



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB4725

by Rep. Frank J. Mautino

SYNOPSIS AS INTRODUCED:

See Index

Amends the Freedom of Information Act. Exempts from inspection and copying under the Act information that is exempted from disclosure under the provision concerning confidentiality of the Risk Management and Own Risk and Solvency Assessment Law of the Illinois Insurance Code. Amends the Illinois Insurance Code. Creates a new Article which may be cited as the Risk Management and Own Risk and Solvency Assessment Law. Provides that an insurer shall maintain a risk management framework to assist the insurer with identifying, assessing, monitoring, managing, and reporting on its material and relevant risks and that the requirement may be satisfied if the insurance group of which the insurer is a member maintains a risk management framework applicable to the operations of the insurer. Provides that an insurer, or the insurance group of which the insurer is a member, shall regularly conduct an own risk and solvency assessment (ORSA) consistent with a process comparable to the ORSA Guidance Manual. Requires that the ORSA be conducted no less than annually but also at any time when there are significant changes to the risk profile of the insurer or the insurance group of which the insurer is a member. Provides that upon the Director of Insurance's request, and no more than once each year, an insurer shall submit to the Director an ORSA summary report or any combination of reports that together contain the information described in the ORSA Guidance Manual, applicable to the insurer and the insurance group of which it is a member. Sets forth provisions concerning the ORSA summary report and the contents of the ORSA summary report; exemption; confidentiality; and sanctions. Makes other changes. Contains a severability provision. Effective January 1, 2015.

LRB098 18521 RPM 53658 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning regulation.

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

4 Section 5. The Freedom of Information Act is amended by
5 changing Section 7.5 as follows:

6 (5 ILCS 140/7.5)

7 Sec. 7.5. Statutory Exemptions. To the extent provided for
8 by the statutes referenced below, the following shall be exempt
9 from inspection and copying:

10 (a) All information determined to be confidential under
11 Section 4002 of the Technology Advancement and Development Act.

12 (b) Library circulation and order records identifying
13 library users with specific materials under the Library Records
14 Confidentiality Act.

15 (c) Applications, related documents, and medical records
16 received by the Experimental Organ Transplantation Procedures
17 Board and any and all documents or other records prepared by
18 the Experimental Organ Transplantation Procedures Board or its
19 staff relating to applications it has received.

20 (d) Information and records held by the Department of
21 Public Health and its authorized representatives relating to
22 known or suspected cases of sexually transmissible disease or
23 any information the disclosure of which is restricted under the

1 Illinois Sexually Transmissible Disease Control Act.

2 (e) Information the disclosure of which is exempted under
3 Section 30 of the Radon Industry Licensing Act.

4 (f) Firm performance evaluations under Section 55 of the
5 Architectural, Engineering, and Land Surveying Qualifications
6 Based Selection Act.

7 (g) Information the disclosure of which is restricted and
8 exempted under Section 50 of the Illinois Prepaid Tuition Act.

9 (h) Information the disclosure of which is exempted under
10 the State Officials and Employees Ethics Act, and records of
11 any lawfully created State or local inspector general's office
12 that would be exempt if created or obtained by an Executive
13 Inspector General's office under that Act.

14 (i) Information contained in a local emergency energy plan
15 submitted to a municipality in accordance with a local
16 emergency energy plan ordinance that is adopted under Section
17 11-21.5-5 of the Illinois Municipal Code.

18 (j) Information and data concerning the distribution of
19 surcharge moneys collected and remitted by wireless carriers
20 under the Wireless Emergency Telephone Safety Act.

21 (k) Law enforcement officer identification information or
22 driver identification information compiled by a law
23 enforcement agency or the Department of Transportation under
24 Section 11-212 of the Illinois Vehicle Code.

25 (l) Records and information provided to a residential
26 health care facility resident sexual assault and death review

1 team or the Executive Council under the Abuse Prevention Review
2 Team Act.

3 (m) Information provided to the predatory lending database
4 created pursuant to Article 3 of the Residential Real Property
5 Disclosure Act, except to the extent authorized under that
6 Article.

