

1 AN ACT concerning insurance.

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

4 Section 5. The Regulatory Sunset Act is amended by changing
5 Section 4.17 and by adding Section 4.27 as follows:

6 (5 ILCS 80/4.17)

7 Sec. 4.17. Acts repealed on January 1, 2007. The following
8 are repealed on January 1, 2007:

9 The Boiler and Pressure Vessel Repairer Regulation
10 Act.

11 The Structural Pest Control Act.

12 ~~Articles II, III, IV, V, V 1/2, VI, VIIA, VIIB, VIIC,~~
13 ~~XVII, XXXI, XXXI 1/4, and XXXI 3/4 of the Illinois~~
14 ~~Insurance Code.~~

15 The Clinical Psychologist Licensing Act.

16 The Illinois Optometric Practice Act of 1987.

17 The Medical Practice Act of 1987.

18 The Environmental Health Practitioner Licensing Act.

19 (Source: P.A. 92-837, eff. 8-22-02.)

20 (5 ILCS 80/4.27 new)

21 Sec. 4.27. Act repealed on January 1, 2017. The following
22 are repealed on January 1, 2017:

23 Articles II, III, IV, V, V 1/2, VI, VIIA, VIIB, VIIC, XVII,
24 XXXI, XXXI 1/4, and XXXI 3/4 of the Illinois Insurance Code.

25 Section 10. The Illinois Insurance Code is amended by
26 changing Section 229.4a and by adding Section 356z.8 as
27 follows:

28 (215 ILCS 5/229.4a)

29 (Section scheduled to be repealed on July 1, 2007)

1 Sec. 229.4a. Standard Non-forfeiture Law for Individual
2 Deferred Annuities.

3 (1) Title. This Section shall be known as the Standard
4 Nonforfeiture Law for Individual Deferred Annuities.

5 (2) Applicability. This Section shall not apply to any
6 reinsurance, group annuity purchased under a retirement plan or
7 plan of deferred compensation established or maintained by an
8 employer (including a partnership or sole proprietorship) or by
9 an employee organization, or by both, other than a plan
10 providing individual retirement accounts or individual
11 retirement annuities under Section 408 of the Internal Revenue
12 Code, as now or hereafter amended, premium deposit fund,
13 variable annuity, investment annuity, immediate annuity, any
14 deferred annuity contract after annuity payments have
15 commenced, or reversionary annuity, nor to any contract which
16 shall be delivered outside this State through an agent or other
17 representative of the company issuing the contract.

18 (3) Nonforfeiture Requirements.

19 (A) In the case of contracts issued on or after the
20 operative date of this Section as defined in subsection
21 (13), no contract of annuity, except as stated in
22 subsection (2), shall be delivered or issued for delivery
23 in this State unless it contains in substance the following
24 provisions, or corresponding provisions which in the
25 opinion of the Director of Insurance are at least as
26 favorable to the contract holder, upon cessation of payment
27 of considerations under the contract:

28 (i) That upon cessation of payment of
29 considerations under a contract, or upon the written
30 request of the contract owner, the company shall grant
31 a paid-up annuity benefit on a plan stipulated in the
32 contract of such value as is specified in subsections
33 (5), (6), (7), (8) and (10);

34 (ii) If a contract provides for a lump sum
35 settlement at maturity, or at any other time, that upon
36 surrender of the contract at or prior to the

1 commencement of any annuity payments, the company
2 shall pay in lieu of a paid-up annuity benefit a cash
3 surrender benefit of such amount as is specified in
4 subsections (5), (6), (8) and (10). The company may
5 reserve the right to defer the payment of the cash
6 surrender benefit for a period not to exceed 6 months
7 after demand therefor with surrender of the contract
8 after making written request and receiving written
9 approval of the Director. The request shall address the
10 necessity and equitability to all policyholders of the
11 deferral;

12 (iii) A statement of the mortality table, if any,
13 and interest rates used calculating any minimum
14 paid-up annuity, cash surrender, or death benefits
15 that are guaranteed under the contract, together with
16 sufficient information to determine the amounts of the
17 benefits; and

18 (iv) A statement that any paid-up annuity, cash
19 surrender or death benefits that may be available under
20 the contract are not less than the minimum benefits
21 required by any statute of the state in which the
22 contract is delivered and an explanation of the manner
23 in which the benefits are altered by the existence of
24 any additional amounts credited by the company to the
25 contract, any indebtedness to the company on the
26 contract or any prior withdrawals from or partial
27 surrenders of the contract.

