

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 Illinois Insurance Code is amended by
5 changing Sections 131.1, 131.2, 131.3, 131.4, 131.5, 131.6,
6 131.8, 131.8a, 131.11, 131.12, 131.12a, 131.13, 131.14,
7 131.16, 131.17, 131.18, 131.19, 131.20, 131.20a, 131.20b,
8 131.21, 131.22, 131.23, 131.24, 131.26, 132.27, and 356z.12 and
9 by adding Sections 131.14a, 131.14b, 131.14c, 131.20c, 131.29,
10 and 131.30 as follows:

11 (215 ILCS 5/131.1) (from Ch. 73, par. 743.1)

12 Sec. 131.1. Definitions. As used in this Article, the
13 following terms have the respective meanings set forth in this
14 Section unless the context requires otherwise:

15 (a) An "affiliate" of, or person "affiliated" with, a
16 specific person, is a person that directly, or indirectly
17 through one or more intermediaries, controls, or is controlled
18 by, or is under common control with, the person specified.

19 (a-5) "Acquiring party" means such person by whom or on
20 whose behalf the merger or other acquisition of control
21 referred to in Section 131.4 is to be affected and any person
22 that controls such person or persons.

23 (a-10) "Company" has the same meaning as "company" as

1 defined in Section 2 of this Code, except that it does not
2 include agencies, authorities, or instrumentalities of the
3 United States, its possessions and territories, the
4 Commonwealth of Puerto Rico, the District of Columbia, or a
5 state or political subdivision of a state.

6 (b) "Control" (including the terms "controlling",
7 "controlled by" and "under common control with") means the
8 possession, direct or indirect, of the power to direct or cause
9 the direction of the management and policies of a person,
10 whether through the ownership of voting securities, the holding
11 of policyholders' proxies by contract other than a commercial
12 contract for goods or non-management services, or otherwise,
13 unless the power is solely the result of an official position
14 with or corporate office held by the person. Control is
15 presumed to exist if any person, directly or indirectly, owns,
16 controls, holds with the power to vote, or holds shareholders'
17 proxies representing 10% or more of the voting securities of
18 any other person, or holds or controls sufficient
19 policyholders' proxies to elect the majority of the board of
20 directors of the domestic company. This presumption may be
21 rebutted by a showing made in the manner as the Director may
22 provide by rule. The Director may determine, after furnishing
23 all persons in interest notice and opportunity to be heard and
24 making specific findings of fact to support such determination,
25 that control exists in fact, notwithstanding the absence of a
26 presumption to that effect.

1 (b-5) "Enterprise risk" means any activity, circumstance,
2 event, or series of events involving one or more affiliates of
3 a company that, if not remedied promptly, is likely to have a
4 material adverse effect upon the financial condition or
5 liquidity of the company or its insurance holding company
6 system as a whole, including, but not limited to, anything that
7 would cause the company's risk-based capital to fall into
8 company action level as set forth in Article IIA of this Code
9 or would cause the company to be in hazardous financial
10 condition as set forth in Article XII 1/2 of this Code.

11 (c) "Insurance holding company system" means two or more
12 affiliated persons, one or more of which is an insurance
13 company as defined in paragraph (e) of Section 2 of this Code.

14 (d) ~~(Blank). "Company" has the same meaning as "Company" as~~
15 ~~defined in Section 2 of this Code, except that it does not~~
16 ~~include agencies, authorities or instrumentalities of the~~
17 ~~United States, its possessions and territories, the~~
18 ~~Commonwealth of Puerto Rico, the District of Columbia or a~~
19 ~~State or political subdivision of a State.~~

20 (d-5) "Non-operating holding company" is a general
21 business corporation functioning solely for the purpose of
22 forming, owning, acquiring, and managing subsidiary business
23 entities and having no other business operations not related
24 thereto.

25 (e) "Person" means an individual, a corporation, a limited
26 liability company, a partnership, an association, a joint stock

1 company, a trust, an unincorporated organization, any similar
2 entity or any combination of the foregoing acting in concert,
3 but does not include any securities broker performing no more
4 than the usual and customary broker's function or joint venture
5 partnership exclusively engaged in owning, managing, leasing
6 or developing real or tangible personal property other than
7 capital stock.

8 (e-5) "Policyholders' proxies" are proxies that give the
9 holder the right to vote for the election of the directors and
10 other corporate actions not in the day to day operations of the
11 company.

12 (f) (Blank). ~~"Securityholder" of a specified person is one~~
13 ~~who owns any security of such person, including common stock,~~
14 ~~preferred stock, debt obligations, and any other security~~
15 ~~convertible into or evidencing the right to acquire any of the~~
16 ~~foregoing.~~

17 (g) "Subsidiary" of a specified person is an affiliate
18 controlled by such person directly, or indirectly through one
19 or more intermediaries.

20 (h) "Voting Security" is a security which gives to the
21 holder thereof the right to vote for the election of directors
22 and includes any security convertible into or evidencing a
23 right to acquire a voting security.

24 (i) (Blank). ~~"Acquiring Party" means such person by whom or~~
25 ~~on whose behalf the merger or other acquisition of control~~
26 ~~referred to in Section 131.4 is to be affected and any person~~

1 ~~that controls such person or persons.~~

2 (j) (Blank). ~~"Policyholders' Proxies" are proxies which~~
3 ~~give the holder the right to vote for the election of the~~
4 ~~directors and other corporate actions not in the day to day~~
5 ~~operations of the company.~~

6 (k) (Blank). ~~"Non operating Holding Company" is a general~~
7 ~~business corporation functioning solely for the purpose of~~
8 ~~forming, owning, acquiring and managing subsidiary business~~
9 ~~entities and having no other business operations not related~~
10 ~~thereto.~~

11 (Source: P.A. 84-805.)

12 (215 ILCS 5/131.2) (from Ch. 73, par. 743.2)

13 Sec. 131.2. Subsidiaries. A domestic company, either by
14 itself or in cooperation with one or more persons, may organize
15 or acquire one or more subsidiaries. The subsidiaries may
16 conduct any kind of business or businesses and their authority
17 to do so shall not be limited by reason of the fact that they
18 are subsidiaries of a domestic company. In addition to
19 investments in common stock, preferred stock, debt obligations
20 and other securities of subsidiaries permitted under all other
21 sections of this Code, a domestic company, other than a company
22 subject to Articles XVIII or XIX, may also:

23 (a) invest, in common stock, preferred stock, debt
24 obligations, and other securities of one or more
25 subsidiaries, amounts which do not exceed the lesser of 10%

1 of the company's assets or 50% of the company's surplus as
2 regards policyholders, but after such investments the
3 company's surplus as regards policyholders must be
4 reasonable in relation to the company's outstanding
5 liabilities and adequate to its financial needs. In
6 calculating the amount of such investments, there must be
7 included (i) total net monies or other consideration
8 expended and obligations assumed in the acquisition or
9 formation of a subsidiary, including all organizational
10 expenses and contributions to capital and surplus of the
11 subsidiary whether or not represented by the purchase of
12 capital stock or issuance of other securities, and (ii) all
13 amounts expended in acquiring additional common stock,
14 preferred stock, debt obligations, and other securities,
15 and all contributions to the capital or surplus of a
16 subsidiary subsequent to its acquisition or formation;

17 (b) invest any amount in common stock, preferred stock,
18 debt obligations and other securities of one or more direct
19 subsidiaries acting only as a non-operating holding
20 company or engaged or organized exclusively for the
21 ownership and management of assets authorized as
22 investments for the company, provided that each subsidiary
23 agrees to limit its investments in any asset so that such
24 investments will not cause the amount of the total
25 investment of the company to exceed the amount the company
26 could have invested in such asset. For the purpose of this

1 clause, "the total investment of the company" will include
2 (i) any direct investment by the company in an asset and
3 (ii) the company's proportionate share of any investment in
4 such asset by any ~~direct~~ subsidiary of the company, which
5 must be calculated by multiplying the amount of the
6 subsidiary's investment by the percentage of the company's
7 ownership of such subsidiary;

8 (c) invest in common stock of one or more insurance
9 corporation subsidiaries any amount by which the investing
10 company's capital and surplus exceeds the minimum capital
11 and surplus required of a new company under Section 13 to
12 qualify for a certificate of authority to write the kind or
13 kinds of insurance which the company is authorized to
14 write, if the company is a stock company, and if the
15 company is other than a stock company, the company may
16 invest the amount by which the company's surplus exceeds
17 the minimum surplus required of a new company under Section
18 43 or 66 to qualify for a certificate of authority to write
19 the kind or kinds of insurance which the company is
20 authorized to write;

21 (d) with the approval of the Director, invest any
22 greater amount in common stock, preferred stock, debt
23 obligations, or other securities of one or more
24 subsidiaries, but after such investment the company's
25 surplus as regards policyholders must be reasonable in
26 relation to the company's outstanding liabilities and

1 adequate to its financial needs.

2 (Source: P.A. 85-1186.)

3 (215 ILCS 5/131.3) (from Ch. 73, par. 743.3)

4 Sec. 131.3. (1) Investments in common stock, preferred
5 stock, debt obligations or other securities of subsidiaries
6 made under Section 131.2 of this Article are subject to
7 Sections 126.3, 126.4, 126.5, 126.6, 126.7, and 133 of this
8 Code but are not subject to any other of the otherwise
9 applicable restrictions or prohibitions contained in this Code
10 applicable to such investments of a domestic company subject to
11 this Code.

12 (2) If a company ceases to control a subsidiary, it must
13 dispose of any investment therein made under this section
14 within 3 years from the time of the cessation of control or
15 within such further time as the Director may prescribe, unless
16 at any time after the investment is made, the investment meets
17 the requirements for investment under any other section of this
18 Code, and the company has notified the Director thereof.

19 (3) Whether any investment made pursuant to this Section
20 meets the applicable requirements of this Section is to be
21 determined before the investment is made by calculating the
22 applicable investment limitations as though the investment had
23 already been made, taking into account the then outstanding
24 principal balance on all previous investments in debt
25 obligations, and the value of all previous investments in

1 equity securities as of the day they were made, net of any
2 return of capital invested, not including dividends.

3 (Source: P.A. 90-418, eff. 8-15-97.)