7 (n) Defense budgets and petitions for certification of
8 compensation and expenses for court appointed trial counsel as
9 provided under Sections 10 and 15 of the Capital Crimes
10 Litigation Act. This subsection (n) shall apply until the
11 conclusion of the trial of the case, even if the prosecution
12 chooses not to pursue the death penalty prior to trial or
13 sentencing.

14 (o) Information that is prohibited from being disclosed
15 under Section 4 of the Illinois Health and Hazardous Substances
16 Registry Act.

17 (p) Security portions of system safety program plans,
18 investigation reports, surveys, schedules, lists, data, or
19 information compiled, collected, or prepared by or for the
20 Regional Transportation Authority under Section 2.11 of the
21 Regional Transportation Authority Act or the St. Clair County
22 Transit District under the Bi-State Transit Safety Act.

23 (q) Information prohibited from being disclosed by the
24 Personnel Records Review Act.

25 (r) Information prohibited from being disclosed by the
26 Illinois School Student Records Act.

1 (s) Information the disclosure of which is restricted under
2 Section 5-108 of the Public Utilities Act.

3 (t) All identified or deidentified health information in
4 the form of health data or medical records contained in, stored
5 in, submitted to, transferred by, or released from the Illinois
6 Health Information Exchange, and identified or deidentified
7 health information in the form of health data and medical
8 records of the Illinois Health Information Exchange in the
9 possession of the Illinois Health Information Exchange
10 Authority due to its administration of the Illinois Health
11 Information Exchange. The terms "identified" and
12 "deidentified" shall be given the same meaning as in the Health
13 Insurance Accountability and Portability Act of 1996, Public
14 Law 104-191, or any subsequent amendments thereto, and any
15 regulations promulgated thereunder.

16 (u) Records and information provided to an independent team
17 of experts under Brian's Law.

18 (v) Names and information of people who have applied for or
19 received Firearm Owner's Identification Cards under the
20 Firearm Owners Identification Card Act or applied for or
21 received a concealed carry license under the Firearm Concealed
22 Carry Act, unless otherwise authorized by the Firearm Concealed
23 Carry Act; and databases under the Firearm Concealed Carry Act,
24 records of the Concealed Carry Licensing Review Board under the
25 Firearm Concealed Carry Act, and law enforcement agency
26 objections under the Firearm Concealed Carry Act.

1 (w) Personally identifiable information which is exempted
2 from disclosure under subsection (g) of Section 19.1 of the
3 Toll Highway Act.

4 (x) Information which is exempted from disclosure under
5 Section 5-1014.3 of the Counties Code or Section 8-11-21 of the
6 Illinois Municipal Code.

7 (y) Confidential information under the Adult Protective
8 Services Act and its predecessor enabling statute, the Elder
9 Abuse and Neglect Act, including information about the identity
10 and administrative finding against any caregiver of a verified
11 and substantiated decision of significant abuse, neglect, or
12 financial exploitation of an eligible adult maintained in the
13 Department of Public Health's Health Care Worker Registry.

14 (z) Records and information provided to an at-risk adult
15 fatality review team or the Illinois At-Risk Adult Fatality
16 Review Team Advisory Council under Section 15 of the Adult
17 Protective Services Act.

18 (aa) Information that is exempted from disclosure under
19 Section 129.8 of the Illinois Insurance Code.

20 (Source: P.A. 97-80, eff. 7-5-11; 97-333, eff. 8-12-11; 97-342,
21 eff. 8-12-11; 97-813, eff. 7-13-12; 97-976, eff. 1-1-13; 98-49,
22 eff. 7-1-13; 98-63, eff. 7-9-13; revised 7-23-13.)

23 Section 10. The Illinois Insurance Code is amended by
24 changing Sections 131.16, 131.20a, and 139 and adding Article
25 VIII 1/4 as follows:

1 (215 ILCS 5/Art. VIII 1/4 heading new)

2 ARTICLE VIII 1/4. RISK MANAGEMENT AND
3 OWN RISK AND SOLVENCY ASSESSMENT

4 (215 ILCS 5/129 new)

5 Sec. 129. Short title. This Article may be cited as the
6 Risk Management and Own Risk and Solvency Assessment Law.

7 (215 ILCS 5/129.1 new)

8 Sec. 129.1. Purpose and scope. The purpose of this Article
9 is to provide the requirements for maintaining a risk
10 management framework and completing an own risk and solvency
11 assessment (ORSA) and provide guidance and instructions for
12 filing an ORSA summary report with the Director.