28 (B) Notwithstanding the requirements of this Section,
29 a deferred annuity contract may provide that if no
30 considerations have been received under a contract for a
31 period of 2 full years and the portion of the paid-up
32 annuity benefit at maturity on the plan stipulated in the
33 contract arising from prior considerations paid would be
34 less than \$20 monthly, the company may at its option
35 terminate the contract by payment in cash of the then
36 present value of the portion of the paid-up annuity

1 benefit, calculated on the basis on the mortality table, if
2 any, and interest rate specified in the contract for
3 determining the paid-up annuity benefit, and by this
4 payment shall be relieved of any further obligation under
5 the contract.

6 (4) Minimum values. The minimum values as specified in
7 subsections (5), (6), (7), (8) and (10) of any paid-up annuity,
8 cash surrender or death benefits available under an annuity
9 contract shall be based upon minimum nonforfeiture amounts as
10 defined in this subsection.

11 (A) (i) The minimum nonforfeiture amount at any time at
12 or prior to the commencement of any annuity payments shall
13 be equal to an accumulation up to such time at rates of
14 interest as indicated in subdivision (4) (B) of the net
15 considerations (as hereinafter defined) paid prior to such
16 time, decreased by the sum of paragraphs (a) through (d)
17 below:

18 (a) Any prior withdrawals from or partial
19 surrenders of the contract accumulated at rates of
20 interest as indicated in subdivision (4) (B);

21 (b) An annual contract charge of \$50,
22 accumulated at rates of interest as indicated in
23 subdivision (4) (B);

24 (c) Any premium tax paid by the company for the
25 contract, accumulated at rates of interest as
26 indicated in subdivision (4) (B); and

27 (d) The amount of any indebtedness to the
28 company on the contract, including interest due and
29 accrued.

30 (ii) The net considerations for a given contract year
31 used to define the minimum nonforfeiture amount shall be an
32 amount equal to 87.5% of the gross considerations, credited
33 to the contract during that contract year.

34 (B) The interest rate used in determining minimum
35 nonforfeiture amounts shall be an annual rate of interest
36 determined as the lesser of 3% per annum and the following,

1 which shall be specified in the contract if the interest
2 rate will be reset:

3 (i) The five-year Constant Maturity Treasury Rate
4 reported by the Federal Reserve as of a date, or
5 average over a period, rounded to the nearest 1/20th of
6 one percent, specified in the contract no longer than
7 15 months prior to the contract issue date or
8 redetermination date under subdivision (4) (B) (iv);

9 (ii) Reduced by 125 basis points;

10 (iii) Where the resulting interest rate is not less
11 than 1%; and

12 (iv) The interest rate shall apply for an initial
13 period and may be redetermined for additional periods.
14 The redetermination date, basis and period, if any,
15 shall be stated in the contract. The basis is the date
16 or average over a specified period that produces the
17 value of the 5-year Constant Maturity Treasury Rate to
18 be used at each redetermination date.

19 (C) During the period or term that a contract provides
20 substantive participation in an equity indexed benefit, it
21 may increase the reduction described in subdivision
22 (4) (B) (ii) above by up to an additional 100 basis points to
23 reflect the value of the equity index benefit. The present
24 value at the contract issue date, and at each
25 redetermination date thereafter, of the additional
26 reduction shall not exceed market value of the benefit. The
27 Director may require a demonstration that the present value
28 of the additional reduction does not exceed the market
29 value of the benefit. Lacking such a demonstration that is
30 acceptable to the Director, the Director may disallow or
31 limit the additional reduction.

32 (D) The Director may adopt rules to implement the
33 provisions of subdivision (4) (C) and to provide for further
34 adjustments to the calculation of minimum nonforfeiture
35 amounts for contracts that provide substantive
36 participation in an equity index benefit and for other

1 contracts that the Director determines adjustments are
2 justified.

3 (5) Computation of Present Value. Any paid-up annuity
4 benefit available under a contract shall be such that its
5 present value on the date annuity payments are to commence is
6 at least equal to the minimum nonforfeiture amount on that
7 date. Present value shall be computed using the mortality
8 table, if any, and the interest rates specified in the contract
9 for determining the minimum paid-up annuity benefits
10 guaranteed in the contract.