4 (215 ILCS 5/131.4) (from Ch. 73, par. 743.4)

5 Sec. 131.4. Acquisition of control of or merger with
6 domestic company.

7 (a) No person other than the issuer may make a tender for
8 or a request or invitation for tenders of, or enter into an
9 agreement to exchange securities for, seek to acquire, or
10 acquire in the open market, or otherwise, any voting security
11 of a domestic company or acquire policyholders' proxies of a
12 domestic company for consideration if, after the consummation
13 thereof, that person would, directly or indirectly, (or by
14 conversion or by exercise of any right to acquire) be in
15 control of the company, and no person may enter into an
16 agreement to merge or consolidate with or otherwise to acquire
17 control of a domestic company, unless the offer, request,
18 invitation, or agreement is conditioned on receiving the
19 approval of the Director based on Section 131.8 of this Article
20 and no such acquisition of control or a merger with a domestic
21 company may be consummated unless the person has filed with the
22 Director and has sent to the company a statement containing the
23 information required by Section 131.5 and the Director has
24 approved the transaction or granted an exemption. ~~For purposes~~
25 ~~of this Section a domestic company includes any other person~~

1 ~~which controls a domestic company or holds or controls~~
2 ~~sufficient policyholders' proxies to elect the majority of the~~
3 ~~board of directors of the domestic company.~~ Prior to the
4 acquisition, the Director may conclude that a statement need
5 not be filed by the acquiring party if the acquiring party
6 demonstrates to the satisfaction of the Director that:

7 (1) such transaction will not result in the change of
8 control of the domestic company; or

9 (2) (blank); ~~the person which is subject to the~~
10 ~~acquisition has assets in excess of \$1,000,000 and~~
11 ~~shareholders of record of 500 or more and its insurance~~
12 ~~business either directly or through its affiliates is an~~
13 ~~insignificant portion of its total business; or~~

14 (3) the acquisition of, or attempt to acquire control
15 of, such other person is subject to requirements in the
16 jurisdiction of its domicile which are substantially
17 similar to those contained in this Section and Sections
18 131.5 through 131.11 ~~131.12~~; or

19 (4) the control of the policyholders' proxies is being
20 acquired solely by virtue of the holders official office
21 and not as the result of any agreement or for any
22 consideration.

23 The purpose of this Section is to afford to the
24 Director the opportunity to review acquisitions in order to
25 determine whether or not the acquisition would be adverse
26 to the interests of the existing and future policyholders

1 of the company.

2 (b) For purposes of this Section, any controlling person of
3 a domestic company seeking to divest its controlling interest
4 in the domestic company in any manner shall file with the
5 Director, with a copy to the company, confidential notice of
6 its proposed divestiture at least 30 days prior to the
7 cessation of control. The Director shall determine those
8 instances in which the party or parties seeking to divest or to
9 acquire a controlling interest in a company shall be required
10 to file for and obtain approval of the transaction. The
11 information shall remain confidential until the conclusion of
12 the transaction unless the Director, in his or her discretion,
13 determines that confidential treatment shall interfere with
14 enforcement of this Section. If the statement referred to in
15 subsection (a) of this Section is otherwise filed, this
16 subsection (b) shall not apply.

17 (c) For purposes of this Section, a domestic company shall
18 include any person controlling a domestic company unless the
19 person, as determined by the Director, is either directly or
20 through its affiliates primarily engaged in business other than
21 the business of insurance. For the purposes of this Section,
22 "person" shall not include any securities broker holding, in
23 the usual and customary broker's function, less than 20% of the
24 voting securities of an insurance company or of any person that
25 controls an insurance company.

26 (Source: P.A. 86-784.)

1 (215 ILCS 5/131.5) (from Ch. 73, par. 743.5)

2 Sec. 131.5. Statement; contents ~~Statement Contents~~. In
3 order to seek the approval of the Director pursuant to Section
4 131.8, the applicant must file a statement with the Director
5 under oath or affirmation which contains as a minimum the
6 following information:

7 (1) The name and address of each acquiring party, and

8 (a) if such person is an individual, his principal
9 occupation and all offices and positions held during the past 5
10 years, and any conviction of crimes, other than minor traffic
11 violations, during the past 10 years;

12 (b) if such person is not an individual, a report of the
13 nature of its business operations during the past 5 years or
14 for such lesser period as the person and any predecessors
15 thereof has been in existence; an informative description of
16 the business intended to be conducted by the person and the
17 person's subsidiaries; and a list of all individuals who are or
18 who have been selected to become directors or executive
19 officers of the person, or who perform or will perform
20 functions appropriate to such positions. The list must include
21 for each individual the information required by subsection
22 (1) (a).

23 (2) The source, nature and amount of the consideration used
24 or to be used in effecting the merger, consolidation or other
25 acquisition of control, a description of any transaction

1 wherein funds were or are to be obtained for any such purpose,
2 including any pledge of the company's own securities or the
3 securities of any of its subsidiaries or affiliates, and the
4 identity of persons furnishing such consideration. However,
5 where a source of such consideration is a loan made in the
6 lender's ordinary course of business, the identity of the
7 lender must remain confidential, if the person filing the
8 statement so requests.

9 (3) Financial information as to the earnings and financial
10 condition of each acquiring party for the preceding 5 fiscal
11 years of each acquiring party (or for such lesser period as the
12 acquiring party and any predecessors thereof have been in
13 existence) audited by an independent certified public
14 accountant in accordance with generally accepted auditing
15 standards and similar unaudited information ~~for the second and~~
16 ~~third preceding fiscal years and~~ as of a date not earlier than
17 90 days prior to the filing of the statement. ~~If an acquiring~~
18 ~~party is an insurer which has been actively engaged in the~~
19 ~~business of insurance for 10 years, the financial information~~
20 ~~need not be audited, provided it is based on the annual~~
21 ~~statements of such acquiring person filed with the insurance~~
22 ~~department of the person's domiciliary state and is in~~
23 ~~accordance with the requirement of insurance or other~~
24 ~~accounting principles prescribed or permitted under the laws~~
25 ~~and regulations of such state.~~

26 ~~(a) When an applicant is controlled by an individual,~~

1 ~~financial information for that individual will not be required~~
2 ~~if the applicant is currently subject to the registration and~~
3 ~~reporting requirements of Section 12(g) of the Securities~~
4 ~~Exchange Act of 1934 or is an insurer which has been actively~~
5 ~~engaged in the business of insurance for a period in excess of~~
6 ~~10 years;~~

7 ~~(b) When an individual as an acquiring party must file~~
8 ~~financial information under this paragraph such information~~
9 ~~need not be delivered to the company. However, such information~~
10 ~~shall be available if the Director holds a hearing pursuant to~~
11 ~~Section 131.8.~~

12 (4) Any plans or proposals which each acquiring party may
13 have to liquidate such company, to sell its assets or merge or
14 consolidate it with any person, or to make any other material
15 change in its business or corporate structure or management.

16 (5) The number of shares of any security referred to in
17 Section 131.4 which each acquiring party proposes to acquire,
18 ~~and~~ the terms of the offer, request, invitation, agreement, or
19 acquisition referred to in Section 131.4, and a statement as to
20 the method by which the fairness of the proposal was arrived.

21 (6) The amount of each class of any security referred to in
22 Section 131.4 which is beneficially owned or concerning which
23 there is a right to acquire beneficial ownership by each
24 acquiring party.

25 (7) A full description of any existing contracts,
26 arrangements or understandings with respect to any security

1 referred to in Section 131.4 in which any acquiring party is
2 involved, including but not limited to transfer of any of the
3 securities, joint ventures, loan or option arrangements, puts
4 or calls, guarantees of loans, guarantees against loss or
5 guarantees of profits, division of losses or profits, or the
6 giving or withholding of proxies. The description must identify
7 the persons with whom such contracts, arrangements or
8 understandings have been entered into.

9 (8) A description of the acquisition of any security or
10 policyholders' proxy referred to in Section 131.4 during the 12
11 calendar months preceding the filing of the statement, by any
12 acquiring party, including the dates of acquisition, names of
13 the acquiring parties ~~acquirers~~, and consideration paid or
14 agreed to be paid therefor.

15 (9) A description of any recommendations to acquire any
16 security referred to in Section 131.4 made during the 12
17 calendar months preceding the filing of the statement, by any
18 acquiring party, or by anyone based upon interviews or at the
19 suggestion of such acquiring party.

20 (10) Copies of all tender offers for, requests or
21 invitations for tenders of, exchange offers for, and agreements
22 to acquire or exchange any securities referred to in Section
23 131.4, and (if distributed) of additional soliciting material
24 relating thereto.

25 (11) The terms of any agreement, contract or understanding
26 made with, or proposed to be made with, any broker-dealer as to

1 solicitation of securities referred to in Section 131.4 for
2 tender, and the amount of any fees, commissions or other
3 compensation to be paid to broker-dealers with regard thereto.

4 (12) Beginning July 1, 2013, an agreement by the person
5 required to file the statement referred to in this Section
6 131.5 that the person will provide the annual report specified
7 in Section 131.14b for so long as control exists.

8 (13) Beginning July 1, 2013, an acknowledgement by the
9 person required to file the statement referred to in this
10 Section 131.5 that the person and all subsidiaries within its
11 control in the insurance holding company system shall provide
12 information to the Director upon request as necessary to
13 evaluate enterprise risk to the company.

14 (14) Any additional information as the Director may by rule
15 or regulation prescribe as necessary or appropriate for the
16 protection of policyholders or in the public interest.

17 (Source: P.A. 84-805.)

18 (215 ILCS 5/131.6) (from Ch. 73, par. 743.6)

19 Sec. 131.6. (1) If the person required to file the
20 statement referred to in Section 131.5 is a partnership,
21 limited partnership, syndicate or other group, the Director may
22 require that the information be given with respect to each
23 partner of such partnership or limited partnership, each member
24 of such syndicate or group, and each person who controls such
25 partner or member. If any partner, member or person is a

1 corporation or the person required to file the statement
2 referred to in Section 131.5 is a corporation, the Director may
3 require that the information be given with respect to the
4 corporation, each officer and director of the corporation, and
5 each person who is directly or indirectly the beneficial owner
6 of more than 10% of the outstanding voting securities of the
7 corporation.

8 (2) If any material change occurs in the facts set forth in
9 the statement filed with the Director and sent to the company
10 under Section 131.5 ~~131.9~~, an amendment setting forth the
11 change, together with copies of all documents and other
12 material relevant to the change, must be filed with the
13 Director and sent to the company within 2 business days after
14 the person learns of the change.

15 (Source: P.A. 84-805.)

16 (215 ILCS 5/131.8) (from Ch. 73, par. 743.8)

17 Sec. 131.8. (1) After the statement required by Section
18 131.5 has been filed, the Director shall approve ~~must~~
19 ~~disapprove~~ any merger, consolidation or other acquisition of
20 control referred to in Section 131.4 unless ~~the acquiring party~~
21 ~~demonstrates to~~ the Director finds that:

22 (a) after the ~~After~~ change of control, the domestic
23 company referred to in Section 131.4 would not be able to
24 satisfy the requirements for the issuance of a license to
25 write the line or lines of insurance for which it is

1 presently licensed;

2 (b) the effect of the merger, consolidation or other
3 acquisition of control would be not substantially to lessen
4 competition in insurance in this State or ~~not~~ tend to
5 create a monopoly therein. In applying the competitive
6 standard in this paragraph:

7 (i) the informational requirements of subsection
8 (3) (a) and the standards of subsection (4) (b) of
9 Section 131.12a shall apply,

10 (ii) the merger or other acquisition shall not be
11 disapproved if the Director finds ~~acquiring party~~
12 ~~demonstrates~~ that any of the situations meeting the
13 criteria provided by subsection (4) (c) of Section
14 131.12a exist, and

15 (iii) the Director may condition the approval of
16 the merger or other acquisition on the removal of the
17 basis of disapproval within a specified period of time;

18 (c) the financial condition of any acquiring party is
19 such as might ~~to not~~ jeopardize the financial stability of
20 the domestic company or ~~not~~ jeopardize the interests of its
21 policyholders;

22 (d) the plans or proposals which the acquiring party
23 has to liquidate the domestic company, sell its assets or
24 consolidate or merge it with any person, or to make any
25 other material change in its business or corporate
26 structure or management, are unfair ~~fair~~ and unreasonable

1 ~~reasonable~~ to policyholders of such company and not in the
2 public interest; or

3 (e) the competence, experience and integrity of those
4 persons who would not control the operation of the domestic
5 company are such that it would be in the best interests of
6 policyholders of such company and of the insurance buying
7 public to permit the merger, consolidation or other
8 acquisition of control.