13 The requirements of this Article shall apply to all
14 insurers domiciled in this State unless exempt pursuant to
15 Section 129.7.

16 The General Assembly finds and declares that an ORSA
17 summary report will contain confidential and sensitive
18 information related to an insurer or insurance group's
19 identification of risks material and relevant to the insurer or
20 insurance group filing the report. This information will
21 include proprietary and trade secret information that has the
22 potential for harm and competitive disadvantage to the insurer
23 or insurance group if the information is made public. It is the

1 intent of this General Assembly that the ORSA summary report
2 shall be a confidential document filed with the Director, that
3 the ORSA summary report shall be shared only as stated herein
4 and to assist the Director in the performance of his or her
5 duties, and that in no event shall an ORSA summary report be
6 subject to public disclosure.

7 (215 ILCS 5/129.2 new)

8 Sec. 129.2. Definitions. In this Article:

9 "Insurance group", for the purpose of conducting an ORSA,
10 means those insurers and affiliates included within an
11 insurance holding company system as defined in Section 131.1 of
12 this Code.

13 "Insurer" has the same meaning as set forth in Section 2 of
14 this Code, except that it shall not include agencies,
15 authorities, or instrumentalities of the United States or its
16 possessions or territories, the Commonwealth of Puerto Rico,
17 the District of Columbia, or a state or political subdivision
18 of a state.

19 "Own risk and solvency assessment" or "ORSA" means a
20 confidential internal assessment, appropriate to the nature,
21 scale, and complexity of an insurer or insurance group,
22 conducted by that insurer or insurance group of the material
23 and relevant risks associated with the insurer or insurance
24 group's current business plan, and the sufficiency of capital
25 resources to support those risks.

1 "ORSA Guidance Manual" means the current version of the Own
2 Risk and Solvency Assessment Guidance Manual developed and
3 adopted by the National Association of Insurance Commissioners
4 (NAIC) and as amended from time to time. A change in the ORSA
5 Guidance Manual shall be effective on the January 1 following
6 the calendar year in which the changes have been adopted by the
7 NAIC.

8 "ORSA summary report" means a confidential high-level
9 summary of an insurer or insurance group's ORSA.

10 (215 ILCS 5/129.3 new)

11 Sec. 129.3. Risk management framework. An insurer shall
12 maintain a risk management framework to assist the insurer with
13 identifying, assessing, monitoring, managing, and reporting on
14 its material and relevant risks. The requirement of this
15 Section may be satisfied if the insurance group of which the
16 insurer is a member maintains a risk management framework
17 applicable to the operations of the insurer.

18 (215 ILCS 5/129.4 new)

19 Sec. 129.4. ORSA requirement. Subject to Section 129.7 of
20 this Code, an insurer, or the insurance group of which the
21 insurer is a member, shall regularly conduct an ORSA consistent
22 with a process comparable to the ORSA Guidance Manual. The ORSA
23 shall be conducted no less than annually but also at any time
24 when there are significant changes to the risk profile of the

1 insurer or the insurance group of which the insurer is a
2 member.

3 (215 ILCS 5/129.5 new)

4 Sec. 129.5. ORSA summary report.

5 (a) Upon the Director's request, and no more than once each
6 year, an insurer shall submit to the Director an ORSA summary
7 report or any combination of reports that together contain the
8 information described in the ORSA Guidance Manual, applicable
9 to the insurer and the insurance group of which it is a member.

10 Notwithstanding any request from the Director, if the insurer
11 is a member of an insurance group, the insurer shall submit the
12 report or reports required by this subsection (a) if the
13 Director is the lead state commissioner of the insurance group
14 as determined by the procedures within the Financial Analysis
15 Handbook adopted by the National Association of Insurance
16 Commissioners.