11 (6) Calculation of Cash Surrender Value. For contracts that
12 provide cash surrender benefits, the cash surrender benefits
13 available prior to maturity shall not be less than the present
14 value as of the date of surrender of that portion of the
15 maturity value of the paid-up annuity benefit that would be
16 provided under the contract at maturity arising from
17 considerations paid prior to the time of cash surrender reduced
18 by the amount appropriate to reflect any prior withdrawals from
19 or partial surrenders of the contract, such present value being
20 calculated on the basis of an interest rate not more than 1%
21 higher than the interest rate specified in the contract for
22 accumulating the net considerations to determine maturity
23 value, decreased by the amount of any indebtedness to the
24 company on the contract, including interest due and accrued,
25 and increased by any existing additional amounts credited by
26 the company to the contract. In no event shall any cash
27 surrender benefit be less than the minimum nonforfeiture amount
28 at that time. The death benefit under such contracts shall be
29 at least equal to the cash surrender benefit.

30 (7) Calculation of Paid-up Annuity Benefits. For contracts
31 that do not provide cash surrender benefits, the present value
32 of any paid-up annuity benefit available as a nonforfeiture
33 option at any time prior to maturity shall not be less than the
34 present value of that portion of the maturity value of the
35 paid-up annuity benefit provided under the contract arising
36 from considerations paid prior to the time the contract is

1 surrendered in exchange for, or changed to, a deferred paid-up
2 annuity, such present value being calculated for the period
3 prior to the maturity date on the basis of the interest rate
4 specified in the contract for accumulating the net
5 considerations to determine maturity value, and increased by
6 any additional amounts credited by the company to the contract.
7 For contracts that do not provide any death benefits prior to
8 the commencement of any annuity payments, present values shall
9 be calculated on the basis of such interest rate and the
10 mortality table specified in the contract for determining the
11 maturity value of the paid-up annuity benefit. However, in no
12 event shall the present value of a paid-up annuity benefit be
13 less than the minimum nonforfeiture amount at that time.

14 (8) Maturity Date. For the purpose of determining the
15 benefits calculated under subsections (6) and (7), in the case
16 of annuity contracts under which an election may be made to
17 have annuity payments commence at optional maturity dates, the
18 maturity date shall be deemed to be the latest date for which
19 election shall be permitted by the contract, but shall not be
20 deemed to be later than the anniversary of the contract next
21 following the annuitant's seventieth birthday or the tenth
22 anniversary of the contract, whichever is later.

23 (9) Disclosure of Limited Death Benefits. A contract that
24 does not provide cash surrender benefits or does not provide
25 death benefits at least equal to the minimum nonforfeiture
26 amount prior to the commencement of any annuity payments shall
27 include a statement in a prominent place in the contract that
28 such benefits are not provided.

29 (10) Inclusion of Lapse of Time Considerations. Any paid-up
30 annuity, cash surrender or death benefits available at any
31 time, other than on the contract anniversary under any contract
32 with fixed scheduled considerations, shall be calculated with
33 allowance for the lapse of time and the payment of any
34 scheduled considerations beyond the beginning of the contract
35 year in which cessation of payment of considerations under the
36 contract occurs.

1 (11) Proration of Values; Additional Benefits. For a
2 contract which provides, within the same contract by rider or
3 supplemental contract provision, both annuity benefits and
4 life insurance benefits that are in excess of the greater of
5 cash surrender benefits or a return of the gross considerations
6 with interest, the minimum nonforfeiture benefits shall be
7 equal to the sum of the minimum nonforfeiture benefits for the
8 annuity portion and the minimum nonforfeiture benefits, if any,
9 for the life insurance portion computed as if each portion were
10 a separate contract. Notwithstanding the provisions of
11 subsections (5), (6), (7), (8) and (10), additional benefits
12 payable in the event of total and permanent disability, as
13 reversionary annuity or deferred reversionary annuity
14 benefits, or as other policy benefits additional to life
15 insurance, endowment and annuity benefits, and considerations
16 for all such additional benefits, shall be disregarded in
17 ascertaining the minimum nonforfeiture amounts, paid-up
18 annuity, cash surrender and death benefits that may be required
19 under this Section. The inclusion of such benefits shall not be
20 required in any paid-up benefits, unless the additional
21 benefits separately would require minimum nonforfeiture
22 amounts, paid-up annuity, cash surrender and death benefits.

23 (12) Rules. The Director may adopt rules to implement the
24 provisions of this Section.

25 (13) Effective Date. After the effective date of this
26 amendatory Act of the 93rd General Assembly, a company may
27 elect to apply its provisions to annuity contracts on a
28 contract form-by-contract form basis before July 1, 2006. In
29 all other instances, this Section shall become operative with
30 respect to annuity contracts issued by the company on or after
31 July 1, 2006.