9 (2) The Director may hold a public hearing on any merger,
10 consolidation or other acquisition of control referred to in
11 Section 131.4 if the Director determines that the statement
12 filed as required by Section 131.5 does not demonstrate
13 compliance with the standards referred to in subsection (1), of
14 this Section, or if he determines that such acquisition of
15 control is likely to be hazardous or prejudicial to the ~~will~~
16 ~~adversely affect policyholders or the~~ insurance buying public.

17 (3) The public hearing referred to in subsection (2) must
18 be held within 60 days after the statement required by Section
19 131.5 is filed, and at least 20 days' notice thereof must be
20 given by the Director to the person filing the statement and to
21 the domestic company. Not less than 7 ~~12~~ days' notice of such
22 hearing must be given by the person filing the statement to
23 such other persons as may be designated by the Director and by
24 the company to its shareholders ~~securityholders~~. The Director
25 must make a determination within 60 ~~30~~ days after the
26 conclusion of the hearing. At the hearing, the person filing

1 the statement, the domestic company, any person to whom notice
2 of the hearing was sent, and any other person whose interests
3 may be affected thereby has the right to present evidence,
4 examine and cross-examine witnesses, and offer oral and written
5 arguments and in connection therewith is entitled to conduct
6 discovery proceedings in the same manner as is presently
7 allowed in the Circuit Courts of this State. All discovery
8 proceedings must be concluded not later than 3 days prior to
9 the commencement of the public hearing.

10 (4) If the proposed acquisition of control will require the
11 approval of more than one state insurance commissioner, the
12 public hearing referred to in subsection (2) of this Section
13 may be held on a consolidated basis upon request of the person
14 filing the statement referred to in Section 131.5 of this Code.
15 Such person shall file the statement referred to in Section
16 131.5 of this Code with the National Association of Insurance
17 Commissioners (NAIC) within 5 days after making the request for
18 a public hearing. A commissioner may opt out of a consolidated
19 hearing and shall provide notice to the applicant of the opt
20 out within 10 days after the receipt of the statement referred
21 to in Section 131.5 of this Code. A hearing conducted on a
22 consolidated basis shall be public and shall be held within the
23 United States before the commissioners of the states in which
24 the companies are domiciled. Such commissioners shall hear and
25 receive evidence. A commissioner may attend such hearing in
26 person or by telecommunication.

1 (5) In connection with a change of control of a domestic
2 company, any determination by the Director that the person
3 acquiring control of the company shall be required to maintain
4 or restore the capital of the company to the level required by
5 the laws and regulations of this State shall be made not later
6 than 60 days after the date of notification of the change in
7 control.

8 (Source: P.A. 84-805.)

9 (215 ILCS 5/131.8a) (from Ch. 73, par. 743.8a)

10 Sec. 131.8a. The Director may retain at the applicant's
11 expense any attorneys, actuaries, accountants and other
12 experts not otherwise a part of the Director's staff as may be
13 reasonably necessary to assist in reviewing ~~the conduct of~~
14 ~~financial or character examinations in conjunction with an~~
15 ~~acquisition proposed under Section 131.4. The applicant shall~~
16 ~~deposit with the Director cash, bonds or securities, acceptable~~
17 ~~to the Director, in a reasonable amount not to exceed \$100,000,~~
18 ~~for purpose of securing the payment of any expert's cost.~~

19 (Source: P.A. 86-753.)

20 (215 ILCS 5/131.11) (from Ch. 73, par. 743.11)

21 Sec. 131.11. The following are violations of Sections 131.4
22 through 131.12:

23 (1) the failure to file any statement, amendment, or other
24 material required to be filed under Sections 131.4 or 131.5; or

1 (2) the effectuation or any attempt to effectuate an
2 acquisition of control of, divestiture of, or merger or
3 consolidation with, a domestic company unless the Director has
4 given his approval ~~thereto~~.

5 (Source: P.A. 77-673.)

6 (215 ILCS 5/131.12) (from Ch. 73, par. 743.12)

7 Sec. 131.12. The courts of this State are hereby vested
8 with jurisdiction over every person not resident, domiciled, or
9 authorized to do business in this State who files a statement
10 with the Director under Section 131.4, and over all actions
11 involving such person arising out of violations of Sections
12 131.4, 131.5, 131.6, ~~131.9~~ or 131.11, and each such person is
13 deemed to have performed acts equivalent to and constituting an
14 appointment by such a person of the Director to be his true and
15 lawful attorney upon whom may be served all lawful process in
16 any action, suit or proceeding arising out of violations of
17 Sections 131.4, 131.5, 131.6, ~~131.9~~ or 131.11. Copies of all
18 such lawful process must be served on the Director and
19 transmitted by registered or certified mail by the Director to
20 such person at his last known address.

21 (Source: P.A. 77-673.)

22 (215 ILCS 5/131.12a) (from Ch. 73, par. 743.12a)

23 Sec. 131.12a. Acquisitions involving companies ~~insurers~~
24 not otherwise covered.

1 (1) Definitions. The following definitions shall apply for
2 the purposes of this Section only:

3 (a) "Acquisition" means any agreement, arrangement or
4 activity the consummation of which results in a person
5 acquiring directly or indirectly the control of another person
6 or control of the insurance in force of another person, and
7 includes but is not limited to the acquisition of voting
8 securities, the acquisition of assets, the transaction of bulk
9 reinsurance and the act of merging or consolidating.

10 (b) An "involved company insurer" includes a company an
11 ~~insurer~~ which either acquires or is acquired, is affiliated
12 with an acquirer or acquired or is the result of a merger.

13 (2) Scope.

14 (a) Except as exempted in paragraph (b) of this subsection
15 (2), this Section applies to any acquisition in which there is
16 a change in control of a company an insurer authorized to do
17 business in this State.

18 (b) This Section shall not apply to the following:

19 (i) an acquisition subject to approval or disapproval
20 by the Director pursuant to Section 131.8;

21 (ii) a purchase of securities solely for investment
22 purposes so long as such securities are not used by voting
23 or otherwise to cause or attempt to cause the substantial
24 lessening of competition in any insurance market in this
25 State. If a purchase of securities results in a presumption

1 of control under subsection (b) of Section 131.1, it is not
2 solely for investment purposes unless the commissioner of
3 the company's ~~insurer's~~ state of domicile accepts a
4 disclaimer of control or affirmatively finds that control
5 does not exist and such disclaimer action or affirmative
6 finding is communicated by the domiciliary commissioner to
7 the Director of this State;

8 (iii) the acquisition of a person by another person
9 when both persons are neither directly nor through
10 affiliates primarily engaged in the business of insurance,
11 if pre-acquisition notification is filed with the Director
12 in accordance with subsection (3)(a) of this Section, 30
13 days prior to the proposed effective date of the
14 acquisition. However, such pre-acquisition notification is
15 not required for exclusion from this Section if the
16 acquisition would otherwise be excluded from this Section
17 by any other subparagraph of subsection (2)(b);

18 (iv) the acquisition of already affiliated persons;

19 (v) an acquisition if, as an immediate result of the
20 acquisition,

21 (A) in no market would the combined market share of
22 the involved companies ~~insurers~~ exceed 5% of the total
23 market,

24 (B) there would be no increase in any market share,
25 or

26 (C) in no market would the combined market share of

1 the involved companies ~~insurers~~ exceed 12% of the total
2 market, and the market share increase by more than 2%
3 of the total market.

4 For the purpose of this subparagraph (b) (v), "market"
5 means direct written insurance premium in this State for a
6 line of business as contained in the annual statement
7 required to be filed by companies ~~insurers~~ licensed to do
8 business in this State;

9 (vi) an acquisition for which a pre-acquisition
10 notification would be required pursuant to this Section due
11 solely to the resulting effect on the ocean marine
12 insurance line of business;

13 (vii) an acquisition of a company ~~an insurer~~ whose
14 domiciliary commissioner affirmatively finds that such
15 company ~~insurer~~ is in failing condition; there is a lack of
16 feasible alternative to improving such condition; the
17 public benefits of improving such company's ~~insurer's~~
18 condition through the acquisition exceed the public
19 benefits that would arise from not lessening competition;
20 and such findings are communicated by the domiciliary
21 commissioner to the Director of this State.

22 (3) Pre-acquisition Notification; Waiting Period. An
23 acquisition covered by subsection (2) may be subject to an
24 order pursuant to subsection (5) unless the acquiring person
25 files a pre-acquisition notification and the waiting period has

1 expired. The acquired person may file a pre-acquisition
2 notification. The Director shall give confidential treatment
3 to information submitted under this subsection in the same
4 manner as provided in Section 131.22 of this Article.

5 (a) The pre-acquisition notification shall be in such form
6 and contain such information as prescribed by the Director,
7 which shall conform substantially to the form of notification
8 adopted by the National Association of Insurance Commissioners
9 relating to those markets which, under subsection (b)(v) of
10 Section (2), cause the acquisition not to be exempted from the
11 provisions of this Section. The Director may require such
12 additional material and information as he deems necessary to
13 determine whether the proposed acquisition, if consummated,
14 would violate the competitive standard of subsection (4). The
15 required information may include an opinion of an economist as
16 to the competitive impact of the acquisition in this State
17 accompanied by a summary of the education and experience of
18 such person indicating his or her ability to render an informed
19 opinion.

20 (b) The waiting period required shall begin on the date of
21 the receipt by the Director of a pre-acquisition notification
22 and shall end on the earlier of the 30th day after the date of
23 such receipt, or termination of the waiting period by the
24 Director. Prior to the end of the waiting period, the Director
25 on a one time basis may require the submission of additional
26 needed information relevant to the proposed acquisition, in

1 which event the waiting period shall end on the earlier of the
 2 30th day after the receipt of such additional information by
 3 the Director or termination of the waiting period by the
 4 Director.

5 (4) Competitive Standard.

6 (a) The Director may enter an order under subsection (5) (a)
 7 with respect to an acquisition if there is substantial evidence
 8 that the effect of the acquisition may be substantially to
 9 lessen competition in any line of insurance in this State or
 10 tend to create a monopoly therein or if the company insurer
 11 fails to file adequate information in compliance with
 12 subsection (3).

13 (b) In determining whether a proposed acquisition would
 14 violate the competitive standard of paragraph (a) of this
 15 subsection the Director shall consider the following:

16 (i) any acquisition covered under subsection (2)
 17 involving 2 or more companies insurers competing in the
 18 same market is prima facie evidence of violation of the
 19 competitive standards:

20 (A) if the market is highly concentrated and the
 21 involved companies insurers possess the following
 22 shares of the market:

23	<u>Company Insurer</u> A	<u>Company Insurer</u> B
24	4%	4% or more
25	10%	2% or more

1 15% 1% or more

2 (B) if the market is not highly concentrated and
3 the involved companies ~~insurers~~ possess the following
4 shares of the market:

5	<u>Company</u> Insurer A	<u>Company</u> Insurer B
6	5%	5% or more
7	10%	4% or more
8	15%	3% or more
9	19%	1% or more

10 A highly concentrated market is one in which the share
11 of the 4 largest companies ~~insurers~~ is 75% or more of the
12 market. Percentages not shown in the tables are to be
13 interpolated proportionately to the percentages that are
14 shown. If more than 2 companies ~~insurers~~ are involved,
15 exceeding the total of the 2 columns in the table is prima
16 facie evidence of violation of the competitive standard in
17 paragraph (a) of this subsection. For the purpose of this
18 subparagraph, the company ~~insurer~~ with the largest share of
19 the market shall be deemed to be Company ~~Insurer~~ A.