17 (b) The report or reports shall include a signature of the
18 insurer or insurance group's chief risk officer or other
19 executive having responsibility for the oversight of the
20 insurer's enterprise risk management process attesting to the
21 best of his or her belief and knowledge that the insurer
22 applies the enterprise risk management process described in the
23 ORSA summary report and that a copy of the report has been
24 provided to the insurer's board of directors or the appropriate
25 committee thereof.

1 (c) An insurer may comply with subsection (a) of this
2 Section by providing the most recent and substantially similar
3 report or reports provided by the insurer or another member of
4 an insurance group of which the insurer is a member to the
5 commissioner of another state or to a supervisor or regulator
6 of a foreign jurisdiction, if that report provides information
7 that is comparable to the information described in the ORSA
8 Guidance Manual. Any such report in a language other than
9 English must be accompanied by a translation of that report
10 into the English language.

11 (d) The first filing of the ORSA summary report shall be in
12 2015.

13 (215 ILCS 5/129.6 new)

14 Sec. 129.6. Contents of ORSA summary report.

15 (a) The ORSA summary report shall be prepared consistent
16 with the ORSA Guidance Manual, subject to the requirements of
17 subsection (b) of this Section. Documentation and supporting
18 information shall be maintained and made available upon
19 examination or upon the request of the Director.

20 (b) The review of the ORSA summary report, and any
21 additional requests for information, shall be made using
22 similar procedures currently used in the analysis and
23 examination of multi-state or global insurers and insurance
24 groups.

1 (215 ILCS 5/129.7 new)

2 Sec. 129.7. Exemption.

3 (a) An insurer shall be exempt from the requirements of
4 this Article if:

5 (1) the insurer has annual direct written and
6 unaffiliated assumed premium, including international
7 direct and assumed premium, but excluding premiums
8 reinsured with the Federal Crop Insurance Corporation and
9 Federal Flood Program, less than \$500,000,000; and

10 (2) the insurance group of which the insurer is a
11 member has annual direct written and unaffiliated assumed
12 premium, including international direct and assumed
13 premium, but excluding premiums reinsured with the Federal
14 Crop Insurance Corporation and Federal Flood Program, less
15 than \$1,000,000,000.

16 (b) If an insurer qualifies for exemption pursuant to item
17 (1) of subsection (a) of this Section, but the insurance group
18 of which the insurer is a member does not qualify for exemption
19 pursuant to item (2) of subsection (a) of this Section, then
20 the ORSA summary report that may be required pursuant to
21 Section 129.5 of this Code shall include every insurer within
22 the insurance group. This requirement may be satisfied by the
23 submission of more than one ORSA summary report for any
24 combination of insurers, provided any combination of reports
25 includes every insurer within the insurance group.

26 (c) If an insurer does not qualify for exemption pursuant

1 to item (1) of subsection (a) of this Section, but the
2 insurance group of which it is a member qualifies for exemption
3 pursuant to item (2) of subsection (a) of this Section, then
4 the only ORSA summary report that may be required pursuant to
5 Section 129.5 shall be the report applicable to that insurer.

6 (d) An insurer that does not qualify for exemption pursuant
7 to subsection (a) of this Section may apply to the Director for
8 a waiver from the requirements of this Article based upon
9 unique circumstances. In deciding whether to grant the
10 insurer's request for waiver, the Director may consider the
11 type and volume of business written, ownership and
12 organizational structure, and any other factor the Director
13 considers relevant to the insurer or insurance group of which
14 the insurer is a member. If the insurer is part of an insurance
15 group with insurers domiciled in more than one state, the
16 Director shall coordinate with the lead state commissioner and
17 with the other domiciliary commissioners in considering
18 whether to grant the insurer's request for a waiver.

19 (e) Notwithstanding the exemptions stated in this Section,
20 the following provisions shall apply:

21 (1) The Director may require that an insurer maintain a
22 risk management framework, conduct an ORSA, and file an
23 ORSA summary report based on unique circumstances,
24 including, but not limited to, the type and volume of
25 business written, ownership and organizational structure,
26 federal agency requests, and international supervisor

1 requests.

2 (2) The Director may require that an insurer maintain a
3 risk management framework, conduct an ORSA, and file an
4 ORSA summary report if the insurer has risk-based capital
5 for a company action level event as set forth in Section
6 35A-15 of this Code, meets one or more of the standards of
7 an insurer deemed to be in hazardous financial condition as
8 defined in Section 186.1 of this Code, or otherwise
9 exhibits qualities of a troubled insurer as determined by
10 the Director.