32 (14) (Blank) ~~This Section is repealed on July 1, 2007.~~

33 (Source: P.A. 93-873, eff. 8-6-04.)

34 (215 ILCS 5/356z.8 new)

35 Sec. 356z.8. Multiple sclerosis preventative physical

1 therapy. A group or individual policy of accident and health
2 insurance or managed care plan amended, delivered, issued, or
3 renewed after the effective date of this amendatory Act of the
4 94th General Assembly must provide coverage for medically
5 necessary preventative physical therapy for insureds diagnosed
6 with multiple sclerosis. For the purposes of this Section,
7 "preventative physical therapy" means physical therapy that is
8 prescribed by a physician licensed to practice medicine in all
9 of its branches for the purpose of treating parts of the body
10 affected by multiple sclerosis, but only where the physical
11 therapy includes reasonably defined goals, including, but not
12 limited to, sustaining the level of function the person has
13 achieved, with periodic evaluation of the efficacy of the
14 physical therapy against those goals. The coverage required
15 under this Section shall be subject to the same deductible,
16 coinsurance, waiting period, cost sharing limitation,
17 treatment limitation, calendar year maximum, or other
18 limitations as provided for other physical or rehabilitative
19 therapy benefits covered by the policy.

20 Section 15. The Health Maintenance Organization Act is
21 amended by changing Section 5-3 as follows:

22 (215 ILCS 125/5-3) (from Ch. 111 1/2, par. 1411.2)

23 Sec. 5-3. Insurance Code provisions.

24 (a) Health Maintenance Organizations shall be subject to
25 the provisions of Sections 133, 134, 137, 140, 141.1, 141.2,
26 141.3, 143, 143c, 147, 148, 149, 151, 152, 153, 154, 154.5,
27 154.6, 154.7, 154.8, 155.04, 355.2, 356m, 356v, 356w, 356x,
28 356y, 356z.2, 356z.4, 356z.5, 356z.6, 356z.8, 364.01, 367.2,
29 367.2-5, 367i, 368a, 368b, 368c, 368d, 368e, 401, 401.1, 402,
30 403, 403A, 408, 408.2, 409, 412, 444, and 444.1, paragraph (c)
31 of subsection (2) of Section 367, and Articles IIA, VIII 1/2,
32 XII, XII 1/2, XIII, XIII 1/2, XXV, and XXVI of the Illinois
33 Insurance Code.

34 (b) For purposes of the Illinois Insurance Code, except for

1 Sections 444 and 444.1 and Articles XIII and XIII 1/2, Health
2 Maintenance Organizations in the following categories are
3 deemed to be "domestic companies":

4 (1) a corporation authorized under the Dental Service
5 Plan Act or the Voluntary Health Services Plans Act;

6 (2) a corporation organized under the laws of this
7 State; or

8 (3) a corporation organized under the laws of another
9 state, 30% or more of the enrollees of which are residents
10 of this State, except a corporation subject to
11 substantially the same requirements in its state of
12 organization as is a "domestic company" under Article VIII
13 1/2 of the Illinois Insurance Code.

14 (c) In considering the merger, consolidation, or other
15 acquisition of control of a Health Maintenance Organization
16 pursuant to Article VIII 1/2 of the Illinois Insurance Code,

17 (1) the Director shall give primary consideration to
18 the continuation of benefits to enrollees and the financial
19 conditions of the acquired Health Maintenance Organization
20 after the merger, consolidation, or other acquisition of
21 control takes effect;

22 (2) (i) the criteria specified in subsection (1) (b) of
23 Section 131.8 of the Illinois Insurance Code shall not
24 apply and (ii) the Director, in making his determination
25 with respect to the merger, consolidation, or other
26 acquisition of control, need not take into account the
27 effect on competition of the merger, consolidation, or
28 other acquisition of control;

29 (3) the Director shall have the power to require the
30 following information:

31 (A) certification by an independent actuary of the
32 adequacy of the reserves of the Health Maintenance
33 Organization sought to be acquired;

34 (B) pro forma financial statements reflecting the
35 combined balance sheets of the acquiring company and
36 the Health Maintenance Organization sought to be

1 acquired as of the end of the preceding year and as of
2 a date 90 days prior to the acquisition, as well as pro
3 forma financial statements reflecting projected
4 combined operation for a period of 2 years;

5 (C) a pro forma business plan detailing an
6 acquiring party's plans with respect to the operation
7 of the Health Maintenance Organization sought to be
8 acquired for a period of not less than 3 years; and

9 (D) such other information as the Director shall
10 require.