20 (ii) There is a significant trend toward increased
21 concentration when the aggregate market share of any
22 grouping of the largest companies ~~insurers~~ in the market
23 from the 2 largest to the 8 largest has increased by 7% or
24 more of the market over a period of time extending from any
25 base year 5-10 years prior to the acquisition up to the
26 time of the acquisition. Any acquisition covered under

1 subsection (2) involving 2 or more companies ~~insurers~~
2 competing in the same market is prima facie evidence of
3 violation of the competitive standard in paragraph (a) of
4 this subsection if:

5 (A) there is a significant trend toward increased
6 concentration in the market,

7 (B) one of the companies ~~insurers~~ involved is one
8 of the companies ~~insurers~~ in a grouping of such large
9 companies ~~insurers~~ showing the requisite increase in
10 the market share, and

11 (C) another involved company's ~~insurer's~~ market is
12 2% or more.

13 (iii) For the purpose of subsection (4) (b):

14 (A) The term "company" ~~"insurer"~~ includes any
15 company or group of companies under common management,
16 ownership or control.

17 (B) The term "market" means the relevant product
18 and geographic markets. In determining the relevant
19 product and geographical markets, the Director shall
20 give due consideration to, among other things, the
21 definitions or guidelines, if any, promulgated by the
22 National Association of Insurance Commissioners and to
23 information, if any, submitted by parties to the
24 acquisition. In the absence of sufficient information
25 to the contrary, the relevant product market is assumed
26 to be the direct written insurance premium for a line

1 of business with such line being that used in the
2 annual statement required to be filed by companies
3 ~~insurers~~ doing business in this State and the relevant
4 geographical market is assumed to be this State.

5 (C) The burden of showing prima facie evidence of
6 violation of the competitive standard rests upon the
7 Director.

8 (iv) Even though an acquisition is not prima facie
9 violative of the competitive standard under subparagraph
10 (b)(i) and (b)(ii) of this subsection the Director may
11 establish the requisite anticompetitive effect based upon
12 other substantial evidence. Even though an acquisition is
13 prima facie violative of the competitive standard under
14 subparagraphs (b)(i) and (b)(ii) of this subsection (4), a
15 party may establish the absence of the requisite
16 anticompetitive effect based upon other substantial
17 evidence. Relevant factors in making a determination under
18 this paragraph include, but are not limited to, the
19 following: market shares, volatility of ranking of market
20 leaders, number of competitors, concentration, trend of
21 concentration in the industry, and ease of entry and exit
22 into the market.

23 (c) An order may not be entered under subsection (5)(a) if:

24 (i) the acquisition will yield substantial economies
25 of scale or economies in resource utilization that cannot
26 be feasibly achieved in any other way, and the public

1 benefits which would arise from such economies exceed the
2 public benefits which would arise from not lessening
3 competition; or

4 (ii) the acquisition will substantially increase the
5 availability of insurance, and the public benefits of such
6 increase exceed the public benefits which would arise from
7 not lessening competition.

8 (5) Orders and Penalties:

9 (a) (i) If an acquisition violates the standard of this
10 Section, the Director may enter an order

11 (A) requiring an involved company insurer to cease
12 and desist from doing business in this State with
13 respect to the line or lines of insurance involved in
14 the violation, or

15 (B) denying the application of an acquired or
16 acquiring company insurer for a license to do business
17 in this State.

18 (ii) Such an order shall not be entered unless there is
19 a hearing, notice of such hearing is issued prior to the
20 end of the waiting period ~~and not less than 15 days prior~~
21 ~~to the end of the waiting period~~ and not less than 15 days
22 prior to the hearing, and the hearing is concluded and the
23 order is issued no later than 60 days after the end of the
24 waiting period. Every order shall be accompanied by a
25 written decision of the Director setting forth his findings

1 of fact and conclusions of law.

2 (iii) (Blank). ~~An order entered under this paragraph~~
3 ~~shall not become final earlier than 30 days after it is~~
4 ~~issued, during which time the involved insurer may submit a~~
5 ~~plan to remedy the anticompetitive impact of the~~
6 ~~acquisition within a reasonable time. Based upon such plan~~
7 ~~or other information, the Director shall specify, if any,~~
8 ~~the conditions under and the time period during which the~~
9 ~~aspects of the acquisition causing a violation of the~~
10 ~~standards of this Section would be remedied and the order~~
11 ~~vacated or modified.~~

12 (iv) An order pursuant to this paragraph shall not
13 apply if the acquisition is not consummated.

14 (b) Any person who violates a cease and desist order of the
15 Director under paragraph (a) and while such order is in effect
16 may after notice and hearing and upon order of the Director be
17 subject at the discretion of the Director to any one or more of
18 the following:

19 (i) a monetary penalty of not more than \$10,000 for
20 every day of violation or

21 (ii) suspension or revocation of such person's license
22 ~~or both.~~

23 (c) Any company insurer ~~insurer~~ or other person who fails to make
24 any filing required by this Section and who also fails to
25 demonstrate a good faith effort to comply with any such filing
26 requirement shall be subject to a civil penalty of not more

1 than \$50,000.

2 (6) Inapplicable Provisions. Subsections (2) and (3) of
3 Section 131.23 and Section 131.25 do not apply to acquisitions
4 covered under subsection (2).

5 (Source: P.A. 92-16, eff. 6-28-01.)

6 (215 ILCS 5/131.13) (from Ch. 73, par. 743.13)

7 Sec. 131.13. Registration of companies. Every company
8 which is authorized to do business in this State and which is a
9 member of an insurance holding company system must register
10 with the Director, except a foreign or alien company subject to
11 registration requirements and standards adopted by statute or
12 regulation in the jurisdiction of its domicile which are
13 substantially similar to those contained in this section and
14 Sections 131.14 through 131.20a ~~131.19~~. Any company which is
15 subject to registration under this section must register within
16 60 days after the effective date of this Article or 15 days
17 after it becomes subject to registration, whichever is later,
18 unless the Director for good cause shown extends the time for
19 registration, and then within such extended time. The Director
20 may require any authorized company which is a member of a
21 holding company system which is not subject to registration
22 under this section to furnish a copy of the registration
23 statement or other information filed by such company with the
24 insurance regulatory authority of its domiciliary

1 jurisdiction.

2 ~~If upon review of the information filed pursuant to this~~
3 ~~Section and the information included in the annual statement~~
4 ~~filed pursuant to Section 136, the Director determines there is~~
5 ~~a potential for adverse economic impact due to substantial~~
6 ~~ownership of companies authorized to do business in this State~~
7 ~~by persons who are not citizens or residents of the United~~
8 ~~States or entities which are not organized or created under the~~
9 ~~laws of any state or territory of the United States, he shall~~
10 ~~report such determination along with any legislative~~
11 ~~recommendations to the General Assembly.~~

12 (Source: P.A. 84-805.)

13 (215 ILCS 5/131.14) (from Ch. 73, par. 743.14)

14 Sec. 131.14. Every company subject to registration must
15 file a registration statement on a in the form and in a format
16 prescribed designated by the Director, which shall contain the
17 following contains current information about:

18 (1) the capital structure, general financial condition,
19 ownership and management of the company and any person
20 controlling the company;

21 (2) the identity and relationship of every member of the
22 insurance holding company system;

23 (3) the following agreements in force, relationships
24 subsisting, and transactions currently outstanding or that
25 have occurred during the last calendar year between such

1 company and its affiliates:

2 (a) loans, other investments, or purchases, sales or
3 exchanges of ~~or~~ securities of the affiliates by the company or
4 of the company by its affiliates;

5 (b) purchases, sales, or exchanges of assets;

6 (c) transactions not in the ordinary course of business;

7 (d) guarantees or undertakings for the benefit of an
8 affiliate which result in an actual contingent exposure of the
9 company's assets to liability, other than insurance contracts
10 entered into in the ordinary course of the company's business;

11 (e) all management agreements, ~~and~~ service contracts, and
12 ~~all~~ cost-sharing arrangements, ~~other than cost allocation~~
13 ~~arrangements based upon generally accepted accounting~~
14 ~~principles; and~~

15 (f) reinsurance agreements;

16 (f-5) dividends and other distributions to shareholders;

17 (g) any pledge of the company's own securities, securities
18 of any subsidiary or controlling affiliate, to secure a loan
19 made to any member of the insurance holding company system; and

20 (h) consolidated tax allocation agreements;~~:-~~

21 (4) (blank); ~~other matters concerning transactions between~~
22 ~~registered companies and any affiliates as may be included from~~
23 ~~time to time in any registration forms adopted or approved by~~
24 ~~the Director.~~

25 (5) financial statements of or within an insurance holding
26 company system, including all affiliates, if requested by the

1 Director; financial statements may include, but are not limited
2 to, annual audited financial statements filed with the U.S.
3 Securities and Exchange Commission (SEC) pursuant to the
4 Securities Act of 1933, as amended, or the Securities Exchange
5 Act of 1934, as amended; a company required to file financial
6 statements pursuant to this paragraph (5) may satisfy the
7 request by providing the Director with the most recently filed
8 parent corporation financial statements that have been filed
9 with the SEC;

10 (6) statements that the company's board of directors
11 oversees corporate governance and internal controls and that
12 the company's officers or senior management have approved and
13 implemented and continue to maintain and monitor corporate
14 governance and internal control procedures; and

15 (7) other matters concerning transactions between
16 registered companies and any affiliates as may be included from
17 time to time in any registration forms adopted or approved by
18 the Director.

19 (Source: P.A. 84-805.)

20 (215 ILCS 5/131.14a new)

21 Sec. 131.14a. Summary filing. Every company subject to
22 registration must file a summary outlining all items in the
23 current registration statement representing changes from the
24 prior registration statement.

1 (215 ILCS 5/131.14b new)

2 Sec. 131.14b. Enterprise risk filing. The ultimate
3 controlling person of every company subject to registration
4 shall also file an annual enterprise risk report. The report
5 shall, to the best of the ultimate controlling person's
6 knowledge and belief, identify the material risks within the
7 insurance holding company system that could pose enterprise
8 risk to the company. The report shall be filed with the lead
9 state commissioner of the insurance holding company system as
10 determined by the procedures within the Financial Analysis
11 Handbook adopted by the National Association of Insurance
12 Commissioners.

13 (215 ILCS 5/131.14c new)

14 Sec. 131.14c. Violations. The failure to file a
15 registration statement or any summary of the registration
16 statement or enterprise risk filing required by this Article
17 within the time specified for filing shall be a violation of
18 this Article.

