

1 AN ACT concerning regulation.

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

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"
17 means health insurance coverage provided pursuant to a policy
18 with an issuer, regardless of the situs of the delivery of the
19 policy, that is less than 365 days after the effective date of
20 the policy.

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

22 (a) This Act applies to health insurance issuers that offer

1 short-term, limited-duration health insurance coverage to
2 individuals in this State and to short-term, limited-duration
3 health insurance coverage that is delivered or issued for
4 delivery in this State, including coverage issued outside of
5 this State that covers individuals in this State.

6 (b) A short-term, limited-duration health insurance
7 coverage policy may not be issued or delivered to any person
8 residing in this State unless the policy, when delivered or
9 issued for delivery in this State, complies with the provisions
10 of this Act.

11 (c) Any short-term, limited-duration health insurance
12 coverage policy that is delivered or issued for delivery in
13 this State must have an expiration date in the policy that is
14 less than 181 days after the effective date and shall not be
15 renewable or extendable within a period of 365 days after the
16 individual's coverage under the policy ends, either at the
17 option of the issuer or the individual. Renewal of a
18 short-term, limited-duration health insurance coverage policy
19 includes the issuance of a new short-term, limited-duration
20 health insurance policy by an issuer to a policyholder within
21 60 days after the expiration of a policy previously issued by
22 the issuer to the policyholder.

23 (d) Any short-term, limited-duration health insurance
24 coverage policy that is delivered or issued for delivery in
25 this State may not be rescinded before the expiration date in
26 the policy, except in cases of nonpayment of premiums, fraud,

1 or as provided in subsection (e).

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

6 Section 15. Disclosure requirements.

7 (a) A health insurance issuer that offers short-term,
8 limited-duration health insurance coverage to be delivered or
9 issued for delivery in this State shall, in addition to all
10 other documents required, including, but not limited to, the
11 policy, the certificate, the membership booklet, and a
12 description of appeal and external review rights, deliver an
13 outline of coverage to an applicant for or an enrollee in
14 short-term, limited-duration health insurance coverage
15 delivered or issued for delivery in this State.

16 (b) Any short-term, limited-duration health insurance
17 coverage policy that is delivered or issued for delivery in the
18 State shall display prominently in the policy, any application,
19 sales, and marketing materials provided in connection with
20 enrollment in such coverage, and the outline of coverage for
21 such coverage, in at least 14-point, bold type, the following:
22 "NOTICE: THE SHORT-TERM, LIMITED-DURATION INSURANCE BENEFITS
23 UNDER THIS COVERAGE DO NOT MEET ALL FEDERAL REQUIREMENTS TO
24 QUALIFY AS "MINIMUM ESSENTIAL COVERAGE" FOR HEALTH INSURANCE
25 UNDER THE AFFORDABLE CARE ACT. THIS PLAN OF COVERAGE DOES NOT

1 INCLUDE ALL ESSENTIAL HEALTH BENEFITS AS REQUIRED BY THE
2 AFFORDABLE CARE ACT. PREEXISTING CONDITIONS ARE NOT COVERED
3 UNDER THIS PLAN OF COVERAGE. BE SURE TO CHECK YOUR POLICY
4 CAREFULLY TO MAKE SURE YOU UNDERSTAND WHAT THE POLICY DOES AND
5 DOES NOT COVER. IF THIS COVERAGE EXPIRES OR YOU LOSE
6 ELIGIBILITY FOR THIS COVERAGE, YOU MIGHT HAVE TO WAIT UNTIL THE
7 NEXT OPEN ENROLLMENT PERIOD TO GET OTHER HEALTH INSURANCE
8 COVERAGE. YOU MAY BE ABLE TO GET LONGER TERM INSURANCE THAT
9 QUALIFIES AS "MINIMUM ESSENTIAL COVERAGE" FOR HEALTH INSURANCE
10 UNDER THE AFFORDABLE CARE ACT NOW AND HELP TO PAY FOR IT AT
11 WWW.HEALTHCARE.GOV."

12 (c) Any individual selling a short-term, limited-duration
13 health insurance coverage policy in this State in face-to-face
14 or telephonic sales interactions must read out loud the
15 disclosure in subsection (b) to a prospective purchaser. An
16 entity selling a short-term, limited-duration health insurance
17 coverage policy in Illinois must display the disclosure in
18 subsection (b) on the webpage where a prospective purchaser
19 would purchase coverage.

20 (d) Nothing in this Section precludes an insurer from
21 providing disclosures in addition to those required in
22 subsections (b) and (c). Nothing in this Section precludes an
23 insurer from providing disclosures intended to clarify those
24 required in subsections (b) and (c) if approved by the
25 Department.

1 Section 20. Filing and approval.

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

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

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

12 (2) all sales and marketing materials provided in
13 connection with enrollment in such coverage for
14 informational purposes.

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

17 Section 90. The Illinois Insurance Code is amended by
18 adding Article IIB and Sections 123C-23, 123C-24, 123C-25,
19 123C-26, 123C-27, 123C-28, and 462a and by changing Sections
20 121-2.08, 123C-1, 123C-2, 123C-3, 123C-9, 123C-11, 123C-12,
21 123C-13, 123C-16, 123C-17, 123C-19, 156, 173.1, 456, 457, and
22 458 as follows:

23 (215 ILCS 5/Art. IIB heading new)

24 ARTICLE IIB. DOMESTIC STOCK COMPANY DIVISION

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

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

4 (215 ILCS 5/35B-5 new)

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

14 (215 ILCS 5/35B-10 new)

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

16 "Assets" means all assets or property, whether real,
17 personal or mixed, tangible or intangible, and any right or
18 interest therein, including all rights under contracts and
19 other agreements.

20 "Capital" means the capital stock component of statutory
21 surplus, as defined in the National Association of Insurance
22 Commissioners Accounting Practices and Procedures Manual,
23 version effective January 1, 2001, and subsequent revisions.

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

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

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

10 "Liability" means a liability or obligation of any kind,
11 character, or description, whether known or unknown, absolute
12 or contingent, accrued or unaccrued, disputed or undisputed,
13 liquidated or unliquidated, secured or unsecured, joint or
14 several, due or to become due, determined, determinable, or
15 otherwise.

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

19 "Plan of division" means a plan of division approved by a
20 dividing company in accordance Section 35B-20.

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

24 "Recorder" means the office of the recorder of the county
25 where the principal office of a domestic stock company is
26 located.

1 "Resulting company" means a domestic stock company created
2 by a division or a dividing company that survives a division.

3 "Shareholder" means the person in whose name shares are
4 registered in the records of a corporation or the beneficial
5 owner of shares to the extent of the rights granted by a
6 nominee certificate on file with a corporation.

7 "Sign" or "signature" includes a manual, facsimile, or
8 conformed or electronic signature.

9 "Surplus" means total statutory surplus less capital,
10 calculated in accordance with the National Association of
11 Insurance Commissioners Accounting Practices and Procedures
12 Manual, version effective January 1, 2001, and subsequent
13 revisions.

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

17 (215 ILCS 5/35B-15 new)

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

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

22 (b) Each plan of division shall include:

23 (1) the name of the domestic stock company seeking to
24 divide;

25 (2) the name of each resulting company that will be

1 created by the proposed division;

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

4 (A) proposed articles of incorporation;

5 (B) proposed bylaws; and

6 (C) the kinds of insurance business enumerated in
7 Section 4 that the new company would be authorized to
8 conduct;

9 (4) the manner of allocating between or among the
10 resulting companies:

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

14 (B) the liabilities of the domestic stock company,
15 including policy liabilities, to which not all of the
16 resulting companies will become jointly and severally
17 liable pursuant to paragraph (3) of subsection (a) of
18 Section 35B-40;

19 (5) the manner of distributing shares in the new
20 companies to the dividing company or its shareholders;

21 (6) a reasonable description of the liabilities,
22 including policy liabilities, and items of capital,
23 surplus, or other assets, in each case, that the domestic
24 stock company proposes to allocate to each resulting
25 company, including specifying the reinsurance contract,
26 reinsurance coverage obligations, and related claims that

1 are applicable to those policies;

2 (7) all terms and conditions required by the laws of
3 this State or the articles of incorporation and bylaws of
4 the domestic stock company;

5 (8) evidence demonstrating that the interest of all
6 classes of policyholders of the dividing company will be
7 properly protected; and

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

9 Nothing in this subsection (b) shall expand or reduce the
10 allocation and assignment of reinsurance as stated in the
11 reinsurance contract.

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

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

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

20 (3) if the dividing company desires to convert some,
21 but less than all, shares in the dividing company into
22 shares, securities, obligations, money, other property,
23 rights to acquire shares or securities, or any combination
24 thereof, a statement disclosing the manner in which it will
25 convert the shares.

26 (d) If the domestic stock company does not survive the

1 proposed division, the plan of division shall contain, in
2 addition to the information required by subsection (b), the
3 manner in which the dividing company will cancel or convert
4 shares in the dividing company into shares, securities,
5 obligations, money, other property, rights to acquire shares or
6 securities, or any combination thereof.

7 (e) Terms of a plan of division may be made dependent on
8 facts objectively ascertainable outside of the plan of
9 division.

10 (f) A dividing company may amend a plan of division in
11 accordance with any procedures set forth in the plan of
12 division or, if no such procedures are set forth in the plan of
13 division, in any manner determined by the board of directors of
14 the dividing company, except that a shareholder that was
15 entitled to vote on or consent to approval of the plan of
16 division is entitled to vote on or consent to any amendment of
17 the plan of division that will change:

18 (1) the amount or kind of shares, securities,
19 obligations, money, other property, rights to acquire
20 shares or securities, or any combination thereof, to be
21 received by any of the shareholders of the dividing company
22 under the plan of division;

23 (2) the articles of incorporation or bylaws of any
24 resulting company that will be in effect when the division
25 becomes effective, except for changes that do not require
26 approval of the shareholders of the resulting company under

1 its articles of incorporation or bylaws; or

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

5 (g) A dividing company may abandon a plan of division after
6 it has approved the plan of division without any action by the
7 shareholders and in accordance with any procedures set forth in
8 the plan of division or, if no such procedures are set forth in
9 the plan of division, in a manner determined by the board of
10 directors of the dividing company.

11 (h) A dividing company may abandon a plan of division after
12 it has filed a certificate of division with the recorder by
13 filing with the recorder, with concurrent copy to the director,
14 a certificate of abandonment signed by the dividing company.
15 The certificate of abandonment shall be effective on the date
16 it is filed with the recorder and the dividing company shall be
17 deemed to have abandoned its plan of division on such date.

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

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

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

22 (a) A domestic stock company shall not file a plan of
23 division with the Director unless the plan of division has been
24 approved in accordance with:

25 (1) any applicable provisions of its articles of

1 incorporation and bylaws; and

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

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

16 (215 ILCS 5/35B-25 new)

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

18 (a) A division shall not become effective until it is
19 approved by the Director after reasonable notice and a public
20 hearing, if the notice and hearing are deemed by the Director
21 to be in the public interest. The Director shall hold a public
22 hearing if one is requested by the dividing company. A hearing
23 conducted under this Section shall be conducted in accordance
24 with Article 10 of the Illinois Administrative Procedure Act.

25 (b) The Director shall approve a plan of division unless

1 the Director finds that:

2 (1) the interest of any class of policyholder or
3 shareholder of the dividing company will not be properly
4 protected;

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

10 (3) the proposed division violates a provision of the
11 Uniform Fraudulent Transfer Act;

12 (4) the division is being made for purposes of
13 hindering, delaying, or defrauding any policyholders or
14 other creditors of the dividing company;

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

17 (6) the remaining assets of one or more resulting
18 companies will be, upon consummation of a division,
19 unreasonably small in relation to the business and
20 transactions in which the resulting company was engaged or
21 is about to engage.

22 (c) In determining whether the standards set forth in
23 paragraph (3) of subsection (b) have been satisfied, the
24 Director shall only apply the Uniform Fraudulent Transfer Act
25 to a dividing company in its capacity as a resulting company
26 and shall not apply the Uniform Fraudulent Transfer Act to any

1 dividing company that is not proposed to survive the division.

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

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

14 (1) the resulting company as a debtor;

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

17 (3) the resulting company as not having received
18 reasonably equivalent value in exchange for incurring the
19 obligations; and

20 (4) assets allocated to the resulting company as
21 remaining property.

22 (f) All information, documents, materials, and copies
23 thereof submitted to, obtained by, or disclosed to the Director
24 in connection with a plan of division or in contemplation
25 thereof, including any information, documents, materials, or
26 copies provided by or on behalf of a domestic stock company in

1 advance of its adoption or submission of a plan of division,
2 shall be confidential and shall be subject to the same
3 protection and treatment in accordance with Section 131.14d as
4 documents and reports disclosed to or filed with the Director
5 pursuant to Section 131.14b until such time, if any, as a
6 notice of the hearing contemplated by subsection (a) is issued.

