 462a. Premium increase notice. A policy of workers'
3 compensation insurance issued, delivered, amended, or renewed
4 on or after January 1, 2019 shall remain in full force and
5 effect subject to the same terms and conditions, loss cost
6 multipliers, and classification of the employer with regard to
7 the payment of dividends, unless written notice is mailed or
8 delivered by the insurer to the employer, at the address shown
9 on the policy, and to the employer's authorized agent or
10 broker, indicating the insurer's intention to condition
11 renewal upon issuance of a policy that supersedes the policy
12 previously issued and that will result in a premium in excess
13 of 5% above the rate recommendation filed with the Department,
14 exclusive of any premium increase generated as a result of
15 increased loss costs or increased exposure units or as a result
16 of experience rating, contractor credit adjustment program,
17 large deductible, retrospective rating, or audit. The notice
18 shall be delivered at least 30 days in advance of the
19 expiration date of the policy, and shall set forth: (1) the
20 amount of the premium increase or, if the amount cannot
21 reasonably be determined as of the time the notice is provided,
22 a reasonable estimate of the premium increase based upon the
23 information available to the insurer at that time; and (2) the
24 reason for the increased premium in excess of the rate
25 recommendation filed with the Department. Nothing in this
26 Section requires the insurer to provide notice when the

1 employer, an agent or broker authorized by the employer, or
2 another insurer of the employer has delivered written notice
3 that the policy has been replaced or is no longer desired.

4 (215 ILCS 5/123C-4 rep.)

5 (215 ILCS 5/460 rep.)

6 Section 95. The Illinois Insurance Code is amended by
7 repealing Sections 123C-4 and 460.

8 Section 99. Effective date. This Act takes effect upon
9 becoming law, except that the provisions changing Sections 456,
10 457, and 458 of the Illinois Insurance Code and the provisions
11 repealing Section 460 of the Illinois Insurance Code take
12 effect February 1, 2019.".