19 (215 ILCS 5/131.16) (from Ch. 73, par. 743.16)

20 Sec. 131.16. Reporting material changes or additions;
21 penalty for late registration statement.

22 (1) Each registered company must keep current the
23 information required to be included in its registration
24 statement by reporting all material changes or additions on

1 amendment forms designated by the Director within 15 days after
2 the end of the month in which it learns of each change or
3 addition, or within a longer time thereafter as the Director
4 may establish. Any transaction which has been submitted to the
5 Director pursuant to Section 131.20a need not be reported to
6 the Director under this subsection; except each registered
7 company must report all dividends and other distributions to
8 shareholders within 15 ~~5~~ business days following the
9 declaration ~~and no less than 10 business days prior to payment~~
10 ~~thereof~~.

11 (2) On or before May 1 each year, each company subject to
12 registration under this Article shall file a statement in a
13 format as designated by the Director. This statement shall
14 include information previously included in an amendment under
15 subsection (1) of this Section, transactions and agreements
16 submitted under Section 131.20a, and any other material
17 transactions which are required to be reported.

18 (2.5) Any person within an insurance holding company system
19 subject to registration shall be required to provide complete
20 and accurate information to a company where the information is
21 reasonably necessary to enable the company to comply with the
22 provisions of this Article.

23 (3) Any company failing, without just cause, to file any
24 registration statement, any summary of changes to a
25 registration statement, or any Enterprise Risk Filing or any
26 person within an insurance holding company system who fails to

1 provide complete and accurate information to a company as
2 required in this Code shall be required, after notice and
3 hearing, to pay a penalty of up to \$1,000 for each day's delay,
4 to be recovered by the Director of Insurance of the State of
5 Illinois and the penalty so recovered shall be paid into the
6 General Revenue Fund of the State of Illinois. The maximum
7 penalty under this section is \$50,000. The Director may reduce
8 the penalty if the company demonstrates to the Director that
9 the imposition of the penalty would constitute a financial
10 hardship to the company.

11 (Source: P.A. 88-364.)

12 (215 ILCS 5/131.17) (from Ch. 73, par. 743.17)

13 Sec. 131.17. (1) The Director must terminate the
14 registration of any company which demonstrates that it no
15 longer is a member of an insurance holding company system.

16 (2) The Director may require or allow 2 or more affiliated
17 companies subject to registration to file a consolidated
18 registration statement. ~~Two or more affiliated companies~~
19 ~~subject to registration hereunder may file a consolidated~~
20 ~~registration statement or consolidated reports amending their~~
21 ~~consolidated registration statement or their individual~~
22 ~~registration statements unless the Director requires a~~
23 ~~separate registration statement or report from each registered~~
24 ~~company.~~

25 (3) A company which is authorized to do business in this

1 State and which is part of an insurance holding company system
2 may register on behalf of any affiliated company which is
3 required to register under Section 131.13 and to file all
4 information and material required to be filed under this
5 Article unless the Director requires a separate registration by
6 the affiliated company.

7 (Source: P.A. 77-673.)

8 (215 ILCS 5/131.18) (from Ch. 73, par. 743.18)

9 Sec. 131.18. Sections 131.13 through 131.19 do not apply to
10 any company, information, or transaction if and to the extent
11 that the Director by rule, regulation, or order may exempt the
12 same from Sections 131.13 through 131.19.

13 ~~Any requirement for the furnishing of financial statements~~
14 ~~of the insurance holding company system, or any member thereof,~~
15 ~~as part of or in connection with the registration statement~~
16 ~~filed under Section 131.14 shall not apply to any company which~~
17 ~~submits and maintains in effect in lieu thereof a guarantee or~~
18 ~~a bond acceptable to the Director in an amount equal to the~~
19 ~~capital and surplus of the company as shown on its most recent~~
20 ~~audited financial statements, payable to the Director for the~~
21 ~~benefit of the creditors, policyholders and stockholders of the~~
22 ~~company as their interests may appear. Such guarantee, if~~
23 ~~issued by a national bank, and such a bond, if issued by a~~
24 ~~licensed insurance company which is not a member of the~~
25 ~~insurance holding company system, in each case having capital~~

1 ~~and surplus in excess of \$25,000,000, shall be deemed~~
2 ~~acceptable.~~

3 (Source: P.A. 77-673.)

4 (215 ILCS 5/131.19) (from Ch. 73, par. 743.19)

5 Sec. 131.19. Disclaimer of affiliation. Any person may file
6 with the Director a disclaimer of affiliation with any
7 authorized company or a disclaimer may be filed by the ~~a~~
8 company or any member of an insurance holding company system.
9 The disclaimer shall ~~must~~ fully disclose all material
10 relationships and bases ~~basis~~ for affiliation between the
11 person and the company as well as the basis for disclaiming the
12 affiliation. A disclaimer of affiliation shall be deemed to
13 have been granted unless the Director, within 30 days following
14 receipt of a complete disclaimer, notifies the filing party
15 that the disclaimer is disallowed. In the event of
16 disallowance, the disclaiming party may request an
17 administrative hearing, which shall be granted. The
18 disclaiming party shall be relieved of its duty to register
19 under this Section if approval of the disclaimer has been
20 granted by the Director or if the disclaimer is deemed to have
21 been approved. After a disclaimer is filed, the company is
22 ~~relieved of any duty to register or report under Section 131.13~~
23 ~~which may arise out of the company's relationship with the~~
24 ~~person unless and until the Director disallows the disclaimer.~~
25 ~~The Director may disallow such a disclaimer only after~~

1 ~~furnishing all parties in interest with notice and opportunity~~
2 ~~to be heard and after making specific findings of fact to~~
3 ~~support the disallowance.~~

4 (Source: P.A. 84-805.)

5 (215 ILCS 5/131.20) (from Ch. 73, par. 743.20)

6 Sec. 131.20. Standards for transactions with affiliates;
7 adequacy of surplus.

8 (1) Transactions ~~Material transactions~~ with their
9 affiliates by companies subject to registration are subject to
10 the following standards:

11 (a) the terms are fair and reasonable;

12 (a-5) agreements for cost sharing services and
13 management shall include such provisions as required by
14 rules and regulations issued by the Director;

15 (b) charges or fees for services performed are
16 reasonable;

17 (c) expenses incurred and payment received must be
18 allocated to the company insurer in conformity with
19 customary insurance accounting practices consistently
20 applied;

21 (d) the books, accounts, and records of each party must
22 be so maintained as to clearly and accurately disclose the
23 precise nature and details of the transactions, including
24 accounting information necessary to support the
25 reasonableness of the charges or fees to the respective

1 parties; and

2 (e) the company's surplus as regards policyholders
3 following any transactions with affiliates or dividends or
4 distributions to securityholders or affiliates must be
5 reasonable in relation to the company's outstanding
6 liabilities and adequate to meet its financial needs.

7 (2) For purposes of this Article, in determining whether a
8 company's surplus as regards policyholders is reasonable in
9 relation to the company's outstanding liabilities and adequate
10 to meet its needs, the following factors, among others, may be
11 considered:

12 (a) the size of the company as measured by its assets,
13 capital and surplus, reserves, premium writings, insurance
14 in force and other appropriate criteria;

15 (b) the extent to which the company's business is
16 diversified among ~~the~~ several lines of insurance;

17 (c) the number and size of risks insured in each line
18 of business;

19 (d) the extent of the geographical dispersion of the
20 company's insured risks;

21 (e) the nature and extent of the company's reinsurance
22 program;

23 (f) the quality, diversification, and liquidity of the
24 company's investment portfolio;

25 (g) the recent past and projected future trend in the
26 size of the company's investment portfolio ~~surplus as~~

1 ~~regards policyholders;~~

2 (h) the surplus as regards policyholders maintained by
3 companies comparable to the registrant in respect of the
4 factors enumerated in this paragraph;

5 (i) the adequacy of the company's reserves;

6 (j) the quality of the company's earnings and the
7 extent to which the reported earnings include
8 extraordinary items; and

9 (k) the quality and liquidity of investments in
10 affiliates ~~subsidiaries made under Section 131.2 or 131.3.~~

11 The Director may discount any such investment or treat any
12 such investment as a non-admitted asset for purposes of
13 determining the adequacy of surplus as regards
14 policyholders whenever the investment so warrants.

15 (Source: P.A. 88-364.)

16 (215 ILCS 5/131.20a) (from Ch. 73, par. 743.20a)

17 Sec. 131.20a. Prior notification of transactions;
18 dividends and distributions.

19 (1) (a) The following transactions involving ~~between~~ a
20 domestic company and any person in its insurance holding
21 company system, including amendments or modifications of
22 affiliate agreements previously filed pursuant to this
23 Section, which are subject to any materiality standards
24 contained in this Section, may not be entered into unless the
25 company has notified the Director in writing of its intention

1 to enter into such transaction at least 30 days prior thereto,
2 or such shorter period as the Director may permit, and the
3 Director has not disapproved it within such period. The notice
4 for amendments or modifications shall include the reasons for
5 the change and the financial impact on the domestic company.
6 Informal notice shall be reported, within 30 days after a
7 termination of a previously filed agreement, to the Director
8 for determination of the type of filing required, if any:

9 (i) Sales, purchases, exchanges of assets, loans or
10 extensions of credit, guarantees, investments, or any
11 other transaction, except dividends, ~~(A)~~ that involves the
12 transfer of assets from or liabilities to a company (A)
13 equal to or exceeding the lesser of 3% of the company's
14 admitted assets or 25% of its surplus as regards
15 policyholders as of the 31st day of December next preceding
16 or (B) that is proposed when the domestic company is not
17 eligible to declare and pay a dividend or other
18 distribution pursuant to the provisions of Section 27.

19 (ii) Loans or extensions of credit to any person that
20 is not an affiliate (A) that involve the lesser of 3% of
21 the company's admitted assets or 25% of the company's
22 surplus, each as of the 31st day of December next
23 preceding, made with the agreement or understanding that
24 the proceeds of such transactions, in whole or in
25 substantial part, are to be used to make loans or
26 extensions of credit to, to purchase assets of, or to make

1 investments in, any affiliate of the company making such
2 loans or extensions of credit or (B) that are proposed when
3 the domestic company is not eligible to declare and pay a
4 dividend or other distribution pursuant to the provisions
5 of Section 27.

6 (iii) Reinsurance agreements or modifications thereto,
7 including all reinsurance pooling agreements, reinsurance
8 agreements in which the reinsurance premium or a change in
9 the company's liabilities, or the projected reinsurance
10 premium or a change in the company's liabilities in any of
11 the next 3 years, equals or exceeds 5% of the company's
12 surplus as regards policyholders, as of the 31st day of
13 December next preceding, including those agreements that
14 may require as consideration the transfer of assets from a
15 company ~~an insurer~~ to a nonaffiliate, if an agreement or
16 understanding exists between the company ~~insurer~~ and
17 nonaffiliate that any portion of those assets will be
18 transferred to one or more affiliates of the company
19 ~~insurer~~.