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

16 (h) All expenses incurred by the Director in connection
17 with proceedings under this Section, including expenses for the
18 services of any attorneys, actuaries, accountants, and other
19 experts as may be reasonably necessary to assist the Director
20 in reviewing the proposed division, shall be paid by the
21 dividing company filing the plan of division. A dividing
22 company may allocate expenses described in this subsection in a
23 plan of division in the same manner as any other liability.

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

1 (j) The conditions in this Section for freeing one or more
2 of the resulting companies from the liabilities of the dividing
3 company and for allocating some or all of the liabilities of
4 the dividing company shall be conclusively deemed to have been
5 satisfied if the plan of division has been approved by the
6 Director in a final order that is not subject to further
7 appeal.

8 (215 ILCS 5/35B-30 new)

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

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

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

14 (1) the name of the dividing company;

15 (2) a statement disclosing whether the dividing
16 company will survive the division;

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

19 (4) the kinds of insurance business enumerated in
20 Section 4 that the new company will be authorized to
21 conduct;

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

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

3 (6) a statement that the dividing company provided, no
4 later than 10 business days after the dividing company
5 filed the plan of division with the Director, reasonable
6 notice to each reinsurer that is party to a reinsurance
7 contract that is applicable to the policies included in the
8 plan of division;

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

12 (8) for each new company created by the division, its
13 articles of incorporation and bylaws, provided that the
14 articles of incorporation and bylaws need not state the
15 name or address of an incorporator; and

16 (9) a reasonable description of the capital, surplus,
17 other assets and liabilities, including policy
18 liabilities, of the dividing company that are to be
19 allocated to each resulting company.

20 (c) The articles of incorporation and bylaws of each new
21 company must satisfy the requirements of the laws of this
22 State, provided that the documents need not be signed or
23 include a provision that need not be included in a restatement
24 of the document.

25 (d) A certificate of division is effective when filed with
26 the recorder, with a concurrent copy to the Director, as

1 provided in this Section or on another date specified in the
2 plan of division, whichever is later, provided that a
3 certificate of division shall become effective not more than 90
4 days after it is filed with the recorder. A division is
5 effective when the relevant certificate of division is
6 effective.

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

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

9 (a) When a division becomes effective pursuant to Section
10 35B-30:

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

12 (A) it continues to exist;

13 (B) its articles of incorporation shall be
14 amended, if necessary, as provided in the plan of
15 division; and

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

18 (2) if the dividing company has not survived the
19 division, its separate existence ceases to exist;

20 (3) each new company:

21 (A) comes into existence;

22 (B) shall hold any capital, surplus, and other
23 assets allocated to such new company by the plan of
24 division as a successor to the dividing company,
25 automatically, by operation of law and not by transfer,

1 whether directly or indirectly; and
2 (C) its articles of incorporation, if any, and
3 bylaws, if any, shall be effective;
4 (4) capital, surplus, and other assets of the dividing
5 company:
6 (A) that is allocated by the plan of division
7 either:
8 (i) vests in the applicable new company as
9 provided in the plan of division; or
10 (ii) remains vested in the dividing company as
11 provided in the plan of division;
12 (B) that is not allocated by the plan of division
13 either:
14 (i) remains vested in the dividing company, if
15 the dividing company survives the division; or
16 (ii) is allocated to and vests equally in the
17 resulting companies as tenants in common, if the
18 dividing company does not survive the division; or
19 (C) otherwise vests as provided in this subsection
20 without transfer, reversion, or impairment;
21 (5) a resulting company to which a cause of action is
22 allocated as provided in paragraph (4) of this subsection
23 (a) may be substituted or added in any pending action or
24 proceeding to which the dividing company is a party when
25 the division becomes effective;
26 (6) the liabilities, including policy liabilities, of

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

9 (7) the shares in the dividing company that are to be
10 converted or canceled in the division are converted or
11 canceled, and the shareholders of those shares are entitled
12 only to the rights provided to them under the plan of
13 division and any appraisal rights that they may have
14 pursuant to Section 35B-45.

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

20 (c) The allocation to a new company of capital, surplus, or
21 other assets that is collateral covered by an effective
22 financing statement shall not be effective until a new
23 financing statement naming the new company as a debtor is
24 effective under the Uniform Commercial Code.

25 (d) Unless otherwise provided in the plan of division, the
26 shares in and any securities of each new company shall be

1 distributed to:

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

3 or

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

7 (215 ILCS 5/35B-40 new)

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

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

12 (1) individually, the liabilities, including policy
13 liabilities, that the resulting company issues,
14 undertakes, or incurs in its own name after the division;

15 (2) individually, the liabilities, including policy
16 liabilities, of the dividing company that are allocated to
17 or remain the liability of the resulting company to the
18 extent specified in the plan of division; and

19 (3) jointly and severally with the other resulting
20 companies, the liabilities, including policy liabilities,
21 of the dividing company that are not allocated by the plan
22 of division.

23 (b) Except as otherwise expressly provided in this Section,
24 when a division becomes effective, no resulting company is
25 responsible for or shall have any liability or obligation in

1 respect of:

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

5 (2) any liabilities, including policy liabilities, of
6 the dividing company that are allocated to or remain the
7 liability of another resulting company in accordance with
8 the plan of division.

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

19 (d) If a division breaches a contractual obligation of the
20 dividing company at the time the division becomes effective,
21 all of the resulting companies are liable, jointly and
22 severally, for the contractual breach, but the validity and
23 effectiveness of the division, including, without limitation,
24 the allocation of liabilities in accordance with the plan of
25 division, shall not be affected by the contractual breach.

26 (e) A direct or indirect allocation of capital, surplus,

1 assets, or liabilities, including policy liabilities, in a
2 division shall occur automatically, by operation of law, and
3 shall not be treated as a distribution or transfer for any
4 purpose with respect to either the dividing company or any of
5 the resulting companies.

6 (f) Liens, security interests, and other charges on the
7 capital, surplus, or other assets of the dividing company are
8 not impaired by the division, notwithstanding any otherwise
9 enforceable allocation of liabilities, including policy
10 liabilities, of the dividing company.

11 (g) If the dividing company is bound by a security
12 agreement governed by Article 9 of the Uniform Commercial Code
13 as enacted in this State or in any other jurisdiction, and the
14 security agreement provides that the security interest
15 attaches to after-acquired collateral, each resulting company
16 is bound by the security agreement.

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

18 (1) except as provided in the plan of division and
19 specifically approved by the Director, affect the rights
20 that a policyholder or creditor has under other law in
21 respect of the policy or other liability, except that those
22 rights are available only against a resulting company
23 responsible for the policy or liability under this Section;
24 or

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

1 (215 ILCS 5/35B-45 new)

2 Sec. 35B-45. Shareholder rights. If the dividing company
3 does not survive the division, an objecting shareholder of a
4 dividing company is entitled to appraisal rights and to obtain
5 payment of the fair value of that shareholder's shares, in the
6 same manner and to the extent provided for pursuant to Section
7 167.

8 (215 ILCS 5/35B-50 new)

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

11 (215 ILCS 5/121-2.08) (from Ch. 73, par. 733-2.08)

12 Sec. 121-2.08. Transactions in this State involving
13 contracts of insurance independently procured directly from an
14 unauthorized insurer by industrial insureds.

15 (a) As used in this Section:

16 "Exempt commercial purchaser" means exempt commercial
17 purchaser as the term is defined in subsection (1) of Section
18 445 of this Code.

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

21 "Industrial insured" means an insured:

22 (i) that procures the insurance of any risk or risks of
23 the kinds specified in Classes 2 and 3 of Section 4 of this

1 Code by use of the services of a full-time employee who is
2 a qualified risk manager or the services of a regularly and
3 continuously retained consultant who is a qualified risk
4 manager;

5 (ii) that procures the insurance directly from an
6 unauthorized insurer without the services of an
7 intermediary insurance producer; and

8 (iii) that is an exempt commercial purchaser whose home
9 state is Illinois.

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

12 "Qualified risk manager" means qualified risk manager as
13 the term is defined in subsection (1) of Section 445 of this
14 Code.

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

20 (b) For contracts of insurance effective January 1, 2015 or
21 later, within 90 days after the effective date of each contract
22 of insurance issued under this Section, the insured shall file
23 a report with the Director by submitting the report to the
24 Surplus Line Association of Illinois in writing or in a
25 computer readable format and provide information as designated
26 by the Surplus Line Association of Illinois. The information in

1 the report shall be substantially similar to that required for
2 surplus line submissions as described in subsection (5) of
3 Section 445 of this Code. Where applicable, the report shall
4 satisfy, with respect to the subject insurance, the reporting
5 requirement of Section 12 of the Fire Investigation Act.

6 (c) For contracts of insurance effective January 1, 2015
7 through December 31, 2017 or later, within 30 days after filing
8 the report, the insured shall pay to the Director for the use
9 and benefit of the State a sum equal to the gross premium of
10 the contract of insurance multiplied by the surplus line tax
11 rate, as described in paragraph (3) of subsection (a) of
12 Section 445 of this Code, and shall pay the fire marshal tax
13 that would otherwise be due annually in March for insurance
14 subject to tax under Section 12 of the Fire Investigation Act.
15 For contracts of insurance effective January 1, 2018 or later,
16 within 30 days after filing the report, the insured shall pay
17 to the Director for the use and benefit of the State a sum
18 equal to 0.5% of the gross premium of the contract of
19 insurance, and shall pay the fire marshal tax that would
20 otherwise be due annually in March for insurance subject to tax
21 under Section 12 of the Fire Investigation Act. For contracts
22 of insurance effective January 1, 2015 or later, within 30 days
23 after filing the report, the insured shall pay to the Surplus
24 Line Association of Illinois a countersigning fee that shall be
25 assessed at the same rate charged to members pursuant to
26 subsection (4) of Section 445.1 of this Code.

1 (d) For contracts of insurance effective January 1, 2015 or
2 later, the insured shall withhold the amount of the taxes and
3 countersignature fee from the amount of premium charged by and
4 otherwise payable to the insurer for the insurance. If the
5 insured fails to withhold the tax and countersignature fee from
6 the premium, then the insured shall be liable for the amounts
7 thereof and shall pay the amounts as prescribed in subsection
8 (c) of this Section.

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

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

13 (215 ILCS 5/123C-1) (from Ch. 73, par. 735C-1)

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

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

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

18 (1) is an affiliate of another entity if the entity
19 directly or indirectly, through one or more
20 intermediaries, controls, is controlled by, or is under
21 common control with the other entity.

22 (2) is an affiliate of another entity if the entity is
23 an affiliate of and is controlled by the other entity
24 directly or indirectly through one or more intermediaries.

25 A subsidiary or holding company of an entity is an affiliate of

1 ~~that entity. shall have the meaning set forth in subsection (a)~~
2 ~~of Section 131.1 (and, for purposes of such definition, the~~
3 ~~definitions of "control" and "person", as set forth in~~
4 ~~subsections (b) and (c) of Section 131.1, respectively, shall~~
5 ~~be applicable).~~

6 B. "Association" means any entity meeting the requirements
7 set forth in either of the following paragraphs (1), (2) or
8 (3):

9 (1) any organized association of individuals, legal
10 representatives, corporations (whether for profit or not
11 for profit), partnerships, trusts, associations, units of
12 government or other organizations, or any combination of
13 the foregoing, that has been in continuous existence for at
14 least one year, the member organizations of which
15 collectively:

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

20 (b) have complete voting control (directly or
21 indirectly) over an association captive insurance
22 company organized as a mutual insurer;

23 (2) any organized association of individuals, legal
24 representatives, corporations (whether for profit or not
25 for profit), partnerships, trusts, associations, units of
26 government or other organizations, or any combination of

1 the foregoing:

2 (a) whose member organizations are engaged in
3 businesses or activities similar or related with
4 respect to the liability of which such members are
5 exposed by virtue of any related, similar, or common
6 business, trade, product, services, premises, or
7 operations; and

8 (b) whose member organizations:

9 (i) directly or indirectly own or control, and
10 hold with power to vote, at least 80% of all of the
11 outstanding voting securities of an association
12 captive insurance company incorporated as a stock
13 insurer; or

14 (ii) directly or indirectly have at least 80%
15 of the voting control over an association captive
16 insurance company organized as a mutual insurer;
17 or

18 (3) any risk retention group, as defined in subsection
19 (11) of Section 123B-2, domiciled in this State and
20 organized under this Article; however, beginning 6 months
21 after the effective date of this amendatory Act of 1995, a
22 risk retention group shall no longer qualify as an
23 association under this Article.

24 Provided, however, that with respect to each of the
25 associations described in paragraphs (1), (2) and (3) above, no
26 member organization may (i) own, control, or hold with power to

1 vote in excess of 25% of the voting securities of an
2 association captive insurance company incorporated as a stock
3 insurer, or (ii) have more than 25% of the voting control of an
4 association captive insurance company organized as a mutual
5 insurer.

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

9 D. "Captive insurance company" means any pure captive
10 insurance company, association captive insurance company or
11 industrial insured captive insurance company organized under
12 the provisions of this Article.