11 (f) If an insurer that qualifies for an exemption pursuant
12 to subsection (a) of this Section subsequently no longer
13 qualifies for that exemption due to changes in premium as
14 reflected in the insurer's most recent annual statement or in
15 the most recent annual statements of the insurers within the
16 insurance group of which the insurer is a member, the insurer
17 shall have one year following the year the threshold is
18 exceeded to comply with the requirements of this Article.

19 (215 ILCS 5/129.8 new)

20 Sec. 129.8. Confidentiality.

21 (a) Documents, materials, or other information, including
22 the ORSA summary report, in the possession or control of the
23 Department that are obtained by, created by, or disclosed to
24 the Director or any other person under this Article, is
25 recognized by this State as being proprietary and to contain

1 trade secrets. All such documents, materials, or other
2 information shall be confidential by law and privileged, shall
3 not be subject to the Freedom of Information Act, shall not be
4 subject to subpoena, and shall not be subject to discovery or
5 admissible in evidence in any private civil action. However,
6 the Director is authorized to use the documents, materials, or
7 other information in the furtherance of any regulatory or legal
8 action brought as a part of the Director's official duties. The
9 Director shall not otherwise make the documents, materials, or
10 other information public without the prior written consent of
11 the insurer.

12 (b) Neither the Director nor any person who received
13 documents, materials, or other ORSA-related information,
14 through examination or otherwise, while acting under the
15 authority of the Director or with whom such documents,
16 materials, or other information are shared pursuant to this
17 Article shall be permitted or required to testify in any
18 private civil action concerning any confidential documents,
19 materials, or information subject to subsection (a) of this
20 Section.

21 (c) In order to assist in the performance of regulatory
22 duties, the Director may:

23 (1) upon request, share documents, materials, or other
24 ORSA-related information, including the confidential and
25 privileged documents, materials, or information subject to
26 subsection (a) of this Section, including proprietary and

1 trade secret documents and materials with other state,
2 federal, and international financial regulatory agencies,
3 including members of any supervisory college as defined in
4 the Section 131.20c of this Code, with the NAIC, and with
5 any third-party consultants designated by the Director,
6 provided that the recipient agrees in writing to maintain
7 the confidentiality and privileged status of the
8 ORSA-related documents, materials, or other information
9 and has verified in writing the legal authority to maintain
10 confidentiality; and

11 (2) receive documents, materials, or other
12 ORSA-related information, including otherwise confidential
13 and privileged documents, materials, or information,
14 including proprietary and trade-secret information or
15 documents, from regulatory officials of other foreign or
16 domestic jurisdictions, including members of any
17 supervisory college as defined in the Section 131.20c of
18 this Code, and from the NAIC, and shall maintain as
19 confidential or privileged any documents, materials, or
20 information received with notice or the understanding that
21 it is confidential or privileged under the laws of the
22 jurisdiction that is the source of the document, material,
23 or information.

24 (d) The Director shall enter into a written agreement with
25 the NAIC or a third-party consultant governing sharing and use
26 of information provided pursuant to this Article, consistent

1 with this Section that shall:

2 (1) specify procedures and protocols regarding the
3 confidentiality and security of information shared with
4 the NAIC or a third-party consultant pursuant to this
5 Article, including procedures and protocols for sharing by
6 the NAIC with other state regulators from states in which
7 the insurance group has domiciled insurers; the agreement
8 shall provide that the recipient agrees in writing to
9 maintain the confidentiality and privileged status of the
10 ORSA-related documents, materials, or other information
11 and has verified in writing the legal authority to maintain
12 confidentiality;

13 (2) specify that ownership of information shared with
14 the NAIC or a third-party consultant pursuant to this
15 Article remains with the Director and the NAIC's or a
16 third-party consultant's use of the information is subject
17 to the direction of the Director;

18 (3) prohibit the NAIC or third-party consultant from
19 storing the information shared pursuant to this Article in
20 a permanent database after the underlying analysis is
21 completed;