20 (iv) All management agreements, service contracts,
21 other than agency contracts, tax allocation agreements,
22 all reinsurance allocation agreements related to
23 reinsurance agreements required to be filed under this
24 Section, and all cost-sharing arrangements, ~~and any other~~
25 ~~contracts providing for the rendering of services on a~~
26 ~~regular systematic basis.~~

1 (v) Direct or indirect acquisitions or investments in a
2 person that controls the company, or in an affiliate of the
3 company, in an amount which, together with its present
4 holdings in such investments, exceeds 2.5% of the company's
5 surplus as regards policyholders. Direct or indirect
6 acquisitions or investments in subsidiaries acquired
7 pursuant to Section 131.2 of this Article (or authorized
8 under any other Section of this Code), or in non-subsidiary
9 insurance affiliates that are subject to the provisions of
10 this Article, are exempt from this requirement.

11 (vi) Any series of the previously described
12 transactions that are substantially similar to each other,
13 that take place within any 180 day period, and that in
14 total are equal to or exceed the lesser of 3% of the
15 domestic company's ~~insurer's~~ admitted assets or 25% of its
16 policyholders surplus, as of the 31st day of the December
17 next preceding.

18 (vii) ~~(vi)~~ Any other material transaction that the
19 Director by rule determines might render the company's
20 surplus as regards policyholders unreasonable in relation
21 to the company's outstanding liabilities and inadequate to
22 its financial needs or may otherwise adversely affect the
23 interests of the company's policyholders or shareholders.

24 Nothing herein contained shall be deemed to authorize or
25 permit any transactions that, in the case of a company ~~an~~
26 ~~insurer~~ not a member of the same holding company system, would

1 be otherwise contrary to law.

2 (b) Any transaction or contract otherwise described in
3 paragraph (a) of this subsection that is between a domestic
4 company insurer and any person that is not its affiliate and
5 that precedes or follows within 180 days or is concurrent with
6 a similar transaction between that nonaffiliate and an
7 affiliate of the domestic company and that involves amounts
8 that are equal to or exceed the lesser of 3% of the domestic
9 company's insurer's admitted assets or 25% of its surplus as
10 regards policyholders at the end of the prior year may not be
11 entered into unless the company has notified the Director in
12 writing of its intention to enter into the transaction at least
13 30 days prior thereto or such shorter period as the Director
14 may permit, and the Director has not disapproved it within such
15 period.

16 (c) A company may not enter into transactions which are
17 part of a plan or series of like transactions with any person
18 within the holding company system if the purpose of those
19 separate transactions is to avoid the statutory threshold
20 amount and thus avoid the review that would occur otherwise. If
21 the Director determines that such separate transactions were
22 entered into for such purpose, he may exercise his authority
23 under subsection (2) of Section 131.24.

24 (d) The Director, in reviewing transactions pursuant to
25 paragraph (a), shall consider whether the transactions comply
26 with the standards set forth in Section 131.20 and whether they

1 may adversely affect the interests of policyholders.

2 (e) The Director shall be notified within 30 days of any
3 investment of the domestic company ~~insurer~~ in any one
4 corporation if the total investment in that corporation by the
5 insurance holding company system exceeds 10% of that
6 corporation's voting securities.

7 (f) Except for those transactions subject to approval under
8 other Sections of this Code, any such transaction or agreements
9 which are not disapproved by the Director may be effective as
10 of the date set forth in the notice required under this
11 Section.

12 (g) If a domestic company ~~insurer~~ enters into a transaction
13 described in this subsection without having given the required
14 notification, the Director may cause the company ~~insurer~~ to pay
15 a civil forfeiture of not more than \$250,000. Each transaction
16 so entered shall be considered a separate offense.

17 (2) No domestic company subject to registration under
18 Section 131.13 may pay any extraordinary dividend or make any
19 other extraordinary distribution to its shareholders
20 ~~securityholders~~ until: (a) 30 days after the Director has
21 received notice of the declaration thereof and has not within
22 such period disapproved the payment, or (b) the Director
23 approves such payment within the 30-day period. For purposes of
24 this subsection, an extraordinary dividend or distribution is
25 any dividend or distribution of cash or other property whose
26 fair market value, together with that of other dividends or

1 distributions, made within the period of 12 consecutive months
2 ending on the date on which the proposed dividend is scheduled
3 for payment or distribution exceeds the greater of: (a) 10% of
4 the company's surplus as regards policyholders as of the 31st
5 day of December next preceding, or (b) the net income of the
6 company for the 12-month period ending the 31st day of December
7 next preceding, but does not include pro rata distributions of
8 any class of the company's own securities.

9 Notwithstanding any other provision of law, the company may
10 declare an extraordinary dividend or distribution which is
11 conditional upon the Director's approval, and such a
12 declaration confers no rights upon security holders until: (a)
13 the Director has approved the payment of the dividend or
14 distribution, or (b) the Director has not disapproved the
15 payment within the 30-day period referred to above.

16 (Source: P.A. 92-140, eff. 7-24-01.)

17 (215 ILCS 5/131.20b)

18 Sec. 131.20b. Controlled companies ~~insurers~~; management;
19 directors.

20 (1) Notwithstanding the control of a domestic company
21 ~~insurer~~ by any person, the officers and directors of the
22 company ~~insurer~~ shall not thereby be relieved of any obligation
23 or liability to which they would otherwise be subject by law,
24 and the company ~~insurer~~ shall be managed so as to assure its
25 separate operating identity consistent with this Article ~~VIII~~

1 ~~1/2 of this Code.~~

2 (2) Nothing in this Section shall preclude a domestic
3 company insurer from having or sharing a common management or a
4 cooperative or joint use of personnel, property, or services
5 with one or more affiliated persons under arrangements meeting
6 the standards and requirements of Sections 131.20 and 131.20a.

7 (3) ~~Not After June 30, 2002, not~~ less than one-third of the
8 directors of a domestic company, and not less than one-third of
9 the members of each committee of the board of directors of any
10 domestic company, insurer that is a member of an insurance
11 holding company system shall be persons who are not officers or
12 employees of the company insurer or of any entity controlling,
13 controlled by, or under common control with the company insurer
14 and who are not beneficial owners of a controlling interest in
15 the voting stock of the company insurer or any such entity. At
16 least one such person shall be included in any quorum for the
17 transaction of business at any meeting of the board of
18 directors or any committee thereof.

19 (3.5) The board of directors of a domestic company shall
20 establish one or more committees comprised solely of directors
21 who are not officers or employees of the company or of any
22 entity controlling, controlled by, or under common control with
23 the company and who are not beneficial owners of a controlling
24 interest in the voting stock of the company or any such entity.
25 The committee or committees shall have responsibility for
26 nominating candidates for director for election by

1 shareholders or policyholders, evaluating the performance of
2 officers deemed to be principal officers of the company, and
3 recommending to the board of directors the selection and
4 compensation of the principal officers.

5 (4) Subsections ~~Subsection~~ (3) and (3.5) of this Section do
6 ~~does~~ not apply to a domestic company insurer if the person
7 ~~entity~~ controlling the company, such as a company, a mutual
8 insurance holding company, or a publicly held corporation, has
9 a board of directors and committees thereof that meet the
10 requirements of subsections (3) and (4) with respect to such
11 controlling entity the insurer, whether directly or through an
12 intermediate subsidiary, has a board of directors composed in
13 accordance with that subsection.

14 (5) (Blank). ~~Subsection (3) of this Section does not apply~~
15 ~~to a domestic insurer if the ultimate controlling party of the~~
16 ~~domestic insurer is a corporation whose equity securities or~~
17 ~~equivalent instruments are listed on the New York Stock~~
18 ~~Exchange.~~

19 (6) A company may make application to the Director for a
20 waiver from the requirements of this Section, if the company's
21 annual direct written and assumed premium, excluding premiums
22 reinsured with the Federal Crop Insurance Corporation and
23 Federal Flood Program, is less than \$300,000,000. A company may
24 also make application to the Director for a waiver from the
25 requirements of this subsection (6) based upon unique
26 circumstances. The Director may consider various factors,

1 including, but not limited to, the type of business entity,
2 volume of business written, availability of qualified board
3 members, or the ownership or organizational structure of the
4 entity.

5 (Source: P.A. 92-140, eff. 7-24-01.)

6 (215 ILCS 5/131.20c new)

7 Sec. 131.20c. Supervisory colleges.

8 (a) With respect to any company registered under Section
9 131.13 of this Code, and in accordance with subsection (c) of
10 this Section, the Director shall also have the power to
11 participate in a supervisory college for any domestic company
12 that is part of an insurance holding company system with
13 international operations in order to determine compliance by
14 the company with this Article. The powers of the Director with
15 respect to supervisory colleges include, but are not limited
16 to:

17 (1) initiating the establishment of a supervisory
18 college;

19 (2) clarifying the membership and participation of
20 other supervisors in the supervisory college;

21 (3) clarifying the functions of the supervisory
22 college and the role of other regulators, including the
23 establishment of a group-wide supervisor;

24 (4) coordinating the ongoing activities of the
25 supervisory college, including planning meetings,

1 supervisory activities, and processes for information
2 sharing; and

3 (5) establishing a crisis management plan.

4 (b) Each registered company subject to this Section shall
5 be liable for and shall pay the reasonable expenses of the
6 Director's participation in a supervisory college in
7 accordance with subsection (c) of this Section, including
8 reasonable travel expenses. For purposes of this Section, a
9 supervisory college may be convened as either a temporary or
10 permanent forum for communication and cooperation between the
11 regulators charged with the supervision of the company or its
12 affiliates, and the Director may establish a regular assessment
13 to the company for the payment of these expenses.

14 (c) In order to assess the business strategy, financial
15 position, legal and regulatory position, risk exposure, risk
16 management, and governance processes, and as part of the
17 examination of individual companies in accordance with Section
18 131.21 of this Code, the Director may participate in a
19 supervisory college with other regulators charged with
20 supervision of the company or its affiliates, including other
21 state, federal, and international regulatory agencies. The
22 Director may enter into agreements in accordance with Section
23 131.22 of this Code providing the basis for cooperation between
24 the Director and the other regulatory agencies and the
25 activities of the supervisory college. Nothing in this Section
26 shall delegate to the supervisory college the authority of the

1 Director to regulate or supervise the company or its affiliates
2 within its jurisdiction.

3 (215 ILCS 5/131.21) (from Ch. 73, par. 743.21)

4 Sec. 131.21. Examination.

5 (1) Subject to the limitation contained in this section and
6 in addition to the powers which the Director has under Sections
7 132 through 132.7 and 401 through 403 of this Code relating to
8 the examination of companies, the Director shall have the power
9 to examine any company registered under Section 131.13 of this
10 Code and its affiliates to ascertain the financial condition of
11 the company, including the enterprise risk to the company by
12 the ultimate controlling party, or by any entity or combination
13 of entities within the insurance holding company system, or by
14 the insurance holding company system on a consolidated basis.
15 ~~also has the power to order any company registered under~~
16 ~~Section 131.13 to produce such records, books, or other~~
17 ~~information papers in the possession of the company or its~~
18 ~~affiliates as are reasonably necessary to ascertain the~~
19 ~~financial condition of such company or to determine compliance~~
20 ~~with this Article. In the event the company fails to comply~~
21 ~~with the order, the Director has the power to examine the~~
22 ~~affiliates to obtain such information.~~

23 (1.5) The Director may order any company registered under
24 Section 131.13 of this Code to produce such records, books, or
25 other information papers in the possession of the company or

1 its affiliates as are reasonably necessary to determine
2 compliance with this Article. To determine compliance with this
3 Article, the Director may order any company registered under
4 Section 131.13 of this Code to produce information not in the
5 possession of the company if the company can obtain access to
6 such information pursuant to contractual relationships,
7 statutory obligations, or other methods. In the event the
8 company cannot obtain the information requested by the
9 Director, the company shall provide the Director a detailed
10 explanation of the reason that the company cannot obtain the
11 information and the identity of the holder of the information.
12 Whenever it appears to the Director that the detailed
13 explanation is without merit, the Director may require, after
14 notice and hearing, the company to pay a penalty of up to
15 \$1,000 for each day's delay, or may suspend or revoke the
16 company's license.