13 E. "Director" means the Director of the Department of
14 Insurance.

15 F. "Industrial insured" means an insured which (together
16 with its affiliates) at the time of its initial procurement of
17 insurance from an industrial insured captive insurance
18 company:

19 (1) has available to it advice with respect to the
20 purchase of insurance through the use of the services of a
21 full-time employee acting as an insurance manager or buyer
22 or the services of a regularly and continuously retained
23 qualified insurance consultant; and

24 (2) pays aggregate annual premiums in excess of
25 \$100,000 for insurance on all risks except for life,
26 accident and health; and

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

4 G. "Industrial insured captive insurance company" means
5 any company that insures risks of industrial insureds that are
6 members of the industrial insured group, and their affiliated
7 companies.

8 H. "Industrial insured group" means any group of industrial
9 insureds that collectively:

10 (1) directly or indirectly (including ownership or
11 control through a company which is wholly owned by such
12 group of industrial insureds) own or control, and hold with
13 power to vote, all of the outstanding voting securities of
14 an industrial insured captive insurance company
15 incorporated as a stock insurer; or

16 (2) directly or indirectly (including control through
17 a company which is wholly owned by such group of industrial
18 insureds) have complete voting control over an industrial
19 insured captive insurance company organized as a mutual
20 insurer; provided, however, that no member organization
21 may (i) own, control, or hold with power to vote in excess
22 of 25% of the voting securities of an industrial insured
23 captive insurance company incorporated as a stock insurer,
24 or (ii) have more than 25% of the voting control of an
25 industrial insured captive insurance company organized as
26 a mutual insurer.

1 I. "Member organization" means any individual, legal
2 representative, corporation (whether for profit or not for
3 profit), partnership, association, unit of government, trust
4 or other organization that belongs to an association or an
5 industrial insured group.

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

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

19 (i) any business (whether for profit or not for
20 profit), trade, product, services (including professional
21 services), premises, or operations; or

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

24 L. "Pure captive insurance company" means any company that
25 insures only risks of its parent or affiliated companies or
26 both.

1 M. "Unit of government" includes any state, regional or
2 local government, or any agency or political subdivision
3 thereof, or any district, authority, public educational
4 institution or school district, public corporation or other
5 unit of government in this State or any similar unit of
6 government in any other state.

7 N. "Control" means the power to direct, or cause the
8 direction of, the management and policies of an entity, other
9 than the power that results from an official position with or
10 corporate office held in the entity. The power may be possessed
11 directly or indirectly by any means, including through the
12 ownership of voting securities or by contract, other than a
13 commercial contract for goods or non-management services.

14 O. "Qualified independent actuary" means a person that is
15 either:

16 (1) a member in good standing with the Casualty
17 Actuarial Society; or

18 (2) a member in good standing with the American Academy
19 of Actuaries who has been approved as qualified for signing
20 casualty loss reserve opinions by the Casualty Practice
21 Council of the American Academy of Actuaries.

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

23 (1) that is not an affiliate;

24 (2) that has an existing contractual relationship with
25 an affiliate under which the affiliate bears a potential
26 financial loss; and

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

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

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

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

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

12 (215 ILCS 5/123C-2) (from Ch. 73, par. 735C-2)

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

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

15 A. (Blank). ~~Any captive insurance company, when permitted~~
16 ~~by its articles of association or charter, may apply to the~~
17 ~~Director for a certificate of authority to transact any and all~~
18 ~~insurance in classes 2 and 3 of Section 4 of this Code, except~~
19 ~~that:~~

20 ~~(1) no pure captive insurance company may insure any~~
21 ~~risks other than those of its parent and affiliated~~
22 ~~companies;~~

23 ~~(2) no association captive insurance company may~~
24 ~~insure any risks other than those of the member~~
25 ~~organizations of its association, and their affiliated~~

1 ~~companies;~~

2 ~~(3) no industrial insured captive insurance company~~
3 ~~may insure any risks other than those of the members of the~~
4 ~~industrial insured group, and their affiliated companies;~~
5 ~~and~~

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

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

9 ~~(ii) personal coverage for personal risk~~
10 ~~liability, or~~

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

16 ~~(iv) accident and health insurance as provided in~~
17 ~~clause (a) of Class 2 of Section 4, provided, however,~~
18 ~~this exclusion does not preclude stop loss insurance~~
19 ~~or reinsurance of a single employer self funded~~
20 ~~employee disability benefit plan or an employee~~
21 ~~welfare plan as described in 29 U.S.C. 1001 et seq.~~

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

23 (1) life insurance;

24 (2) annuities;

25 (3) accident and health insurance for the company's
26 parent and affiliates, except to insure employee benefits

1 that are subject to the federal Employee Retirement Income
2 Security Act of 1974 or, to the extent the parent company
3 is a college or university, an accident or health plan
4 offered to enrolled students of the college or university;

5 (4) title insurance;

6 (5) mortgage guaranty insurance;

7 (6) financial guaranty insurance;

8 (7) homeowner's insurance coverage;

9 (8) personal automobile insurance; or

10 (9) workers' compensation insurance, except to the
11 extent allowed in subsection A-10.

12 A-10. A captive insurance company is authorized to issue a
13 contractual reimbursement policy to:

14 (1) the parent company or an affiliated certified
15 self-insurer authorized under the Workers' Compensation
16 Act or a similar affiliated entity expressly authorized by
17 analogous laws of another state; or

18 (2) the parent company or an affiliate that is insured
19 by a workers' compensation insurance policy with a
20 negotiated deductible endorsement.

21 B. No captive insurance company shall do any insurance
22 business in this State unless:

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

26 (2) it appoints a resident registered agent to accept

1 service of process and to otherwise act on its behalf in
2 this State.

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

7 D. Each captive insurance company, or the organizations
8 providing the principal administrative or management services
9 to such captive insurance company, shall maintain a place of
10 business in this State.

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

12 (215 ILCS 5/123C-3) (from Ch. 73, par. 735C-3)

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

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

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

19 (1) the amount of premium written by the captive
20 insurance company;

21 (2) the characteristics of the assets held by the
22 captive insurance company;

23 (3) the terms of reinsurance arrangements entered into
24 by the captive insurance company;

25 (4) the type of business covered in policies issued by

1 the captive insurance company;

2 (5) the underwriting practices and procedures of the
3 captive insurance company; and

4 (6) any other criteria that has an impact on the
5 operations of the captive insurance company determined to
6 be significant by the Director. No pure captive insurance
7 company, association captive insurance company
8 incorporated as a stock insurer, or industrial insured
9 captive insurance company incorporated as a stock insurer
10 shall be issued a certificate of authority unless it shall
11 possess and thereafter maintain unimpaired paid-in capital
12 of not less than the minimum capital requirement applicable
13 to the class or classes and clause or clauses of Section 4
14 describing the kind or kinds of insurance which such
15 captive insurance company is authorized to write, as set
16 forth in subsection (1) of Section 13.

17 B. The amount of capital and surplus determined by the
18 Director under subsection A of this Section may not be less
19 than \$250,000 for a pure captive insurance company, \$500,000
20 for an industrial insured captive insurance company, and
21 \$750,000 for an association captive insurance company. Such
22 capital may be in the form of (1) all cash or cash equivalents,
23 or (2) cash or cash equivalents representing at least 20% of
24 the requisite capital, together with an irrevocable letter of
25 credit for the remainder of the requisite capital, which letter
26 of credit must (a) be approved by the Director, (b) be issued

1 ~~or unconditionally confirmed by (i) a bank chartered by this~~
2 ~~State, (ii) a member bank of the Federal Reserve System or~~
3 ~~(iii) a United States office of a foreign banking corporation~~
4 ~~that is: (A) licensed under the laws of the United States or~~
5 ~~any state thereof, (B) regulated, supervised and examined by~~
6 ~~United States federal or state authorities having regulatory~~
7 ~~authority over banks and trust companies, and (C) designated by~~
8 ~~the Securities Valuation Office of the National Association of~~
9 ~~Insurance Commissioners as meeting its credit standards for~~
10 ~~issuing or confirming letters of credit or, in the event that~~
11 ~~the Director elects to establish credit standards by rule, in~~
12 ~~compliance with rules promulgated by the Director establishing~~
13 ~~reasonable standards of safety and soundness substantially~~
14 ~~equivalent to those of the Securities Valuation Office of the~~
15 ~~National Association of Insurance Commissioners, and (c)~~
16 ~~satisfy the requirements of Section 123C-19; or (3) cash or~~
17 ~~cash equivalents representing at least 33% of the requisite~~
18 ~~capital, together with irrevocable contractual obligations of~~
19 ~~the member organizations of the captive insurance company for~~
20 ~~the payment of the remainder of the requisite capital in no~~
21 ~~more than 3 equal installments in each of the 3 calendar years~~
22 ~~following the date of the grant of the certificate of authority~~
23 ~~to the captive insurance company, which irrevocable~~
24 ~~contractual obligations shall by contract be subject to~~
25 ~~acceleration (in a manner acceptable to the Director) by the~~
26 ~~Company at the direction of the Director and shall be secured~~

1 ~~by a letter of credit or other form of guarantee or security~~
2 ~~acceptable to the Director.~~

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

5 (1) United States currency;

6 (2) an irrevocable letter of credit, in a form approved
7 by the Director and not secured by a guarantee from an
8 affiliate, naming the Director as beneficiary for the
9 security of the captive insurance company's policyholders
10 and issued by a bank approved by the Director;

11 (3) bonds of this State; or

12 (4) bonds or other evidences of indebtedness of the
13 United States, the principal and interest of which are
14 guaranteed by the United States.

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

16 (215 ILCS 5/123C-9) (from Ch. 73, par. 735C-9)

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

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

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

21 B. (1) On or before ~~Prior to~~ March 1 of each year, each
22 captive insurance company shall submit to the Director a report
23 of its financial condition, verified by oath of 2 of its
24 executive officers and including (i) a balance sheet reporting
25 assets, liabilities, capital and surplus, (ii) a statement of

1 gain or loss from operations, (iii) a statement of changes in
2 financial position, (iv) a statement of changes in capital and
3 surplus, ~~and~~ (v) in the case of industrial insured captive
4 insurance companies, an analysis of loss reserve development,
5 information on risks ceded and assumed under reinsurance
6 agreements, on forms prescribed by the Director, and a schedule
7 of its invested assets on forms prescribed by the Director, and
8 (vi) a statement of actuarial opinion by a qualified
9 independent actuary concerning the reasonableness of the
10 captive insurance company's loss and loss adjustment expense
11 reserves in such form and of such content as specified in the
12 National Association of Insurance Commissioners Annual
13 Statement Instructions: Property and Casualty.

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

19 (3) On or before June 1 of each year, each captive
20 insurance company shall submit to the Director a report of its
21 financial condition at last year's end with an independent
22 certified public accountant's opinion of the company's
23 financial condition. ~~Prior to June 1 of each year, each~~
24 ~~association and industrial insured captive insurance company~~
25 ~~shall submit to the Director a report of its financial~~
26 ~~condition, certified by a recognized firm of independent public~~

1 ~~accountants acceptable to the Director and including the items~~
2 ~~referred to in items (i), (ii), (iii) and (iv) of paragraph (1)~~
3 ~~of this subsection B.~~

4 (4) Unless the Director permits otherwise, the reports of
5 financial condition referred to in paragraphs (1) and (3) of
6 this subsection B are to be prepared in accordance with the
7 Accounting Practices and Procedures Manual adopted by the
8 National Association of Insurance Commissioners. The Director
9 shall have authority to extend the time for filing any report
10 or statement by any company for reasons which he considers good
11 and sufficient.

12 C. In addition, any captive insurance company may be
13 required by the Director, when he considers such action to be
14 necessary and appropriate for the protection of policyholders,
15 creditors, shareholders or claimants, to file, within 60 days
16 after mailing to the company of a notice that such is required,
17 a supplemental summary statement as of the last day of any
18 calendar month occurring during the 100 days next preceding the
19 mailing of such notice designated by him on forms prescribed
20 and furnished by the Director. No company shall be required to
21 file more than 4 supplemental summary statements during any
22 consecutive 12 month period.

23 D. Every captive insurance company shall, at all times,
24 maintain reserves in an amount estimated in the aggregate to
25 provide for the payment of all losses and claims incurred,
26 whether reported or unreported, which are unpaid and for which

1 such company may be liable, and to provide for the expenses of
2 adjustment or settlement of such losses and claims. The
3 aggregate reserves shall be reduced by reinsurance ceded which
4 meets the requirements of Section 123C-13. For the purpose of
5 such reserves, the company shall keep a complete and itemized
6 record showing all losses and claims on which it has received
7 notice, including all notices received by it of the occurrence
8 of any event which may result in a loss. Such record shall be
9 opened in chronological receipt order, with each notice of loss
10 or claim identified by appropriate number or coding.