22 (4) require prompt notice to be given to an insurer
23 whose confidential information in the possession of the
24 NAIC or a third-party consultant pursuant to this Article
25 is subject to a request or subpoena to the NAIC or a
26 third-party consultant for disclosure or production;

1 (5) require the NAIC or a third-party consultant to
2 consent to intervention by an insurer in any judicial or
3 administrative action in which the NAIC or a third-party
4 consultant may be required to disclose confidential
5 information about the insurer shared with the NAIC or a
6 third-party consultant pursuant to this Article; and

7 (6) in the case of an agreement involving a third-party
8 consultant, provide for the insurer's written consent.

9 (e) The sharing of information and documents by the
10 Director pursuant to this Article shall not constitute a
11 delegation of regulatory authority or rulemaking, and the
12 Director is solely responsible for the administration,
13 execution, and enforcement of the provisions of this Article.

14 (f) No waiver of any applicable privilege or claim of
15 confidentiality in the documents, proprietary and trade-secret
16 materials, or other ORSA-related information shall occur as a
17 result of disclosure of such ORSA-related information or
18 documents to the Director under this Section or as a result of
19 sharing as authorized in this Article.

20 (g) Documents, materials, or other information in the
21 possession or control of the NAIC or any third-party
22 consultants pursuant to this Article shall be confidential by
23 law and privileged, shall not be subject to the Freedom of
24 Information Act, shall not be subject to subpoena, and shall
25 not be subject to discovery or admissible in evidence in any
26 private civil action.

1 (215 ILCS 5/129.9 new)

2 Sec. 129.9. Sanctions. Any insurer failing, without just
3 cause, to timely file the ORSA summary report as required in
4 this Article shall be required, after notice and hearing, to
5 pay a penalty of \$200 for each day's delay, to be recovered by
6 the Director, and the penalty so recovered shall be paid into
7 the General Revenue Fund of this State. The Director may reduce
8 the penalty if the insurer demonstrates to the Director that
9 the imposition of the penalty would constitute a financial
10 hardship to the insurer.

11 (215 ILCS 5/131.16) (from Ch. 73, par. 743.16)

12 Sec. 131.16. Reporting material changes or additions;
13 penalty for late registration statement.

14 (1) Each registered company must keep current the
15 information required to be included in its registration
16 statement by reporting all material changes or additions on
17 amendment forms designated by the Director within 15 days after
18 the end of the month in which it learns of each change or
19 addition, or within a longer time thereafter as the Director
20 may establish. Any transaction which has been submitted to the
21 Director pursuant to Section 131.20a need not be reported to
22 the Director under this subsection; except each registered
23 company must report all dividends and other distributions to
24 shareholders within 15 business days following the

1 declaration.

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

9 (2.5) Any person within an insurance holding company system
10 subject to registration shall be required to provide complete
11 and accurate information to a company where the information is
12 reasonably necessary to enable the company to comply with the
13 provisions of this Article.

14 (3) Any company failing, without just cause, to file any
15 registration statement, any summary of changes to a
16 registration statement, or any Enterprise Risk Filing or any
17 person within an insurance holding company system who fails to
18 provide complete and accurate information to a company as
19 required in this Code shall be required, ~~after notice and~~
20 ~~hearing,~~ to pay a penalty of up to \$1,000 for each day's delay,
21 to be recovered by the Director of Insurance of the State of
22 Illinois, using the notice and hearing procedure in subsection
23 (2) of Section 403A of this Code, and the penalty so recovered
24 shall be paid into the General Revenue Fund of the State of
25 Illinois. The maximum penalty under this section is \$50,000.
26 The Director may reduce the penalty if the company demonstrates

1 to the Director that the imposition of the penalty would
2 constitute a financial hardship to the company.

3 (Source: P.A. 98-609, eff. 1-1-14.)