17 (2) The Director may retain at the registered company's
18 expense any attorneys, actuaries, accountants and other
19 experts not otherwise a part of the Director's staff as may be
20 reasonably necessary to assist in the conduct of the
21 examination under subsection (1). Any persons so retained are
22 under the direction and control of the Director and may act in
23 a purely advisory capacity.

24 (3) Each registered company producing for examination
25 records, books and papers under subsection (1.5) ~~(1)~~ is liable
26 for and must pay the expense of the examination in accordance

1 with Section 408 of this Code.

2 (4) In the event the company fails to comply with an order,
3 the Director shall have the power to examine the affiliates to
4 obtain the information. The Director shall also have the power
5 to issue subpoenas, to administer oaths, and to examine under
6 oath any person for purposes of determining compliance with
7 this Section. Upon the failure or refusal of any person to obey
8 a subpoena, the Director may petition a court of competent
9 jurisdiction and, upon proper showing, the court may enter an
10 order compelling the witness to appear and testify or produce
11 documentary evidence. Failure to obey the court order shall be
12 punishable as contempt of court. Every person shall be obliged
13 to attend as a witness at the place specified in the subpoena,
14 when subpoenaed, anywhere within the State. He or she shall be
15 entitled to the same fees and mileage, if claimed, as a witness
16 in the Circuit Court, which fees, mileage, and actual expense,
17 if any, necessarily incurred in securing the attendance of
18 witnesses, and their testimony, shall be itemized and charged
19 against, and be paid by, the company being examined.

20 (Source: P.A. 89-97, eff. 7-7-95.)

21 (215 ILCS 5/131.22) (from Ch. 73, par. 743.22)

22 Sec. 131.22. Confidential treatment.

23 (a) Documents, materials, or other information in the
24 possession or control of the Department that are obtained by or
25 disclosed to the Director or any other person in the course of

1 an examination or investigation made pursuant to this Article
2 and all information reported pursuant to this Article shall be
3 confidential by law and privileged, shall not be subject to the
4 Illinois Freedom of Information Act, shall not be subject to
5 subpoena, and shall not be subject to discovery or admissible
6 in evidence in any private civil action. However, the Director
7 is authorized to use the documents, materials, or other
8 information in the furtherance of any regulatory or legal
9 action brought as a part of the Director's official duties. The
10 Director shall not otherwise make the documents, materials, or
11 other information public without the prior written consent of
12 the company to which it pertains unless the Director, after
13 giving the company and its affiliates who would be affected
14 thereby notice and opportunity to be heard, determines that the
15 interest of policyholders, shareholders, or the public shall be
16 served by the publication thereof, in which event the Director
17 may publish all or any part in such manner as may be deemed
18 appropriate.

19 (b) Neither the Director nor any person who received
20 documents, materials, or other information while acting under
21 the authority of the Director or with whom such documents,
22 materials, or other information are shared pursuant to this
23 Code shall be permitted or required to testify in any private
24 civil action concerning any confidential documents, materials,
25 or information subject to subsection (a) of this Section.

26 (c) In order to assist in the performance of the Director's

1 duties, the Director:

2 (1) may share documents, materials, or other
3 information, including the confidential and privileged
4 documents, materials, or information subject to subsection
5 (a) of this Section, with other state, federal, and
6 international regulatory agencies, with the NAIC and its
7 affiliates and subsidiaries, and with state, federal, and
8 international law enforcement authorities, including
9 members of any supervisory college allowed by this Article,
10 provided that the recipient agrees in writing to maintain
11 the confidentiality and privileged status of the document,
12 material, or other information, and has verified in writing
13 the legal authority to maintain confidentiality;

14 (1.5) notwithstanding paragraph (1) of this subsection
15 (c), may only share confidential and privileged documents,
16 material, or information reported pursuant to Section
17 131.14b with commissioners of states having statutes or
18 regulations substantially similar to subsection (a) of
19 this Section and who have agreed in writing not to disclose
20 such information;

21 (2) may receive documents, materials, or information,
22 including otherwise confidential and privileged documents,
23 materials, or information from the NAIC and its affiliates
24 and subsidiaries and from regulatory and law enforcement
25 officials of other foreign or domestic jurisdictions, and
26 shall maintain as confidential or privileged any document,

1 material, or information received with notice or the
2 understanding that it is confidential or privileged under
3 the laws of the jurisdiction that is the source of the
4 document, material, or information; and

5 (3) shall enter into written agreements with the NAIC
6 governing sharing and use of information provided pursuant
7 to this Code consistent with this subsection (c) that shall
8 (i) specify procedures and protocols regarding the
9 confidentiality and security of information shared with
10 the NAIC and its affiliates and subsidiaries pursuant to
11 this Code, including procedures and protocols for sharing
12 by the NAIC with other state, federal, or international
13 regulators; (ii) specify that ownership of information
14 shared with the NAIC and its affiliates and subsidiaries
15 pursuant to this Code remains with the Director and the
16 NAIC's use of the information is subject to the direction
17 of the Director; (iii) require prompt notice to be given to
18 a company whose confidential information in the possession
19 of the NAIC pursuant to this Code is subject to a request
20 or subpoena to the NAIC for disclosure or production; and
21 (iv) require the NAIC and its affiliates and subsidiaries
22 to consent to intervention by a company in any judicial or
23 administrative action in which the NAIC and its affiliates
24 and subsidiaries may be required to disclose confidential
25 information about the company shared with the NAIC and its
26 affiliates and subsidiaries pursuant to this Code.

1 (d) The sharing of information by the Director pursuant to
2 this Code shall not constitute a delegation of regulatory
3 authority or rulemaking, and the Director is solely responsible
4 for the administration, execution, and enforcement of the
5 provisions of this Code.

6 (e) No waiver of any applicable privilege or claim of
7 confidentiality in the documents, materials, or information
8 shall occur as a result of disclosure to the Director under
9 this Section or as a result of sharing as authorized in
10 subsection (c) of this Section.

11 (f) Documents, materials, or other information in the
12 possession or control of the NAIC pursuant to this Code shall
13 be confidential by law and privileged, shall not be subject to
14 the Illinois Freedom of Information Act, shall not be subject
15 to subpoena, and shall not be subject to discovery or
16 admissible in evidence in any private civil action. All
17 information, documents, and copies thereof obtained by or
18 disclosed to the Director or any other person in the course of
19 an examination or investigation made under Section 131.21 and
20 all information submitted under Sections 131.13 or 131.20a and
21 all personal financial statement information submitted under
22 Section 131.5 must be given confidential treatment and is not
23 subject to subpoena and may not be made public by the Director
24 or any other person, without the prior written consent of the
25 company to which it pertains unless the Director, after giving
26 the company and its affiliates who would be affected thereby

1 ~~notice and opportunity to be heard, determines that the~~
2 ~~interests of policyholders, shareholders or the public will be~~
3 ~~served by the publication thereof in which event he may publish~~
4 ~~all or any part thereof in such manner as he may deem~~
5 ~~appropriate.~~

6 ~~Nothing contained in this Section shall prevent or be~~
7 ~~construed as prohibiting the Director from disclosing such~~
8 ~~information to the insurance department of any other state or~~
9 ~~county or to law enforcement officials of this or any other~~
10 ~~state or agency of the federal government at any time upon the~~
11 ~~written agreement of the entity receiving the information to~~
12 ~~hold that information confidential and in a manner consistent~~
13 ~~with this Code.~~

14 (Source: P.A. 88-364.)

15 (215 ILCS 5/131.23) (from Ch. 73, par. 743.23)

16 Sec. 131.23. Injunctions; prohibitions against voting
17 securities; sequestration of voting securities. (1) Whenever
18 it appears to the Director that any company or any director,
19 officer, employee or agent thereof has committed or is about to
20 commit a violation of this Article or of any rule, regulation,
21 or order issued by the Director hereunder, the Director may
22 apply to the Circuit Court for the county in which the
23 principal office of the company is located or to the Circuit
24 Court for Sangamon County for an order enjoining the company or
25 the director, officer, employee or agent thereof from violating

1 or continuing to violate this Article or any rule, regulation
2 or order, and for any other equitable relief as the nature of
3 the case and the interests of the company's policyholders,
4 creditors or the public may require. In any proceeding, the
5 validity of the rule, regulation or order alleged to have been
6 violated may be determined by the Court.

7 (2) No security which is the subject of any agreement or
8 arrangement regarding acquisition, or which is acquired or to
9 be acquired, in contravention of this Article or of any rule,
10 regulation or order issued by the Director hereunder may be
11 voted at any shareholders' ~~securityholders'~~ meeting, or may be
12 counted for quorum purposes, and any action of shareholders
13 ~~securityholders'~~ requiring the affirmative vote of a
14 percentage of securities may be taken as though such securities
15 were not issued and outstanding; but no action taken at any
16 such meeting may be invalidated by the voting of such
17 securities, unless the action would materially affect control
18 of the company or unless any court of this State has so
19 ordered. If the Director has reason to believe that any
20 security of the company has been or is about to be acquired in
21 contravention of this Article or of any rule, regulation or
22 order issued by the Director hereunder the company or the
23 Director may apply to the Circuit Court for Sangamon County or
24 to the Circuit Court for the county in which the company has
25 its principal place of business (a) to enjoin the further
26 pursuit or use of any offer, request, invitation, agreement or

1 acquisition made in contravention of Sections 131.4 through
2 131.12 or any rule, regulation, or order issued by the Director
3 thereunder; (b) to enjoin the voting of any security so
4 acquired; (c) to void any vote of such security already cast at
5 any meeting of shareholders ~~securityholders~~; and (d) for any
6 other equitable relief as the nature of the case and the
7 interests of the company's policyholders, creditors, or the
8 public may require.

9 (3) In any case where a person has acquired or is proposing
10 to acquire any voting securities in violation of this Article
11 or any rule, regulation or order issued by the Director
12 hereunder, the Circuit Court for Sangamon County or the Circuit
13 Court for the county in which the company has its principal
14 place of business may, on such notice as the court deems
15 appropriate, upon the application of the company or the
16 Director seize or sequester any voting securities of the
17 company owned directly or indirectly by such person, and issue
18 any orders with respect thereto as may be appropriate to
19 effectuate this Article. Notwithstanding any other provisions
20 of law, for the purposes of this Article, the situs of the
21 ownership of the securities of domestic companies is deemed to
22 be in this State.

23 (4) If the Director has reason to believe that any
24 policyholders' proxies have been or are about to be acquired in
25 contravention of this Article or of any rule, regulations or
26 order issued by the Director hereunder, the Director may apply

1 to the Circuit Court for Sangamon County or to the Circuit
2 Court for the county in which the company has its principal
3 place of business (a) to enjoin further pursuit or use of any
4 offer, request, invitation, agreement or acquisition made in
5 contravention of Section 131.4 through 131.12 and (b) for any
6 other equitable relief as the nature of the case and the
7 interests of the company's policyholders, creditors or the
8 public may require.