11 E. Every captive insurance company shall maintain an
12 unearned premium reserve on all policies in force which reserve
13 shall be charged as a liability. The portions of the gross
14 premiums in force, after deducting reinsurance qualifying
15 under Section 123C-13, which shall be held as a premium
16 reserve, shall never be less in the aggregate than the
17 company's actual liability to all its insureds for the return
18 of gross unearned premiums. In the calculation of the company's
19 actual liability to all its insureds, the reserve shall be
20 computed pursuant to the method commonly referred to as the
21 monthly pro rata method; provided, however, that the Director
22 may require that such reserve shall be equal to the unearned
23 portions of the gross premiums in force, after deducting
24 reinsurance qualifying under Section 123C-13, in which case the
25 reserve shall be computed on each respective risk from the date
26 of the issuance of the policy.

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

5 (1) the annual report, including a statement of
6 actuarial opinion by a qualified independent actuary
7 concerning the reasonableness of the captive insurance
8 company's loss and loss adjustment expense reserves in such
9 form and of such content as specified in the National
10 Association of Insurance Commissioners Annual Statement
11 Instructions: Property and Casualty, no later than the 60th
12 day after the date of the company's fiscal year's end;

13 (2) the report of its financial condition at last
14 year's end with an independent certified public
15 accountant's opinion of the company's financial condition;

16 and

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

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

23 G. Notwithstanding the requirements of this Section, a
24 captive insurance company may prepare and issue financial
25 statements prepared in accordance with generally accepted
26 accounting principles.

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

2 (215 ILCS 5/123C-11) (from Ch. 73, par. 735C-11)

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

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

6 A. The certificate of authority of a captive insurance
7 company to do an insurance business in this State may be
8 suspended or revoked by the Director for any of the following
9 reasons:

10 (1) insolvency or impairment of required capital or
11 surplus to policy holders;

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

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

18 (4) failure to comply with the provisions of its own
19 charter or bylaws (or, in the case of an industrial insured
20 captive, with the provisions of the investment policy set
21 forth in its plan of operation as approved from time to
22 time by the Director);

23 (5) failure to submit to examination or any legal
24 obligation relative thereto, as required by Section
25 123C-10;

1 (6) refusal or failure to pay expenses, ~~and~~ charges, and taxes
2 and taxes as required by Sections 408, 409, 123C-10, and
3 123C-17;

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

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

10 B. If the Director finds, upon examination, hearing, or
11 other evidence, that any captive insurance company has
12 committed any of the acts specified in subsection A, he may
13 suspend or revoke such certificate of authority if he deems it
14 in the best interest of the public and the policyholders of
15 such captive insurance company, notwithstanding any other
16 provision of this Article.

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

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

21 (215 ILCS 5/123C-12) (from Ch. 73, par. 735C-12)

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

23 Sec. 123C-12. Legal investments.

24 A. The provisions of Article VIII and of Sections 131.2 and
25 131.3 shall apply to association captive insurance companies.

1 B. No pure captive insurance company or industrial insured
2 captive insurance company shall be subject to any restrictions
3 on allowable investments whatever, including those limitations
4 contained in Articles VIII and VIII 1/2; provided, however,
5 that the Director may prohibit or limit any investment or type
6 of investment that threatens the solvency or liquidity of any
7 such company; and provided further that an industrial insured
8 captive insurance company must adhere to the investment policy
9 set forth in its plan of operation as approved from time to
10 time by the Director.

11 C. A captive insurance company may make loans to its
12 affiliates with the prior approval of the Director. Each loan
13 must be evidenced by a note approved by the Director. A captive
14 insurance company may not make a loan of the minimum capital
15 and surplus funds required by this Article.

16 D. The Director may prohibit or limit an investment that
17 threatens the solvency or liquidity of a captive insurance
18 company.

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

20 (215 ILCS 5/123C-13) (from Ch. 73, par. 735C-13)

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

22 Sec. 123C-13. Reinsurance.

23 A. Any captive insurance company may provide reinsurance on
24 risks ceded by any other insurer; provided, however, that the
25 risks so assumed are the same as the captive insurance company

1 could legally insure on a direct basis.

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

4 B. Subject to the provisions of Article XI, any captive
5 insurance company may cede, and may take credit for in the
6 establishment of reserves, all or any part of its risks.
7 Furthermore, in addition to Section 173.1, any pure or
8 industrial insured captive insurance company may take credit,
9 as either an asset or a deduction from liability, for
10 reinsurance so ceded to the extent:

11 (1) The reinsurer satisfies all of the following (a)
12 through (g):

13 (a) the principal business of the reinsurer (other
14 than investments in subsidiaries and other investment
15 activities) is to accept reinsurance from captive
16 insurance companies organized under Article VIIC, of
17 which the company accepting the reinsurance directly
18 or indirectly owns, controls, or holds with power to
19 vote more than 80% of the outstanding voting securities
20 if organized as a stock company or more than 80% of the
21 voting control if organized as a mutual company and to
22 provide insurance related services;

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

25 (c) submits to this State's authority to examine
26 its books and records and agrees to pay the cost

1 thereof;

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

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

6 (f) files with the Department the following:

7 (i) evidence of its submission to the
8 jurisdiction of any court of competent
9 jurisdiction in any state of the United States and
10 its agreement to comply with all requirements
11 necessary to give the court jurisdiction and to
12 abide by the final decision of the court or of any
13 appellate court in the event of an appeal; and

14 (ii) an instrument designating the Director or
15 a designated attorney as its true and lawful
16 attorney upon whom may be served any lawful process
17 in any action, suit, or proceeding instituted by or
18 on behalf of the ceding company;

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

22 (2) the taking of credit by the captive insurance
23 company has otherwise received the prior approval of the
24 Director.

25 C. A captive insurance company shall provide notice to the
26 Director of a reinsurance agreement to which the company

1 becomes a party not later than the 30th day after the date of
2 the execution of the agreement.

3 D. A captive insurance company shall provide notice of a
4 termination of a previously filed reinsurance agreement to the
5 Director not later than the 30th day after the date of
6 termination.

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

11 (1) a captive reinsurance pool composed only of other
12 captive insurance companies holding a certificate of
13 authority under this Article or a similar law of another
14 jurisdiction; or

15 (2) an affiliated captive insurance company holding a
16 certificate of authority under this Article or a similar
17 law of another jurisdiction.

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

19 (215 ILCS 5/123C-16) (from Ch. 73, par. 735C-16)

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

21 Sec. 123C-16. Tax.

22 A. Every captive insurance company organized under the
23 provisions of this Article and doing business in this State
24 shall, for the privilege of doing business in this State, pay
25 to the Director for the State treasury the State tax imposed

1 under Section 409 to the same extent and in the same manner as
2 a domestic insurance company using a tax form prescribed by the
3 Director on or before March 15 of each year.

4 B. Domestic captive insurance companies shall be insurance
5 companies subject to the rules now provided for such companies
6 under the Illinois Income Tax Act.

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

13 (a) maintain a place of business in this State; and

14 (b) maintain in this State personnel knowledgeable of
15 and responsible for the company's operations, books,
16 records, administration and annual statement; and

17 (c) conduct in this State substantially all of the
18 company's underwriting, policy issuing and servicing
19 operations relating to the company's policyholders and
20 certificate holders; and

21 (d) comply with the provisions of Section 133(2) with
22 respect to such domestic captive insurance company's
23 books, records, documents, accounts, vouchers and
24 securities.

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

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

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

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

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

12 B. Except as otherwise provided in subsection A of this
13 Section and in Section 123C-10, the provisions of Section 408
14 shall apply to captive insurance companies.

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

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

19 (215 ILCS 5/123C-19) (from Ch. 73, par. 735C-19)
20 (Section scheduled to be repealed on January 1, 2027)
21 Sec. 123C-19. Letters of credit.

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

24 (1) (blank); ~~may not be used to provide more than 80%~~
25 ~~of the amount required in Section 123C-3 and may not be~~

1 ~~used to provide more than 80% of the amount required in~~
2 ~~Section 123C-4;~~

3 (2) may not be allowed to expire without the prior
4 written approval of the Director and shall provide for 30
5 days' advance written notice to the Director of the
6 proposed expiration of the letter of credit; and

7 (3) must be provided pursuant to arrangements,
8 acceptable to the Director, wherein all funds obtained by
9 the company under the letter of credit are free of claims
10 of any party which may arise on account of the company's
11 resort to the letter of credit.

12 B. If letters of credit are used to provide surplus in
13 excess of the amounts required in Section 123C-4:

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

16 (2) without the prior written approval of the Director,
17 no such letter of credit may be allowed to expire, in any
18 period of 12 consecutive months ending on the date of such
19 expiration, in an amount greater than the greater of (a)
20 10% of the company's surplus as regards policyholders as of
21 the 31st day of December next preceding, or (b) the net
22 income of the company for the 12 month period ending the
23 31st ~~31st~~ day of December next preceding. For purposes of
24 this Section, net income includes net realized capital
25 gains in an amount not to exceed 20% of net unrealized
26 capital gains; and

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

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

8 D. (Blank). ~~Any company including amounts supported by~~
9 ~~letters of credit in its capital or surplus shall, prior to the~~
10 ~~time any person becomes a policyholder, notify such person of~~
11 ~~the amounts supported by letters of credit and included in the~~
12 ~~company's capital or surplus.~~

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

14 (215 ILCS 5/123C-23 new)

15 Sec. 123C-23. Approval of captive reinsurance pools.
16 Before determining whether to approve a captive insurance
17 company's participation in a captive reinsurance pool under
18 Section 123C-13 of this Code, the Director may:

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

21 (a) is composed only of other captive insurance
22 companies holding a certificate of authority under
23 this Article or a similar law of another jurisdiction;
24 and

25 (b) will be able to meet the pool's financial

1 obligations; and
2 (2) impose any other limitation or requirement on the
3 captive insurance company that is necessary and proper to
4 provide adequate security for the captive insurance
5 company.

6 (215 ILCS 5/123C-24 new)

7 Sec. 123C-24. Standards for risk management of controlled
8 unaffiliated business. The Director may adopt rules
9 establishing standards to ensure that an affiliated company is
10 able to exercise control of the risk management function of any
11 controlled unaffiliated business to be insured by the captive
12 insurance company.

13 (215 ILCS 5/123C-25 new)

14 Sec. 123C-25. Captive managers. Before providing captive
15 management services to a licensed captive insurance company, a
16 captive management company shall register with the Director by
17 providing the information required on a form adopted by the
18 Director.

19 (215 ILCS 5/123C-26 new)

20 Sec. 123C-26. Dividends.

21 A. A captive insurance company shall notify the Director in
22 writing when issuing policyholder dividends.

23 B. A captive insurance company, with the Director's

1 approval, may issue dividends or distributions to the holders
2 of an equity interest in the captive insurance company. The
3 Director shall adopt rules to implement this subsection B.

4 (215 ILCS 5/123C-27 new)

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

8 (215 ILCS 5/123C-28 new)

9 Sec. 123C-28. Confidentiality.

10 A. Any information filed by an applicant or captive
11 insurance company under this Article is confidential and
12 privileged for all purposes, including for purposes of the
13 Freedom of Information Act, a response to a subpoena, or
14 evidence in a civil action. Except as provided by subsections B
15 and C of this Section, the information may not be disclosed
16 without the prior written consent of the applicant or captive
17 insurance company to which the information pertains.

18 B. If the recipient of the information described by
19 subsection A of this Section has the legal authority to
20 maintain the confidential or privileged status of the
21 information and verifies that authority in writing, the
22 Director or his or her designee may disclose the information to
23 any of the following entities functioning in an official
24 capacity:

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

3 (2) an authorized law enforcement official;

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

5 (4) the Attorney General;

6 (5) a grand jury;

7 (6) the National Association of Insurance
8 Commissioners if the captive insurance company is
9 affiliated with an insurance company that is part of an
10 insurance holding company system as described in Article
11 VIII 1/2 of this Code;

12 (7) another state or federal regulator if the applicant
13 or captive insurance company to which the information
14 relates operates in the entity's jurisdiction;

15 (8) an international insurance regulator or analogous
16 financial agency if the captive insurance company is
17 affiliated with an insurance company that is part of an
18 insurance holding company system as described in Article
19 VIII 1/2 of this Code and the holding company system
20 operates in the entity's jurisdiction; or

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

26 C. The Director may use information described by subsection

1 A of this Section in the furtherance of a legal or regulatory
2 action relating to the administration of this Code.

3 (215 ILCS 5/156) (from Ch. 73, par. 768)

4 Sec. 156. Merger and consolidation permitted.

5 (a) Upon complying with the provisions of this article, any
6 domestic company, except a Lloyds, is hereby authorized and
7 empowered to merge or consolidate with any domestic company or
8 with any foreign or alien company, except a Lloyds if the
9 surviving company meets the requirements for authorization to
10 engage in the insurance business in this state and, if such
11 merger or consolidation is authorized by the laws of the state
12 or country under which such foreign or alien company is
13 incorporated or organized.

