



## 102ND GENERAL ASSEMBLY

### State of Illinois

### 2021 and 2022

### SB0375

Introduced 2/19/2021, by Sen. Napoleon Harris, III

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/532	from Ch. 73, par. 1065.82
215 ILCS 5/537.9	from Ch. 73, par. 1065.87-9
215 ILCS 5/538	from Ch. 73, par. 1065.88
215 ILCS 5/538.2	from Ch. 73, par. 1065.88-2
215 ILCS 5/538.7	from Ch. 73, par. 1065.88-7
215 ILCS 5/538.10 new	

Amends the Illinois Insurance Code. Authorizes the Illinois Insurance Guaranty Fund, at the direction of its board of directors and subject to the approval of the Director of Insurance, to form and own a not-for-profit corporation to which the Fund may delegate certain of its powers and duties provided by the Code. Allows the not-for-profit corporation to contract to provide services to the Office of Special Deputy Receiver or any other person or organization authorized by law to carry out the duties of the Director in the capacity of receiver under specified provisions of the Code, the Illinois Life and Health Insurance Guaranty Association, an organizations in another state similar to the Illinois Insurance Guaranty Fund or the Illinois Life and Health Insurance Guaranty Association. Effective immediately.

LRB102 10314 BMS 15641 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

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 5. The Illinois Insurance Code is amended by  
5 changing Sections 532, 537.9, 538, 538.2, and 538.7 and by  
6 adding Section 538.10 as follows:

7 (215 ILCS 5/532) (from Ch. 73, par. 1065.82)

8 Sec. 532. Purpose. The purpose of this Article is to  
9 provide a mechanism for the payment of covered claims under  
10 certain insurance policies and the expenses of the Fund in  
11 handling covered claims and to participate in and facilitate  
12 the process by which the assets of an insolvent company are  
13 marshaled and distributed pursuant to Article XIII of this  
14 Code or similar provisions in other states and jurisdictions  
15 to, among other things, reimburse the cost of covered claims,  
16 to avoid excessive delay in payment of covered claims, to  
17 avoid financial loss to claimants or policyholders because of  
18 the entry of an Order of Liquidation against an insolvent  
19 company, ~~and~~ to provide a Fund to assess among member  
20 companies the costs ~~cost~~ of such protection and maintain the  
21 continuity and self-sufficient operation of the Fund, and to  
22 offset the costs associated with maintaining the Fund's  
23 continuity and self-sufficient operations when practical by

1 providing assistance and services to the Director in her or  
2 his capacity as receiver under Article XIII of this Code and  
3 other State guaranty organizations in the performance of their  
4 respective statutory and legal functions provided by law ~~among~~  
5 ~~member companies.~~

6 (Source: P.A. 85-576.)

7 (215 ILCS 5/537.9) (from Ch. 73, par. 1065.87-9)

8 Sec. 537.9. The Fund shall handle claims through its  
9 employees or through one or more companies or other persons  
10 employed as servicing facilities, including a corporation  
11 formed pursuant to Section 538.10.

12 (Source: P.A. 85-576.)

13 (215 ILCS 5/538) (from Ch. 73, par. 1065.88)

14 Sec. 538. Powers of the Fund. The Fund shall have the  
15 powers enumerated in the Sections following this Section and  
16 preceding Section 539 ~~538.1 through 538.8.~~

17 (Source: P.A. 77-305.)

18 (215 ILCS 5/538.2) (from Ch. 73, par. 1065.88-2)

19 Sec. 538.2. The Fund may employ or retain such persons as  
20 are necessary to handle claims and perform other duties of the  
21 Fund or may delegate such functions to a corporation formed  
22 pursuant to Section 538.10.

23 (Source: P.A. 77-305.)

1 (215 ILCS 5/538.7) (from Ch. 73, par. 1065.88-7)

2 Sec. 538.7. (a) The Fund may perform such other acts as are  
3 necessary or proper to effectuate the purposes of this  
4 Article.

5 (b) The Fund may contract with the Office of Special  
6 Deputy Receiver or any other person or organizations  
7 authorized by law to carry out the duties of the Director in  
8 her or his capacity as a receiver under Article XIII of this  
9 Code, the Illinois Life and Health Insurance Guaranty  
10 Association under Article XXXIII 1/2 of this Code, and  
11 organizations in another state similar to the Fund or the  
12 Illinois Life and Health Insurance Guaranty Association. The  
13 power of the Fund to contract with these persons or entities  
14 includes, but is not limited to, providing consulting services  
15 and claims administration services that assist with these  
16 persons or entities in the performance of their respective  
17 statutory and legal functions provided by law. The Fund may  
18 only exercise the authority to contract pursuant to this  
19 subsection upon the board of director's written determination  
20 that the provisioning of such services will advance the  
21 purposes set forth in Section 532. Any contract with  
22 organizations in another state similar to the Fund or the  
23 Illinois Life and Health Insurance Guaranty Association shall  
24 be subject to the prior approval of the Director. Any contract  
25 the Fund may enter into to provide services pursuant to this

1 subsection shall be subordinate and subject to the Fund's  
2 statutory obligations to timely pay covered claims and avoid  
3 financial loss to claimants or policyholders described in this  
4 Article.

5 (Source: P.A. 82-210.)

6 (215 ILCS 5/538.10 new)

7 Sec. 538.10. Formation of a not-for-profit corporation;  
8 delegation of Fund powers. The Fund may, at the direction of  
9 its board of directors and subject to the approval of the  
10 Director, form a not-for-profit corporation under the General  
11 Not For Profit Corporation Act of 1986. The Fund may delegate  
12 in its plan of operation any or all powers and duties of the  
13 Fund, except those provided by Sections 537.6 and 538.3. The  
14 not-for-profit corporation may contract to provide services to  
15 any or all of the following types of organizations: (a) the  
16 Office of Special Deputy Receiver or any other person or  
17 organization authorized by law to carry out the duties of the  
18 Director in the capacity as a receiver under Article XIII of  
19 this Code; (b) the Illinois Life and Health Insurance Guaranty  
20 Association under Article XXXIII 1/2 of this Code; and (c)  
21 organizations in another state similar to the Fund or the  
22 Illinois Life and Health Insurance Guaranty Association. The  
23 not-for-profit corporation is authorized to contract pursuant  
24 to this Section upon the board of directors' written  
25 determination that the provisioning of such services will

1 advance the purpose set forth in Section 532. Any contract  
2 with a organization in another state similar to the Fund or the  
3 Illinois Life and Health Insurance Guaranty Association shall  
4 be subject to the prior approval of the Director. Any contract  
5 the not-for-profit corporation may enter into to provide  
6 services pursuant to this Section shall be subordinate and  
7 subject to the Fund's statutory obligations to timely pay  
8 covered claims and avoid financial loss to claimants or  
9 policyholders described in this Article.

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