9 (Source: P.A. 84-805.)

10 (215 ILCS 5/131.24) (from Ch. 73, par. 743.24)

11 Sec. 131.24. Sanctions.

12 (1) Every director or officer of an insurance holding
13 company system who knowingly violates, participates in, or
14 assents to, or who knowingly permits any of the officers or
15 agents of the company to engage in transactions or make
16 investments which have not been properly filed or approved or
17 which violate this Article, shall pay, in their individual
18 capacity, a civil forfeiture of not more than \$100,000 per
19 violation, after notice and hearing before the Director. In
20 determining the amount of the civil forfeiture, the Director
21 shall take into account the appropriateness of the forfeiture
22 with respect to the gravity of the violation, the history of
23 previous violations, and such other matters as justice may
24 require.

25 (2) Whenever it appears to the Director that any company

1 subject to this Article or any director, officer, employee or
2 agent thereof has engaged in any transaction or entered into a
3 contract which is subject to Section 131.20, and any one of
4 Sections 131.16, 131.20a, 141, 141.1, or 174 of this Code and
5 which would not have been approved had such approval been
6 requested or would have been disapproved had required notice
7 been given, the Director may order the company to cease and
8 desist immediately any further activity under that transaction
9 or contract. After notice and hearing the Director may also
10 order (a) the company to void any such contracts and restore
11 the status quo if such action is in the best interest of the
12 policyholders or the public, and (b) any affiliate of the
13 company, which has received from the company dividends,
14 distributions, assets, loans, extensions of credit,
15 guarantees, or investments in violation of any such Section, to
16 immediately repay, refund or restore to the company such
17 dividends, distributions, assets, extensions of credit,
18 guarantees or investments.

19 (3) Whenever it appears to the Director that any company or
20 any director, officer, employee or agent thereof has committed
21 a willful violation of this Article, the Director may cause
22 criminal proceedings to be instituted in the Circuit Court for
23 the county in which the principal office of the company is
24 located or in the Circuit Court of Sangamon or Cook County
25 against such company or the responsible director, officer,
26 employee or agent thereof. Any company which willfully violates

1 this Article commits a business offense and may be fined up to
2 \$500,000. Any individual who willfully violates this Article
3 commits a Class 4 felony and may be fined in his individual
4 capacity not more than \$500,000 or be imprisoned for not less
5 than one year nor more than 3 years, or both.

6 (4) Any officer, director, or employee of an insurance
7 holding company system who willfully and knowingly subscribes
8 to or makes or causes to be made any false statements or false
9 reports or false filings with the intent to deceive the
10 Director in the performance of his duties under this Article,
11 commits a Class 3 felony and upon conviction thereof, shall be
12 imprisoned for not less than 2 years nor more than 5 years or
13 fined \$500,000 or both. Any fines imposed shall be paid by the
14 officer, Director, or employee in his individual capacity.

15 (5) Whenever it appears to the Director that any person has
16 committed a violation of Section 131.14b of this Code which
17 prevents the full understanding of the enterprise risk to the
18 company by affiliates or by the insurance holding company
19 system, the violation may serve as an independent basis for
20 disapproving dividends or distributions and for placing the
21 company under an order of supervision in accordance with
22 Article XII 1/2 of this Code.

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

24 (215 ILCS 5/131.26) (from Ch. 73, par. 743.26)

25 Sec. 131.26. Revocation, suspension, or non-renewal of

1 company's license.

2 Whenever it appears to the Director that any person has
3 committed a violation of this Article which makes the continued
4 operation of a company contrary to the interests of
5 policyholders or the public, the Director may, after notice and
6 hearing suspend, revoke or refuse to renew the company's
7 license or authority to do business in this State for such a
8 period as the Director ~~he~~ finds is required for the protection
9 of policyholders or the public. Any such determination must be
10 accompanied by specific findings of fact and conclusions of
11 law.

12 (Source: P.A. 77-673.)

13 (215 ILCS 5/131.27) (from Ch. 73, par. 743.27)

14 Sec. 131.27. Judicial review.

15 (1) Any order or decision made, issued or executed by the
16 Director under this Article whereby any person or company is
17 aggrieved is subject to review by the Circuit Court of Sangamon
18 County.

19 The Administrative Review Law, as now or hereafter amended,
20 and the rules adopted pursuant thereto, applies to and governs
21 all proceedings for review of final administrative decisions of
22 the Director provided for in this Section. The term
23 "administrative decision" is defined as in Section 3-101 of the
24 Code of Civil Procedure.

25 (2) The filing of an appeal pursuant to this Section shall

1 stay the application of any rule, regulation, order, or other
2 action of the Director to the appealing party unless the court,
3 after giving the party notice and an opportunity to be heard,
4 determines that a stay would be detrimental to the interest of
5 policyholders, shareholders, creditors, or the public.

6 (3) Any person aggrieved by any failure of the Director to
7 act or make a determination required by this Code may petition
8 for a writ in the nature of a mandamus or a peremptory mandamus
9 directing the Director to act or make a determination.

10 (Source: P.A. 82-783.)

11 (215 ILCS 5/131.29 new)

12 Sec. 131.29. Rulemaking power. The Director may adopt such
13 administrative rules as are necessary to implement the
14 provisions of this Article.

15 (215 ILCS 5/131.30 new)

16 Sec. 131.30. Conflict with other laws. This Code supersedes
17 all laws and parts of laws of this State inconsistent with this
18 Code with respect to matters covered by this Code.

19 (215 ILCS 5/356z.12)

20 Sec. 356z.12. Dependent coverage.

21 (a) A group or individual policy of accident and health
22 insurance or managed care plan that provides coverage for
23 dependents and that is amended, delivered, issued, or renewed

1 after the effective date of this amendatory Act of the 95th
2 General Assembly shall not terminate coverage or deny the
3 election of coverage for an unmarried dependent by reason of
4 the dependent's age before the dependent's 26th birthday.

5 (b) A policy or plan subject to this Section shall, upon
6 amendment, delivery, issuance, or renewal, establish an
7 initial enrollment period of not less than 90 days during which
8 an insured may make a written election for coverage of an
9 unmarried person as a dependent under this Section. After the
10 initial enrollment period, enrollment by a dependent pursuant
11 to this Section shall be consistent with the enrollment terms
12 of the plan or policy.

13 (c) A policy or plan subject to this Section shall allow
14 for dependent coverage during the annual open enrollment date
15 or the annual renewal date if the dependent, as of the date on
16 which the insured elects dependent coverage under this
17 subsection, has:

18 (1) a period of continuous creditable coverage of 90
19 days or more; and

20 (2) not been without creditable coverage for more than
21 63 days.

22 An insured may elect coverage for a dependent who does not meet
23 the continuous creditable coverage requirements of this
24 subsection (c) and that dependent shall not be denied coverage
25 due to age.

26 For purposes of this subsection (c), "creditable coverage"

1 shall have the meaning provided under subsection (C)(1) of
2 Section 20 of the Illinois Health Insurance Portability and
3 Accountability Act.

4 (d) Military personnel. A group or individual policy of
5 accident and health insurance or managed care plan that
6 provides coverage for dependents and that is amended,
7 delivered, issued, or renewed after the effective date of this
8 amendatory Act of the 95th General Assembly shall not terminate
9 coverage or deny the election of coverage for an unmarried
10 dependent by reason of the dependent's age before the
11 dependent's 30th birthday if the dependent (i) is an Illinois
12 resident, (ii) served as a member of the active or reserve
13 components of any of the branches of the Armed Forces of the
14 United States, and (iii) has received a release or discharge
15 other than a dishonorable discharge. To be eligible for
16 coverage under this subsection (d), the eligible dependent
17 shall submit to the insurer a form approved by the Illinois
18 Department of Veterans' Affairs stating the date on which the
19 dependent was released from service.

20 (e) Calculation of the cost of coverage provided to an
21 unmarried dependent under this Section shall be identical.

22 (f) Nothing in this Section shall prohibit an employer from
23 requiring an employee to pay all or part of the cost of
24 coverage provided under this Section.

25 (g) No exclusions or limitations may be applied to coverage
26 elected pursuant to this Section that do not apply to all

1 dependents covered under the policy.

2 (h) A policy or plan subject to this Section shall not
3 condition eligibility for dependent coverage provided pursuant
4 to this Section on enrollment in any educational institution.

5 (i) Notice regarding coverage for a dependent as provided
6 pursuant to this Section shall be provided to an insured by the
7 insurer:

8 (1) upon application or enrollment;

9 (2) in the certificate of coverage or equivalent
10 document prepared for an insured and delivered on or about
11 the date on which the coverage commences; and

12 (3) (blank) ~~in a notice delivered to an insured on a~~
13 ~~semi-annual basis.~~

14 (Source: P.A. 95-958, eff. 6-1-09.)

15 (215 ILCS 5/131.9 rep.)

16 Section 10. The Illinois Insurance Code is amended by
17 repealing Section 131.9.

18 Section 97. Severability. The provisions of this Act are
19 severable under Section 1.31 of the Statute on Statutes.

20 Section 99. Effective date. This Act takes effect January
21 1, 2013, except that Section 131.14b of the Illinois Insurance
22 Code takes effect July 1, 2013.

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2		Statutes amended in order of appearance
3	215 ILCS 5/131.1	from Ch. 73, par. 743.1
4	215 ILCS 5/131.2	from Ch. 73, par. 743.2
5	215 ILCS 5/131.3	from Ch. 73, par. 743.3
6	215 ILCS 5/131.4	from Ch. 73, par. 743.4
7	215 ILCS 5/131.5	from Ch. 73, par. 743.5
8	215 ILCS 5/131.6	from Ch. 73, par. 743.6
9	215 ILCS 5/131.8	from Ch. 73, par. 743.8
10	215 ILCS 5/131.8a	from Ch. 73, par. 743.8a
11	215 ILCS 5/131.11	from Ch. 73, par. 743.11
12	215 ILCS 5/131.12	from Ch. 73, par. 743.12
13	215 ILCS 5/131.12a	from Ch. 73, par. 743.12a
14	215 ILCS 5/131.13	from Ch. 73, par. 743.13
15	215 ILCS 5/131.14	from Ch. 73, par. 743.14
16	215 ILCS 5/131.14a new	
17	215 ILCS 5/131.14b new	
18	215 ILCS 5/131.14c new	
19	215 ILCS 5/131.16	from Ch. 73, par. 743.16
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22	215 ILCS 5/131.19	from Ch. 73, par. 743.19
23	215 ILCS 5/131.20	from Ch. 73, par. 743.20
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25	215 ILCS 5/131.20b	

- 1 215 ILCS 5/131.20c new
- 2 215 ILCS 5/131.21 from Ch. 73, par. 743.21
- 3 215 ILCS 5/131.22 from Ch. 73, par. 743.22
- 4 215 ILCS 5/131.24 from Ch. 73, par. 743.24
- 5 215 ILCS 5/131.27 from Ch. 73, par. 743.27
- 6 215 ILCS 5/131.9 rep.