14 (b) The Director may permit the formation of a domestic
15 stock company that is established for the sole purpose of
16 merging or consolidating with an existing stock company
17 simultaneously with the effectiveness of a division authorized
18 by this Code. Upon request of the dividing company, the
19 Director may waive the requirements of Section 131.8 of this
20 Code. Each domestic stock company formed under this subsection
21 shall be deemed to exist before a merger and division under
22 this Section becomes effective, but solely for the purpose of
23 being a party to such merger and division. The Director shall
24 not require that such domestic stock company be licensed to
25 transact insurance business in this state before such merger

1 and division. All insurance policies, annuities, or
2 reinsurance agreements allocated to such domestic stock
3 company shall become the obligation of the domestic stock
4 company that survives the merger simultaneously with the
5 effectiveness of the merger and division. The plan of merger or
6 consolidation shall be deemed to have been authorized and
7 approved by such domestic stock company if the dividing company
8 authorized and approved such plan. The certificate of merger
9 shall state that it was approved by the domestic stock company
10 formed under this subsection.

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

12 (215 ILCS 5/173.1) (from Ch. 73, par. 785.1)

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

14 (1) Except as otherwise provided under Article VIII 1/2 of
15 this Code and related provisions of the Illinois Administrative
16 Code, credit for reinsurance shall be allowed a domestic ceding
17 insurer as either an admitted asset or a deduction from
18 liability on account of reinsurance ceded only when the
19 reinsurer meets the requirements of paragraph (A) ~~subsection~~
20 ~~(1) (A)~~ or (B) or (B-5) or (C) or (C-5) or (D) of this
21 subsection (1). Credit shall be allowed under paragraph (A),
22 ~~subsection (1) (A) or (B)~~, or (B-5) of this subsection (1) only
23 as respects cessions of those kinds or classes of business in
24 which the assuming insurer is licensed or otherwise permitted
25 to write or assume in its state of domicile, or in the case of a

1 U.S. branch of an alien assuming insurer, in the state through
2 which it is entered and licensed to transact insurance or
3 reinsurance. Credit shall be allowed under paragraph (B-5) or
4 (C) of this subsection (1) ~~(C) of this Section~~ only if the
5 applicable requirements of paragraph (E) of this subsection (1)
6 ~~subsection (1) (E)~~ have been satisfied.

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

11 (B) Credit shall be allowed when the reinsurance is
12 ceded to an assuming insurer that is accredited as a
13 reinsurer in this State. An accredited reinsurer is one
14 that:

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

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

19 (3) is licensed to transact insurance or
20 reinsurance in at least one state, or in the case of a
21 U.S. branch of an alien assuming insurer is entered
22 through and licensed to transact insurance or
23 reinsurance in at least one state;

24 (4) files annually with the Director a copy of its
25 annual statement filed with the insurance department
26 of its state of domicile and a copy of its most recent

1 audited financial statement; and

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

8 (B-5) (1) Credit shall be allowed when the reinsurance
9 is ceded to an assuming insurer that is domiciled in, or in
10 the case of a U.S. branch of an alien assuming insurer is
11 entered through, a state that employs standards regarding
12 credit for reinsurance substantially similar to those
13 applicable under this Code and the assuming insurer or U.S.
14 branch of an alien assuming insurer:

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

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

19 (2) The requirement of item (a) of subparagraph (1) of
20 paragraph (B-5) of this subsection (1) does not apply to
21 reinsurance ceded and assumed pursuant to pooling
22 arrangements among insurers in the same holding company
23 system.

24 (C) (1) Credit shall be allowed when the reinsurance is
25 ceded to an assuming insurer that maintains a trust fund in
26 a qualified United States financial institution, as

1 defined in paragraph (B) of subsection (3) of this Section
2 ~~subsection 3(B)~~, for the payment of the valid claims of its
3 United States policyholders and ceding insurers, their
4 assigns and successors in interest. The assuming insurer
5 shall report to the Director information substantially the
6 same as that required to be reported on the NAIC annual and
7 quarterly financial statement by authorized insurers and
8 any other financial information that the Director deems
9 necessary to determine the financial condition of the
10 assuming insurer and the sufficiency of the trust fund. The
11 assuming insurer shall provide or make the information
12 available to the ceding insurer. The assuming insurer may
13 decline to release trade secrets or commercially sensitive
14 information that would qualify as exempt from disclosure
15 under the Freedom of Information Act. The Director shall
16 also make the information publicly available, subject only
17 to such reasonable objections as might be raised to a
18 request pursuant to the Freedom of Information Act, as
19 determined by the Director. The assuming insurer shall
20 submit to examination of its books and records by the
21 Director and bear the expense of examination.

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

25 (i) the regulatory official of the state where the
26 trust is domiciled; or

1 (ii) the regulatory official of another state who,
2 pursuant to the terms of the trust instrument, has
3 accepted principal regulatory oversight of the trust.

4 (b) The form of the trust and any trust amendments also
5 shall be filed with the regulatory official of every state
6 in which the ceding insurer beneficiaries of the trust are
7 domiciled. The trust instrument shall provide that
8 contested claims shall be valid and enforceable upon the
9 final order of any court of competent jurisdiction in the
10 United States. The trust shall vest legal title to its
11 assets in its trustees for the benefit of the assuming
12 insurer's United States policyholders and ceding insurees
13 and their assigns and successors in interest. The trust and
14 the assuming insurer shall be subject to examination as
15 determined by the Director.

16 (c) The trust shall remain in effect for as long as the
17 assuming insurer has outstanding obligations due under the
18 reinsurance agreements subject to the trust. No later than
19 February 28 of each year the trustee of the trust shall
20 report to the Director in writing the balance of the trust
21 and a list of the trust's investments at the preceding
22 year-end and shall certify the date of termination of the
23 trust, if so planned, or certify that the trust will not
24 expire prior to the next following December 31.

25 No later than February 28 of each year, the assuming
26 insurer's chief executive officer or chief financial

1 officer shall certify to the Director that the trust fund
2 contains funds in an amount not less than the assuming
3 insurer's liabilities (as reported to the assuming insurer
4 by its cedent) attributable to reinsurance ceded by U.S.
5 ceding insurers, and in addition, a trustee surplus of no
6 less than \$20,000,000. In the event that item (a-5) of
7 subparagraph (3) of this paragraph (C) applies to the
8 trust, the assuming insurer's chief executive officer or
9 chief financial officer shall then certify to the Director
10 that the trust fund contains funds in an amount not less
11 than the assuming insurer's liabilities (as reported to the
12 assuming insurer by its cedent) attributable to
13 reinsurance ceded by U.S. ceding insurers and, in addition,
14 a reduced trustee surplus of not less than the amount that
15 has been authorized by the regulatory authority having
16 principal regulatory oversight of the trust.

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

23 (i) a copy of the form of the trust agreement and
24 any trust amendments to the trust agreement pertaining
25 to the trust fund;

26 (ii) a copy of the annual and quarterly financial

1 information, and its most recent audited financial
2 statement provided to the Director by the assuming
3 insurer, including any exhibits and schedules thereto;

4 (iii) any financial information provided to the
5 Director by the assuming insurer that the Director has
6 deemed necessary to determine the financial condition
7 of the assuming insurer and the sufficiency of the
8 trust fund;

9 (iv) a copy of any annual and quarterly financial
10 information provided to the Director by the trustee of
11 the trust fund maintained by the assuming insurer,
12 including any exhibits and schedules thereto;

13 (v) a copy of the information required to be
14 reported by the trustee of the trust to the Director
15 under the provisions of this paragraph (C); and

16 (vi) a written certification that the trust fund
17 consists of funds in trust in an amount not less than
18 the assuming insurer's liabilities attributable to
19 reinsurance liabilities (as reported to the assuming
20 insurer by its cedent) attributable to reinsurance
21 ceded by U.S. ceding insurers and, in addition, a
22 trusteed surplus of not less than \$20,000,000.

23 (3) The following requirements apply to the following
24 categories of assuming insurer:

25 (a) The trust fund for a single assuming insurer
26 shall consist of funds in trust in an amount not less

1 than the assuming insurer's liabilities attributable
2 to reinsurance ceded by U.S. ceding insurers, and in
3 addition, the assuming insurer shall maintain a
4 trusteed surplus of not less than \$20,000,000, except
5 as provided in item (a-5) of this subparagraph (3).

6 (a-5) At any time after the assuming insurer has
7 permanently discontinued underwriting new business
8 secured by the trust for at least 3 full years, the
9 Director with principal regulatory oversight of the
10 trust may authorize a reduction in the required
11 trusteed surplus, but only after a finding, based on an
12 assessment of the risk, that the new required surplus
13 level is adequate for the protection of U.S. ceding
14 insurers, policyholders, and claimants in light of
15 reasonably foreseeable adverse loss development. The
16 risk assessment may involve an actuarial review,
17 including an independent analysis of reserves and cash
18 flows, and shall consider all material risk factors,
19 including, when applicable, the lines of business
20 involved, the stability of the incurred loss
21 estimates, and the effect of the surplus requirements
22 on the assuming insurer's liquidity or solvency. The
23 minimum required trusteed surplus may not be reduced to
24 an amount less than 30% of the assuming insurer's
25 liabilities attributable to reinsurance ceded by U.S.
26 ceding insurers covered by the trust.

1 (b) (i) In the case of a group including
2 incorporated and individual unincorporated
3 underwriters:

4 (I) for reinsurance ceded under reinsurance
5 agreements with an inception, amendment, or
6 renewal date on or after January 1, 1993 ~~August 1,~~
7 ~~1995~~, the trust shall consist of a trusteed account
8 in an amount not less than the respective
9 underwriters' ~~group's~~ several liabilities
10 attributable to business ceded by U.S. domiciled
11 ceding insurers to any member of the group;

12 (II) for reinsurance ceded under reinsurance
13 agreements with an inception date on or before
14 December 31, 1992 ~~July 31, 1995~~ and not amended or
15 renewed after that date, notwithstanding the other
16 provisions of this Act, the trust shall consist of
17 a trusteed account in an amount not less than the
18 group's several insurance and reinsurance
19 liabilities attributable to business written in
20 the United States; and

21 (III) in addition to these trusts, the group
22 shall maintain in trust a trusteed surplus of which
23 not less than \$100,000,000 shall be held jointly
24 for the benefit of the U.S. domiciled ceding
25 insurers of any member of the group for all years
26 of account.

1 (ii) The incorporated members of the group shall
2 not be engaged in any business other than underwriting
3 as a member of the group and shall be subject to the
4 same level of solvency regulation and control by the
5 group's domiciliary regulator as are the
6 unincorporated members.

7 (iii) Within 90 days after its financial
8 statements are due to be filed with the group's
9 domiciliary regulator, the group shall provide to the
10 Director an annual certification by the group's
11 domiciliary regulator of the solvency of each
12 underwriter member, or if a certification is
13 unavailable, financial statements prepared by
14 independent public accountants of each underwriter
15 member of the group.

16 (c) In the case of a group of incorporated insurers
17 under common administration, the group shall:

18 (i) have continuously transacted an insurance
19 business outside the United States for at least 3
20 years immediately before making application for
21 accreditation;

22 (ii) maintain aggregate policyholders' surplus
23 of not less than \$10,000,000,000;

24 (iii) maintain a trust in an amount not less
25 than the group's several liabilities attributable
26 to business ceded by United States domiciled

1 ceding insurers to any member of the group pursuant
2 to reinsurance contracts issued in the name of the
3 group;

4 (iv) in addition, maintain a joint trusted
5 surplus of which not less than \$100,000,000 shall
6 be held jointly for the benefit of the United
7 States ceding insurers of any member of the group
8 as additional security for these liabilities; and

9 (v) within 90 days after its financial
10 statements are due to be filed with the group's
11 domiciliary regulator, make available to the
12 Director an annual certification of each
13 underwriter member's solvency by the member's
14 domiciliary regulator and financial statements of
15 each underwriter member of the group prepared by
16 its independent public accountant.

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

22 (1) In order to be eligible for certification, the
23 assuming insurer shall meet the following
24 requirements:

25 (a) the assuming insurer must be domiciled and
26 licensed to transact insurance or reinsurance in a

1 qualified jurisdiction, as determined by the
2 Director pursuant to subparagraph (3) of this
3 paragraph (C-5);

4 (b) the assuming insurer must maintain minimum
5 capital and surplus, or its equivalent, in an
6 amount not less than \$250,000,000 or such greater
7 amount as determined by the Director pursuant to
8 regulation; this requirement may also be satisfied
9 by an association, including incorporated and
10 individual unincorporated underwriters, having
11 minimum capital and surplus equivalents (net of
12 liabilities) of at least \$250,000,000 and a
13 central fund containing a balance of at least
14 \$250,000,000;

15 (c) the assuming insurer must maintain
16 financial strength ratings from 2 or more rating
17 agencies deemed acceptable by the Director; these
18 ratings shall be based on interactive
19 communication between the rating agency and the
20 assuming insurer and shall not be based solely on
21 publicly available information; each certified
22 reinsurer shall be rated on a legal entity basis,
23 with due consideration being given to the group
24 rating where appropriate, except that an
25 association, including incorporated and individual
26 unincorporated underwriters, that has been

1 approved to do business as a single certified
2 reinsurer may be evaluated on the basis of its
3 group rating; these financial strength ratings
4 shall be one factor used by the Director in
5 determining the rating that is assigned to the
6 assuming insurer; acceptable rating agencies
7 include the following:

8 (i) Standard & Poor's;

9 (ii) Moody's Investors Service;

10 (iii) Fitch Ratings;

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

12 (v) any other nationally recognized
13 statistical rating organization;

14 (d) the assuming insurer must agree to submit
15 to the jurisdiction of this State, appoint the
16 Director as its agent for service of process in
17 this State, and agree to provide security for 100%
18 of the assuming insurer's liabilities attributable
19 to reinsurance ceded by U.S. ceding insurers if it
20 resists enforcement of a final U.S. judgment; and

21 (e) the assuming insurer must agree to meet
22 applicable information filing requirements as
23 determined by the Director, both with respect to an
24 initial application for certification and on an
25 ongoing basis.