11 (d) The provisions of Article VIII 1/2 of the Illinois
12 Insurance Code and this Section 5-3 shall apply to the sale by
13 any health maintenance organization of greater than 10% of its
14 enrollee population (including without limitation the health
15 maintenance organization's right, title, and interest in and to
16 its health care certificates).

17 (e) In considering any management contract or service
18 agreement subject to Section 141.1 of the Illinois Insurance
19 Code, the Director (i) shall, in addition to the criteria
20 specified in Section 141.2 of the Illinois Insurance Code, take
21 into account the effect of the management contract or service
22 agreement on the continuation of benefits to enrollees and the
23 financial condition of the health maintenance organization to
24 be managed or serviced, and (ii) need not take into account the
25 effect of the management contract or service agreement on
26 competition.

27 (f) Except for small employer groups as defined in the
28 Small Employer Rating, Renewability and Portability Health
29 Insurance Act and except for medicare supplement policies as
30 defined in Section 363 of the Illinois Insurance Code, a Health
31 Maintenance Organization may by contract agree with a group or
32 other enrollment unit to effect refunds or charge additional
33 premiums under the following terms and conditions:

34 (i) the amount of, and other terms and conditions with
35 respect to, the refund or additional premium are set forth
36 in the group or enrollment unit contract agreed in advance

1 of the period for which a refund is to be paid or
2 additional premium is to be charged (which period shall not
3 be less than one year); and

4 (ii) the amount of the refund or additional premium
5 shall not exceed 20% of the Health Maintenance
6 Organization's profitable or unprofitable experience with
7 respect to the group or other enrollment unit for the
8 period (and, for purposes of a refund or additional
9 premium, the profitable or unprofitable experience shall
10 be calculated taking into account a pro rata share of the
11 Health Maintenance Organization's administrative and
12 marketing expenses, but shall not include any refund to be
13 made or additional premium to be paid pursuant to this
14 subsection (f)). The Health Maintenance Organization and
15 the group or enrollment unit may agree that the profitable
16 or unprofitable experience may be calculated taking into
17 account the refund period and the immediately preceding 2
18 plan years.

19 The Health Maintenance Organization shall include a
20 statement in the evidence of coverage issued to each enrollee
21 describing the possibility of a refund or additional premium,
22 and upon request of any group or enrollment unit, provide to
23 the group or enrollment unit a description of the method used
24 to calculate (1) the Health Maintenance Organization's
25 profitable experience with respect to the group or enrollment
26 unit and the resulting refund to the group or enrollment unit
27 or (2) the Health Maintenance Organization's unprofitable
28 experience with respect to the group or enrollment unit and the
29 resulting additional premium to be paid by the group or
30 enrollment unit.

31 In no event shall the Illinois Health Maintenance
32 Organization Guaranty Association be liable to pay any
33 contractual obligation of an insolvent organization to pay any
34 refund authorized under this Section.

35 (Source: P.A. 92-764, eff. 1-1-03; 93-102, eff. 1-1-04; 93-261,
36 eff. 1-1-04; 93-477, eff. 8-8-03; 93-529, eff. 8-14-03; 93-853,

1 eff. 1-1-05; 93-1000, eff. 1-1-05; revised 10-14-04.)

2 Section 20. The Voluntary Health Services Plans Act is
3 amended by changing Section 10 as follows:

4 (215 ILCS 165/10) (from Ch. 32, par. 604)

5 Sec. 10. Application of Insurance Code provisions. Health
6 services plan corporations and all persons interested therein
7 or dealing therewith shall be subject to the provisions of
8 Articles IIA and XII 1/2 and Sections 3.1, 133, 140, 143, 143c,
9 149, 155.37, 354, 355.2, 356r, 356t, 356u, 356v, 356w, 356x,
10 356y, 356z.1, 356z.2, 356z.4, 356z.5, 356z.6, 356z.8, 364.01,
11 367.2, 368a, 401, 401.1, 402, 403, 403A, 408, 408.2, and 412,
12 and paragraphs (7) and (15) of Section 367 of the Illinois
13 Insurance Code.

14 (Source: P.A. 92-130, eff. 7-20-01; 92-440, eff. 8-17-01;
15 92-651, eff. 7-11-02; 92-764, eff. 1-1-03; 93-102, eff. 1-1-04;
16 93-529, eff. 8-14-03; 93-853, eff. 1-1-05; 93-1000, eff.
17 1-1-05; revised 10-14-04.)

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