26 (2) An association, including incorporated and

1 individual unincorporated underwriters, may be a
2 certified reinsurer. In order to be eligible for
3 certification, in addition to satisfying the
4 requirements of subparagraph (1) of this paragraph
5 (C-5):

6 (a) the association shall satisfy its minimum
7 capital and surplus requirements through the
8 capital and surplus equivalents (net of
9 liabilities) of the association and its members,
10 which shall include a joint central fund that may
11 be applied to any unsatisfied obligation of the
12 association or any of its members, in the amounts
13 specified in item (b) of subparagraph (1) of this
14 paragraph (C-5);

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

22 (c) within 90 days after its financial
23 statements are due to be filed with the
24 association's domiciliary regulator, the
25 association shall provide to the Director an
26 annual certification by the association's

1 domiciliary regulator of the solvency of each
2 underwriter member; or if a certification is
3 unavailable, financial statements, prepared by
4 independent public accountants, of each
5 underwriter member of the association.

6 (3) The Director shall create and publish a list of
7 qualified jurisdictions, under which an assuming
8 insurer licensed and domiciled in such jurisdiction is
9 eligible to be considered for certification by the
10 Director as a certified reinsurer.

11 (a) In order to determine whether the
12 domiciliary jurisdiction of a non-U.S. assuming
13 insurer is eligible to be recognized as a qualified
14 jurisdiction, the Director shall evaluate the
15 appropriateness and effectiveness of the
16 reinsurance supervisory system of the
17 jurisdiction, both initially and on an ongoing
18 basis, and consider the rights, benefits, and
19 extent of reciprocal recognition afforded by the
20 non-U.S. jurisdiction to reinsurers licensed and
21 domiciled in the U.S. A qualified jurisdiction
22 must agree in writing to share information and
23 cooperate with the Director with respect to all
24 certified reinsurers domiciled within that
25 jurisdiction. A jurisdiction may not be recognized
26 as a qualified jurisdiction if the Director has

1 determined that the jurisdiction does not
2 adequately and promptly enforce final U.S.
3 judgments and arbitration awards. The costs and
4 expenses associated with the Director's review and
5 evaluation of the domiciliary jurisdictions of
6 non-U.S. assuming insurers shall be borne by the
7 certified reinsurer or reinsurers domiciled in
8 such jurisdiction.

9 (b) Additional factors to be considered in
10 determining whether to recognize a qualified
11 jurisdiction include, but are not limited to, the
12 following:

13 (i) the framework under which the assuming
14 insurer is regulated;

15 (ii) the structure and authority of the
16 domiciliary regulator with regard to solvency
17 regulation requirements and financial
18 surveillance;

19 (iii) the substance of financial and
20 operating standards for assuming insurers in
21 the domiciliary jurisdiction;

22 (iv) the form and substance of financial
23 reports required to be filed or made publicly
24 available by reinsurers in the domiciliary
25 jurisdiction and the accounting principles
26 used;

1 (v) the domiciliary regulator's
2 willingness to cooperate with U.S. regulators
3 in general and the Director in particular;

4 (vi) the history of performance by
5 assuming insurers in the domiciliary
6 jurisdiction;

7 (vii) any documented evidence of
8 substantial problems with the enforcement of
9 final U.S. judgments in the domiciliary
10 jurisdiction; and

11 (viii) any relevant international
12 standards or guidance with respect to mutual
13 recognition of reinsurance supervision adopted
14 by the International Association of Insurance
15 Supervisors or its successor organization.

16 (c) If, upon conducting an evaluation under
17 this paragraph with respect to the reinsurance
18 supervisory system of any non-U.S. assuming
19 insurer, the Director determines that the
20 jurisdiction qualifies to be recognized as a
21 qualified jurisdiction, the Director shall publish
22 notice and evidence of such recognition in an
23 appropriate manner. The Director may establish a
24 procedure to withdraw recognition of those
25 jurisdictions that are no longer qualified.

26 (d) The Director shall consider the list of

1 qualified jurisdictions through the NAIC committee
2 process in determining qualified jurisdictions. If
3 the Director approves a jurisdiction as qualified
4 that does not appear on the list of qualified
5 jurisdictions, then the Director shall provide
6 thoroughly documented justification in accordance
7 with criteria to be developed under regulations.

8 (e) U.S. jurisdictions that meet the
9 requirement for accreditation under the NAIC
10 financial standards and accreditation program
11 shall be recognized as qualified jurisdictions.

12 (f) If a certified reinsurer's domiciliary
13 jurisdiction ceases to be a qualified
14 jurisdiction, then the Director may suspend the
15 reinsurer's certification indefinitely, in lieu of
16 revocation.

17 (4) If an applicant for certification has been
18 certified as a reinsurer in an NAIC accredited
19 jurisdiction, then the Director may defer to that
20 jurisdiction's certification and to the rating
21 assigned by that jurisdiction if the assuming insurer
22 submits a properly executed Form CR-1 and such
23 additional information as the Director requires. Such
24 assuming insurer shall be considered to be a certified
25 reinsurer in this State but only upon the Director's
26 assignment of an Illinois rating, which shall be made

1 based on the requirements of subparagraph (5) of this
2 paragraph (C-5). The following shall apply:

3 (a) Any change in the certified reinsurer's
4 status or rating in the other jurisdiction shall
5 apply automatically in Illinois as of the date it
6 takes effect in the other jurisdiction. The
7 certified reinsurer shall notify the Director of
8 any change in its status or rating within 10 days
9 after receiving notice of the change.

10 (b) The Director may withdraw recognition of
11 the other jurisdiction's rating at any time and
12 assign a new rating in accordance with
13 subparagraph (5) of this paragraph (C-5).

14 (c) The Director may withdraw recognition of
15 the other jurisdiction's certification at any time
16 with written notice to the certified reinsurer.
17 Unless the Director suspends or revokes the
18 certified reinsurer's certification in accordance
19 with item (c) of subparagraph (9) of this paragraph
20 (C-5), the certified reinsurer's certification
21 shall remain in good standing in Illinois for a
22 period of 3 months, which shall be extended if
23 additional time is necessary to consider the
24 assuming insurer's application for certification
25 in Illinois.

26 (5) The Director shall assign a rating to each

1 certified reinsurer pursuant to rules adopted by the
2 Department. Factors that shall be considered as part of
3 the evaluation process include the following:

4 (a) The certified reinsurer's financial
5 strength rating from an acceptable rating agency.
6 Financial strength ratings shall be classified
7 according to the following ratings categories:

8 (i) Ratings Category "Secure - 1"
9 corresponds to the highest level of rating
10 given by a rating agency, including, but not
11 limited to, A.M. Best Company rating A++;
12 Standard & Poor's rating AAA; Moody's
13 Investors Service rating Aaa; and Fitch
14 Ratings rating AAA.

15 (ii) Ratings Category "Secure - 2"
16 corresponds to the second-highest level of
17 rating or group of ratings given by a rating
18 agency, including, but not limited to, A.M.
19 Best Company rating A+; Standard & Poor's
20 rating AA+, AA, or AA-; Moody's Investors
21 Service ratings Aa1, Aa2, or Aa3; and Fitch
22 Ratings ratings AA+, AA, or AA-.

23 (iii) Ratings Category "Secure - 3"
24 corresponds to the third-highest level of
25 rating or group of ratings given by a rating
26 agency, including, but not limited to, A.M.

1 Best Company rating A; Standard & Poor's
2 ratings A+ or A; Moody's Investors Service
3 ratings A1 or A2; and Fitch Ratings ratings A+
4 or A.

5 (iv) Ratings Category "Secure - 4"
6 corresponds to the fourth-highest level of
7 rating or group of ratings given by a rating
8 agency, including, but not limited to, A.M.
9 Best Company rating A-; Standard & Poor's
10 rating A-; Moody's Investors Service rating
11 A3; and Fitch Ratings rating A-.

12 (v) Ratings Category "Secure - 5"
13 corresponds to the fifth-highest level of
14 rating or group of ratings given by a rating
15 agency, including, but not limited to, A.M.
16 Best Company ratings B++ or B+; Standard &
17 Poor's ratings BBB+, BBB, or BBB-; Moody's
18 Investors Service ratings Baa1, Baa2, or Baa3;
19 and Fitch Ratings ratings BBB+, BBB, or BBB-.

20 (vi) Ratings Category "Vulnerable - 6"
21 corresponds to a level of rating given by a
22 rating agency, other than those described in
23 subitems (i) through (v) of this item (a),
24 including, but not limited to, A.M. Best
25 Company rating B, B-, C++, C+, C, C-, D, E, or
26 F; Standard & Poor's ratings BB+, BB, BB-, B+,

1 B, B-, CCC, CC, C, D, or R; Moody's Investors
2 Service ratings Ba1, Ba2, Ba3, B1, B2, B3, Caa,
3 Ca, or C; and Fitch Ratings ratings BB+, BB,
4 BB-, B+, B, B-, CCC+, CCC, CCC-, or D.

5 A failure to obtain or maintain at least 2
6 financial strength ratings from acceptable rating
7 agencies shall result in loss of eligibility for
8 certification.

9 (b) The business practices of the certified
10 reinsurer in dealing with its ceding insurers,
11 including its record of compliance with
12 reinsurance contractual terms and obligations.

13 (c) For certified reinsurers domiciled in the
14 U.S., a review of the most recent applicable NAIC
15 Annual Statement Blank, either Schedule F (for
16 property and casualty reinsurers) or Schedule S
17 (for life and health reinsurers).

18 (d) For certified reinsurers not domiciled in
19 the U.S., a review annually of Form CR-F (for
20 property and casualty reinsurers) or Form CR-S
21 (for life and health reinsurers).

22 (e) The reputation of the certified reinsurer
23 for prompt payment of claims under reinsurance
24 agreements, based on an analysis of ceding
25 insurers' Schedule F reporting of overdue
26 reinsurance recoverables, including the proportion

1 of obligations that are more than 90 days past due
2 or are in dispute, with specific attention given to
3 obligations payable to companies that are in
4 administrative supervision or receivership.

5 (f) Regulatory actions against the certified
6 reinsurer.

7 (g) The report of the independent auditor on
8 the financial statements of the insurance
9 enterprise, on the basis described in item (h) of
10 this subparagraph (5).

11 (h) For certified reinsurers not domiciled in
12 the U.S., audited financial statements (audited
13 Generally Accepted Accounting Principles (U.S.
14 GAAP) basis statement if available, audited
15 International Financial Reporting Standards (IFRS)
16 basis statements are allowed but must include an
17 audited footnote reconciling equity and net income
18 to U.S. GAAP basis or, with the permission of the
19 Director, audited IFRS basis statements with
20 reconciliation to U.S. GAAP basis certified by an
21 officer of the company), regulatory filings, and
22 actuarial opinion (as filed with the non-U.S.
23 jurisdiction supervisor). Upon the initial
24 application for certification, the Director shall
25 consider the audited financial statements filed
26 with its non-U.S. jurisdiction supervisor for the

1 3 years immediately preceding the date of the
2 initial application for certification.

3 (i) The liquidation priority of obligations to
4 a ceding insurer in the certified reinsurer's
5 domiciliary jurisdiction in the context of an
6 insolvency proceeding.

7 (j) A certified reinsurer's participation in
8 any solvent scheme of arrangement, or similar
9 procedure, that involves U.S. ceding insurers. The
10 Director shall receive prior notice from a
11 certified reinsurer that proposes participation by
12 the certified reinsurer in a solvent scheme of
13 arrangement.

14 The maximum rating that a certified reinsurer may
15 be assigned shall correspond to its financial strength
16 rating, which shall be determined according to
17 subitems (i) through (vi) of item (a) of this
18 subparagraph (5). The Director shall use the lowest
19 financial strength rating received from an acceptable
20 rating agency in establishing the maximum rating of a
21 certified reinsurer.

22 (6) Based on the analysis conducted under item (e)
23 of subparagraph (5) of this paragraph (C-5) of a
24 certified reinsurer's reputation for prompt payment of
25 claims, the Director may make appropriate adjustments
26 in the security the certified reinsurer is required to

1 post to protect its liabilities to U.S. ceding
2 insurers, provided that the Director shall, at a
3 minimum, increase the security the certified reinsurer
4 is required to post by one rating level under item (a)
5 of subparagraph (8) of this paragraph (C-5) if the
6 Director finds that:

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

12 (b) the aggregate amount of reinsurance
13 recoverables on paid losses that are not in dispute
14 that are overdue by 90 days or more exceeds
15 \$50,000,000.

16 (7) The Director shall post notice on the
17 Department's website promptly upon receipt of any
18 application for certification, including instructions
19 on how members of the public may respond to the
20 application. The Director may not take final action on
21 the application until at least 30 days after posting
22 the notice required by this subparagraph. The Director
23 shall publish a list of all certified reinsurers and
24 their ratings.

25 (8) A certified reinsurer shall secure obligations
26 assumed from U.S. ceding insurers under this

1 subsection (1) at a level consistent with its rating.

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

5 Secure - 1: 0%.

6 Secure - 2: 10%.

7 Secure - 3: 20%.

8 Secure - 4: 50%.

9 Secure - 5: 75%.

10 Vulnerable - 6: 100%.

11 (b) Nothing in this subparagraph (8) shall
12 prohibit the parties to a reinsurance agreement
13 from agreeing to provisions establishing security
14 requirements that exceed the minimum security
15 requirements established for certified reinsurers
16 under this Section.

17 (c) In order for a domestic ceding insurer to
18 qualify for full financial statement credit for
19 reinsurance ceded to a certified reinsurer, the
20 certified reinsurer shall maintain security in a
21 form acceptable to the Director and consistent
22 with the provisions of subsection (2) of this
23 Section, or in a multibeneficiary trust in
24 accordance with paragraph (C) of this subsection
25 (1), except as otherwise provided in this
26 subparagraph (8).

1 (d) If a certified reinsurer maintains a trust
2 to fully secure its obligations subject to
3 paragraph (C) of this subsection (1), and chooses
4 to secure its obligations incurred as a certified
5 reinsurer in the form of a multibeneficiary trust,
6 then the certified reinsurer shall maintain
7 separate trust accounts for its obligations
8 incurred under reinsurance agreements issued or
9 renewed as a certified reinsurer with reduced
10 security as permitted by this subsection or
11 comparable laws of other U.S. jurisdictions and
12 for its obligations subject to paragraph (C) of
13 this subsection (1). It shall be a condition to the
14 grant of certification under this paragraph (C-5)
15 that the certified reinsurer shall have bound
16 itself, by the language of the trust and agreement
17 with the Director with principal regulatory
18 oversight of each such trust account, to fund, upon
19 termination of any such trust account, out of the
20 remaining surplus of such trust any deficiency of
21 any other such trust account. The certified
22 reinsurer shall also provide or make available, if
23 requested by a beneficiary under a trust, all the
24 information that is required to be provided under
25 the requirements of item (d) of subparagraph (2) of
26 paragraph (C) of this subsection (1) to the

1 certified reinsurer's U.S. ceding insurers or
2 their assigns and successors in interest. The
3 assuming insurer may decline to release trade
4 secrets or commercially sensitive information that
5 would qualify as exempt from disclosure under the
6 Freedom of Information Act.

7 (e) The minimum trusteed surplus requirements
8 provided in paragraph (C) of this subsection (1)
9 are not applicable with respect to a
10 multibeneficiary trust maintained by a certified
11 reinsurer for the purpose of securing obligations
12 incurred under this subsection, except that such
13 trust shall maintain a minimum trusteed surplus of
14 \$10,000,000.

15 (f) With respect to obligations incurred by a
16 certified reinsurer under this subsection (1), if
17 the security is insufficient, then the Director
18 may reduce the allowable credit by an amount
19 proportionate to the deficiency and may impose
20 further reductions in allowable credit upon
21 finding that there is a material risk that the
22 certified reinsurer's obligations will not be paid
23 in full when due.

24 (9)(a) In the case of a downgrade by a rating
25 agency or other disqualifying circumstance, the
26 Director shall by written notice assign a new rating to

1 the certified reinsurer in accordance with the
2 requirements of subparagraph (5) of this paragraph
3 (C-5).

4 (b) If the rating of a certified reinsurer is
5 upgraded by the Director, then the certified reinsurer
6 may meet the security requirements applicable to its
7 new rating on a prospective basis, but the Director
8 shall require the certified reinsurer to post security
9 under the previously applicable security requirements
10 as to all contracts in force on or before the effective
11 date of the upgraded rating. If the rating of a
12 certified reinsurer is downgraded by the Director,
13 then the Director shall require the certified
14 reinsurer to meet the security requirements applicable
15 to its new rating for all business it has assumed as a
16 certified reinsurer.

17 (c) The Director may suspend, revoke, or otherwise
18 modify a certified reinsurer's certification at any
19 time if the certified reinsurer fails to meet its
20 obligations or security requirements under this
21 Section or if other financial or operating results of
22 the certified reinsurer, or documented significant
23 delays in payment by the certified reinsurer, lead the
24 Director to reconsider the certified reinsurer's
25 ability or willingness to meet its contractual
26 obligations. In seeking to suspend, revoke, or

1 otherwise modify a certified reinsurer's
2 certification, the Director shall follow the
3 procedures provided in paragraph (G) of this
4 subsection (1).

5 (d) For purposes of this subsection (1), a
6 certified reinsurer whose certification has been
7 terminated for any reason shall be treated as a
8 certified reinsurer required to secure 100% of its
9 obligations.

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

13 (ii) If the Director continues to assign a
14 higher rating as permitted by other provisions of
15 this Section, then this requirement does not apply
16 to a certified reinsurer in inactive status or to a
17 reinsurer whose certification has been suspended.

18 (e) Upon revocation of the certification of a
19 certified reinsurer by the Director, the assuming
20 insurer shall be required to post security in
21 accordance with subsection (2) of this Section in order
22 for the ceding insurer to continue to take credit for
23 reinsurance ceded to the assuming insurer. If funds
24 continue to be held in trust, then the Director may
25 allow additional credit equal to the ceding insurer's
26 pro rata share of the funds, discounted to reflect the

1 risk of uncollectibility and anticipated expenses of
2 trust administration.

3 (f) Notwithstanding the change of a certified
4 reinsurer's rating or revocation of its certification,
5 a domestic insurer that has ceded reinsurance to that
6 certified reinsurer may not be denied credit for
7 reinsurance for a period of 3 months for all
8 reinsurance ceded to that certified reinsurer, unless
9 the reinsurance is found by the Director to be at high
10 risk of uncollectibility.

11 (10) A certified reinsurer that ceases to assume
12 new business in this State may request to maintain its
13 certification in inactive status in order to continue
14 to qualify for a reduction in security for its in-force
15 business. An inactive certified reinsurer shall
16 continue to comply with all applicable requirements of
17 this subsection (1), and the Director shall assign a
18 rating that takes into account, if relevant, the
19 reasons why the reinsurer is not assuming new business.

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

24 (12) The Director shall comply with all reporting
25 and notification requirements that may be established
26 by the NAIC with respect to certified reinsurers and

1 qualified jurisdictions.

2 (D) Credit shall be allowed when the reinsurance is
3 ceded to an assuming insurer not meeting the requirements
4 of paragraph ~~subsection (1)~~ (A), (B), or (C) of this
5 subsection (1) but only with respect to the insurance of
6 risks located in jurisdictions where that reinsurance is
7 required by applicable law or regulation of that
8 jurisdiction.

9 (E) If the assuming insurer is not licensed to transact
10 insurance in this State or an accredited or certified
11 reinsurer in this State, the credit permitted by paragraphs
12 (B-5) and ~~subsection (1)~~ (C) of this subsection (1) shall
13 not be allowed unless the assuming insurer agrees in the
14 reinsurance agreements:

15 (1) that in the event of the failure of the
16 assuming insurer to perform its obligations under the
17 terms of the reinsurance agreement, the assuming
18 insurer, at the request of the ceding insurer, shall
19 submit to the jurisdiction of any court of competent
20 jurisdiction in any state of the United States, will
21 comply with all requirements necessary to give the
22 court jurisdiction, and will abide by the final
23 decision of the court or of any appellate court in the
24 event of an appeal; and

25 (2) to designate the Director or a designated
26 attorney as its true and lawful attorney upon whom may

1 be served any lawful process in any action, suit, or
2 proceeding instituted by or on behalf of the ceding
3 company.

4 This provision is not intended to conflict with or
5 override the obligation of the parties to a reinsurance
6 agreement to arbitrate their disputes, if an obligation to
7 arbitrate is created in the agreement.

8 (F) If the assuming insurer does not meet the
9 requirements of paragraph (A) or (B) of this subsection (1)
10 ~~(1)(A) or (B)~~, the credit permitted by paragraph (C) of
11 this subsection (1) ~~(1)(C)~~ shall not be allowed unless the
12 assuming insurer agrees in the trust agreements to the
13 following conditions:

14 (1) Notwithstanding any other provisions in the
15 trust instrument, if the trust fund is inadequate
16 because it contains an amount less than the amount
17 required by subparagraph (3) of paragraph (C)
18 ~~subsection (C)(3)~~ of this subsection (1) ~~Section~~ or if
19 the grantor of the trust has been declared insolvent or
20 placed into receivership, rehabilitation, liquidation,
21 or similar proceedings under the laws of its state or
22 country of domicile, the trustee shall comply with an
23 order of the state official with regulatory oversight
24 over the trust or with an order of a court of competent
25 jurisdiction directing the trustee to transfer to the
26 state official with regulatory oversight all of the

1 assets of the trust fund.

2 (2) The assets shall be distributed by and claims
3 shall be filed with and valued by the state official
4 with regulatory oversight in accordance with the laws
5 of the state in which the trust is domiciled that are
6 applicable to the liquidation of domestic insurance
7 companies.

8 (3) If the state official with regulatory
9 oversight determines that the assets of the trust fund
10 or any part thereof are not necessary to satisfy the
11 claims of the U.S. ceding insurers of the grantor of
12 the trust, the assets or part thereof shall be returned
13 by the state official with regulatory oversight to the
14 trustee for distribution in accordance with the trust
15 agreement.

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

19 (G) If an accredited or certified reinsurer ceases to
20 meet the requirements for accreditation or certification,
21 then the Director may suspend or revoke the reinsurer's
22 accreditation or certification.

23 (1) The Director must give the reinsurer notice and
24 opportunity for hearing. The suspension or revocation
25 may not take effect until after the Director's order on
26 hearing, unless:

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

2 (b) the Director's order is based on
3 regulatory action by the reinsurer's domiciliary
4 jurisdiction or the voluntary surrender or
5 termination of the reinsurer's eligibility to
6 transact insurance or reinsurance business in its
7 domiciliary jurisdiction or in the primary
8 certifying state of the reinsurer under
9 subparagraph (4) of paragraph (C-5) of this
10 subsection (1); or

11 (c) the Director finds that an emergency
12 requires immediate action and a court of competent
13 jurisdiction has not stayed the Director's action.

14 (2) While a reinsurer's accreditation or
15 certification is suspended, no reinsurance contract
16 issued or renewed after the effective date of the
17 suspension qualifies for credit except to the extent
18 that the reinsurer's obligations under the contract
19 are secured in accordance with subsection (2) of this
20 Section. If a reinsurer's accreditation or
21 certification is revoked, no credit for reinsurance
22 may be granted after the effective date of the
23 revocation, except to the extent that the reinsurer's
24 obligations under the contract are secured in
25 accordance with subsection (2) of this Section.

26 (H) The following provisions shall apply concerning

1 concentration of risk:

2 (1) A ceding insurer shall take steps to manage its
3 reinsurance recoverable proportionate to its own book
4 of business. A domestic ceding insurer shall notify the
5 Director within 30 days after reinsurance recoverables
6 from any single assuming insurer, or group of
7 affiliated assuming insurers, exceeds 50% of the
8 domestic ceding insurer's last reported surplus to
9 policyholders, or after it is determined that
10 reinsurance recoverables from any single assuming
11 insurer, or group of affiliated assuming insurers, is
12 likely to exceed this limit. The notification shall
13 demonstrate that the exposure is safely managed by the
14 domestic ceding insurer.

15 (2) A ceding insurer shall take steps to diversify
16 its reinsurance program. A domestic ceding insurer
17 shall notify the Director within 30 days after ceding
18 to any single assuming insurer, or group of affiliated
19 assuming insurers, more than 20% of the ceding
20 insurer's gross written premium in the prior calendar
21 year, or after it has determined that the reinsurance
22 ceded to any single assuming insurer, or group of
23 affiliated assuming insurers, is likely to exceed this
24 limit. The notification shall demonstrate that the
25 exposure is safely managed by the domestic ceding
26 insurer.

1 (2) Credit for the reinsurance ceded by a domestic insurer
2 to an assuming insurer not meeting the requirements of
3 subsection (1) of this Section shall be allowed in an amount
4 not exceeding the assets or liabilities carried by the ceding
5 insurer. The credit shall not exceed the amount of funds held
6 by or held in trust for the ceding insurer under a reinsurance
7 contract with the assuming insurer as security for the payment
8 of obligations thereunder, if the security is held in the
9 United States subject to withdrawal solely by, and under the
10 exclusive control of, the ceding insurer; or, in the case of a
11 trust, held in a qualified United States financial institution,
12 as defined in paragraph (B) of subsection (3) of this Section
13 ~~(3) (B)~~. This security may be in the form of:

14 (A) Cash.

15 (B) Securities listed by the Securities Valuation
16 Office of the National Association of Insurance
17 Commissioners, including those deemed exempt from filing
18 as defined by the Purposes and Procedures Manual of the
19 Securities Valuation Office that conform to the
20 requirements of Article VIII of this Code that are not
21 issued by an affiliate of either the assuming or ceding
22 company.

23 (C) Clean, irrevocable, unconditional, letters of
24 credit issued or confirmed by a qualified United States
25 financial institution, as defined in paragraph (A) of
26 subsection (3) of this Section ~~(3) (A)~~. The letters of

1 credit shall be effective no later than December 31 of the
2 year for which filing is being made, and in the possession
3 of, or in trust for, the ceding company on or before the
4 filing date of its annual statement. Letters of credit
5 meeting applicable standards of issuer acceptability as of
6 the dates of their issuance (or confirmation) shall,
7 notwithstanding the issuing (or confirming) institution's
8 subsequent failure to meet applicable standards of issuer
9 acceptability, continue to be acceptable as security until
10 their expiration, extension, renewal, modification, or
11 amendment, whichever first occurs.

12 (D) Any other form of security acceptable to the
13 Director.

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

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

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

23 (3) has been designated by either the Director or the
24 Securities Valuation Office of the National Association of
25 Insurance Commissioners as meeting such standards of
26 financial condition and standing as are considered

1 necessary and appropriate to regulate the quality of
2 financial institutions whose letters of credit will be
3 acceptable to the Director; and

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

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

9 (1) is organized or, in the case of the U.S. branch or
10 agency office of a foreign banking organization, licensed
11 under the laws of the United States or any state thereof
12 and has been granted authority to operate with fiduciary
13 powers;

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

17 (3) is not affiliated with the assuming company,
18 however, if the subject of the reinsurance contract is
19 insurance written pursuant to Section 155.51 of this Code,
20 the financial institution may be affiliated with the
21 assuming company with the prior approval of the Director.

22 (C) Except as set forth in subparagraph (11) of paragraph
23 (C-5) of subsection (1) of this Section as to cessions by
24 certified reinsurers, this amendatory Act of the 100th General
25 Assembly shall apply to all cessions after the effective date
26 of this amendatory Act of the 100th General Assembly under

1 reinsurance agreements that have an inception, anniversary, or
2 renewal date not less than 6 months after the effective date of
3 this amendatory Act of the 100th General Assembly.

4 (D) The Department shall adopt rules implementing the
5 provisions of this Article.

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

7 (215 ILCS 5/456) (from Ch. 73, par. 1065.3)

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

10 (a) Due consideration shall be given to past and
11 prospective loss experience within and outside this state, to
12 catastrophe hazards, if any, to a reasonable margin for profit
13 and contingencies, to dividends, savings or unabsorbed premium
14 deposits allowed or returned by companies to their
15 policyholders, members or subscribers, to past and prospective
16 expenses both countrywide and those specially applicable to
17 this state, to underwriting practice and judgment and to all
18 other relevant factors within and outside this state;

19 (b) The systems of expense provisions included in the rates
20 for use by any company or group of companies may differ from
21 those of other companies or groups of companies to reflect the
22 requirements of the operating methods of any such company or
23 group with respect to any kind of insurance, or with respect to
24 any subdivision or combination thereof for which subdivision or
25 combination separate expense provisions are applicable;

1 (c) Risks may be grouped by classifications for the
2 establishment of rates and minimum premiums. Classification
3 rates may be modified to produce rates for individual risks in
4 accordance with rating plans which measure variation in hazards
5 or expense provisions, or both. Such rating plans may measure
6 any differences among risks that have a probable effect upon
7 losses or expenses;

8 (d) Rates shall not be excessive, inadequate or unfairly
9 discriminatory.

10 ~~A rate in a competitive market is not excessive. A rate in~~
11 ~~a noncompetitive market~~ is excessive if it is likely to produce
12 a ~~long-run~~ profit that is unreasonably high for the insurance
13 provided or if expenses are unreasonably high in relation to
14 the services rendered.

15 A rate is not inadequate unless such rate is clearly
16 insufficient to sustain projected losses and expenses in the
17 class of business to which it applies and the use of such rate
18 has or, if continued, will have the effect of substantially
19 lessening competition or the tendency to create monopoly in any
20 market.

21 Unfair discrimination exists if, after allowing for
22 practical limitations, price differentials fail to reflect
23 equitably the differences in expected losses and expenses. A
24 rate is not unfairly discriminatory because different premiums
25 result for policyholders with like exposures but different
26 expenses, or like expenses but different loss exposures, so

1 long as the rate reflects the differences with reasonable
2 accuracy.

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

7 (f) Any rating plan or program shall include a rule
8 permitting 2 or more employers with similar risk
9 characteristics, who participate in a loss prevention program
10 or safety group, to pool their premium and loss experience in
11 determining their rate or premium for such participation in the
12 program.

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

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

18 (215 ILCS 5/457) (from Ch. 73, par. 1065.4)

19 Sec. 457. Rate filings. (1) Every ~~Beginning January 1,~~
20 ~~1983, every~~ company shall prefile ~~file~~ with the Director every
21 manual of classifications, every manual of rules and rates,
22 every rating plan and every modification of the foregoing which
23 it intends to use. Such filings shall be made at least ~~not~~
24 ~~later than~~ 30 days before ~~after~~ they become effective. A
25 company may satisfy its obligation to make such filings by

1 adopting the filing of a licensed rating organization of which
2 it is a member or subscriber, filed pursuant to subsection (2)
3 of this Section, in total or, with the approval of the
4 Director, ~~by notifying the Director in what respects it intends~~
5 ~~to~~ deviate from such filing. If a company intends to deviate
6 from the filing of a licensed rating organization of which it
7 is a member, the company shall provide the Director with
8 supporting information that specifies the basis for the
9 requested deviation and provides justification for the
10 deviation. Any company adopting a pure premium filed by a
11 rating organization pursuant to subsection (2) must file with
12 the Director the modification factor it is using for expenses
13 and profit so that the final rates in use by such company can
14 be determined.

15 (2) ~~Each Beginning January 1, 1983, each~~ licensed rating
16 organization must prefile ~~file~~ with the Director every manual
17 of classification, every manual of rules and advisory rates,
18 every pure premium which has been fully adjusted and fully
19 developed, every rating plan and every modification of any of
20 the foregoing which it intends to recommend for use to its
21 members and subscribers, at least ~~not later than~~ 30 days before
22 ~~after~~ such manual, premium, plan or modification thereof takes
23 effect. Every licensed rating organization shall also file with
24 the Director the rate classification system, all rating rules,
25 rating plans, policy forms, underwriting rules or similar
26 materials, and each modification of any of the foregoing which

1 it requires its members and subscribers to adhere to not later
2 than 30 days before such filings or modifications thereof are
3 to take effect. Every such filing shall state the proposed
4 effective date thereof and shall indicate the character and
5 extent of the coverage contemplated.

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

9 (4) A filing shall not be effective nor used until approved
10 by the Director. A filing shall be deemed approved and legally
11 effective if the Director fails to disapprove within 30 days
12 after the filing.

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

14 (215 ILCS 5/458) (from Ch. 73, par. 1065.5)

15 Sec. 458. Disapproval of filings. (1) If within 30 ~~thirty~~
16 days of any filing the Director finds that such filing does not
17 meet the requirements of this Article, he shall send to the
18 company or rating organization which made such filing a written
19 notice of disapproval of such filing, specifying therein in
20 what respects he finds that such filing fails to meet the
21 requirements of this Article ~~and stating when, within a~~
22 ~~reasonable period thereafter, such filing shall be deemed no~~
23 ~~longer effective.~~ A company or rating organization whose filing
24 has been disapproved shall be given a hearing upon a written
25 request made within 30 days after the disapproval order. ~~If the~~

1 ~~company or rating organization making the filing shall, prior~~
2 ~~to the expiration of the period prescribed in the notice,~~
3 ~~request a hearing, such filings shall be effective until the~~
4 ~~expiration of a reasonable period specified in any order~~
5 ~~entered thereon. If the rate resulting from such filing be~~
6 ~~unfairly discriminatory or materially inadequate, and the~~
7 ~~difference between such rate and the approved rate equals or~~
8 ~~exceeds the cost of making an adjustment, the Director shall in~~
9 ~~such notice or order direct an adjustment of the premium to be~~
10 ~~made with the policyholder either by refund or collection of~~
11 ~~additional premium. If the policyholder does not accept the~~
12 ~~increased rate, cancellation shall be made on a pro rata basis.~~
13 ~~Any policy issued pursuant to this subsection shall contain a~~
14 ~~provision that the premium thereon shall be subject to~~
15 ~~adjustment upon the basis of the filing finally approved.~~

16 (2) If at any time subsequent to the applicable review
17 period provided for in subsection (1) of this Section, the
18 Director finds that a filing does not meet the requirements of
19 this Article, he shall, after a hearing held upon not less than
20 ten days written notice, specifying the matters to be
21 considered at such hearing, to every company and rating
22 organization which made such filing, issue an order specifying
23 in what respects he finds that such filing fails to meet the
24 requirements of this Article, and stating when, within a
25 reasonable period thereafter, such filings shall be deemed no
26 longer effective. Copies of said order shall be sent to every

1 such company and rating organization. Said order shall not
2 affect any contract or policy made or issued prior to the
3 expiration of the period set forth in said order.

4 (3) Any person or organization aggrieved with respect to
5 any filing which is in effect may make written application to
6 the Director for a hearing thereon, provided, however, that the
7 company or rating organization that made the filing shall not
8 be authorized to proceed under this subsection. Such
9 application shall specify the grounds to be relied upon by the
10 applicant. If the Director shall find that the application is
11 made in good faith, that the applicant would be so aggrieved if
12 his grounds are established, and that such grounds otherwise
13 justify holding such a hearing, he shall, within thirty days
14 after receipt of such application, hold a hearing upon not less
15 than ten days written notice to the applicant and to every
16 company and rating organization which made such filing.

17 If, after such hearing, the Director finds that the filing
18 does not meet the requirements of this Article, he shall issue
19 an order specifying in what respects he finds that such filing
20 fails to meet the requirements of this Article, and stating
21 when, within a reasonable period thereafter, such filing shall
22 be deemed no longer effective. Copies of said order shall be
23 sent to the applicant and to every such company and rating
24 organization. Said order shall not affect any contract or
25 policy made or issued prior to the expiration of the period set
26 forth in said order.

1 (4) Whenever an insurer has no legally effective rates as a
2 result of the Director's disapproval of rates or other act, the
3 Director shall on request of the insurer specify interim rates
4 for the insurer that are high enough to protect the interests
5 of all parties and may order that a specified portion of the
6 premiums be placed in an escrow account approved by him or her.
7 When new rates become legally effective, the Director shall
8 order the escrowed funds or any overcharge in the interim rates
9 to be distributed appropriately, except that refunds to
10 policyholders that are de minimis shall not be required.

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

12 (215 ILCS 5/462a new)

13 Sec. 462a. Premium increase notice. A policy of workers'
14 compensation insurance issued, delivered, amended, or renewed
15 on or after January 1, 2019 shall remain in full force and
16 effect subject to the same terms and conditions, loss cost
17 multipliers, and classification of the employer with regard to
18 the payment of dividends, unless written notice is mailed or
19 delivered by the insurer to the employer, at the address shown
20 on the policy, and to the employer's authorized agent or
21 broker, indicating the insurer's intention to condition
22 renewal upon issuance of a policy that supersedes the policy
23 previously issued and that will result in a premium in excess
24 of 5% above the rate recommendation filed with the Department,
25 exclusive of any premium increase generated as a result of

1 increased loss costs or increased exposure units or as a result
2 of experience rating, contractor credit adjustment program,
3 large deductible, retrospective rating, or audit. The notice
4 shall be delivered at least 30 days in advance of the
5 expiration date of the policy, and shall set forth: (1) the
6 amount of the premium increase or, if the amount cannot
7 reasonably be determined as of the time the notice is provided,
8 a reasonable estimate of the premium increase based upon the
9 information available to the insurer at that time; and (2) the
10 reason for the increased premium in excess of the rate
11 recommendation filed with the Department. Nothing in this
12 Section requires the insurer to provide notice when the
13 employer, an agent or broker authorized by the employer, or
14 another insurer of the employer has delivered written notice
15 that the policy has been replaced or is no longer desired.

16 (215 ILCS 5/123C-4 rep.)

17 (215 ILCS 5/460 rep.)

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

20 Section 99. Effective date. This Act takes effect upon
21 becoming law, except that the provisions changing Sections 456,
22 457, and 458 of the Illinois Insurance Code and the provisions
23 repealing Section 460 of the Illinois Insurance Code take
24 effect February 1, 2019.