4 (215 ILCS 5/131.20a) (from Ch. 73, par. 743.20a)

5 Sec. 131.20a. Prior notification of transactions;
6 dividends and distributions.

7 (1) (a) The following transactions listed in items (i)
8 through (vii) involving a domestic company and any person in
9 its insurance holding company system, including amendments or
10 modifications (other than termination) of affiliate agreements
11 previously filed pursuant to this Section, which are subject to
12 any materiality standards contained in this Section, may not be
13 entered into unless the company has notified the Director in
14 writing of its intention to enter into such transaction at
15 least 30 days prior thereto, or such ~~shorter~~ period as the
16 Director may permit, and the Director has not disapproved it
17 within such period. The notice for amendments or modifications
18 (other than termination) shall include the reasons for the
19 change and the financial impact on the domestic company.
20 Informal notice shall be reported, within 30 days after a
21 termination of a previously filed agreement, to the Director
22 for determination of the type of filing required, if any.

23 (i) Sales, purchases, exchanges of assets, loans or
24 extensions of credit, guarantees, investments, or any
25 other transaction, except dividends, that involves the

1 transfer of assets from or liabilities to a company (A)
2 equal to or exceeding the lesser of 3% of the company's
3 admitted assets or 25% of its surplus as regards
4 policyholders as of the 31st day of December next preceding
5 or (B) that is proposed when the domestic company is not
6 eligible to declare and pay a dividend or other
7 distribution pursuant to the provisions of Section 27.

8 (ii) Loans or extensions of credit to any person that
9 is not an affiliate (A) that involve the lesser of 3% of
10 the company's admitted assets or 25% of the company's
11 surplus, each as of the 31st day of December next
12 preceding, made with the agreement or understanding that
13 the proceeds of such transactions, in whole or in
14 substantial part, are to be used to make loans or
15 extensions of credit to, to purchase assets of, or to make
16 investments in, any affiliate of the company making such
17 loans or extensions of credit or (B) that are proposed when
18 the domestic company is not eligible to declare and pay a
19 dividend or other distribution pursuant to the provisions
20 of Section 27.

21 (iii) Reinsurance agreements or modifications thereto,
22 including all reinsurance pooling agreements, reinsurance
23 agreements in which the reinsurance premium or a change in
24 the company's liabilities, or the projected reinsurance
25 premium or a change in the company's liabilities in any of
26 the next 3 years, equals or exceeds 5% of the company's

1 surplus as regards policyholders, as of the 31st day of
2 December next preceding, including those agreements that
3 may require as consideration the transfer of assets from a
4 company to a nonaffiliate, if an agreement or understanding
5 exists between the company and nonaffiliate that any
6 portion of those assets will be transferred to one or more
7 affiliates of the company.

8 (iv) All management agreements; service contracts,
9 other than agency contracts; tax allocation agreements;
10 all reinsurance allocation agreements related to
11 reinsurance agreements required to be filed under this
12 Section; and all cost-sharing arrangements.

13 (v) Direct or indirect acquisitions or investments in a
14 person that controls the company, or in an affiliate of the
15 company, in an amount which, together with its present
16 holdings in such investments, exceeds 2.5% of the company's
17 surplus as regards policyholders. Direct or indirect
18 acquisitions or investments in subsidiaries acquired
19 pursuant to Section 131.2 of this Article (or authorized
20 under any other Section of this Code), or in non-subsiary
21 insurance affiliates that are subject to the provisions of
22 this Article, are exempt from this requirement.

23 (vi) Any series of the previously described
24 transactions that are substantially similar to each other,
25 that take place within any 180 day period, and that in
26 total are equal to or exceed the lesser of 3% of the

1 domestic company's admitted assets or 25% of its
2 policyholders surplus, as of the 31st day of the December
3 next preceding.

4 (vii) Any other material transaction that the Director
5 by rule determines might render the company's surplus as
6 regards policyholders unreasonable in relation to the
7 company's outstanding liabilities and inadequate to its
8 financial needs or may otherwise adversely affect the
9 interests of the company's policyholders or shareholders.

10 Nothing herein contained shall be deemed to authorize or
11 permit any transactions that, in the case of a company not a
12 member of the same holding company system, would be otherwise
13 contrary to law.

14 (b) Any transaction or contract otherwise described in
15 paragraph (a) of this subsection that is between a domestic
16 company and any person that is not its affiliate and that
17 precedes or follows within 180 days or is concurrent with a
18 similar transaction between that nonaffiliate and an affiliate
19 of the domestic company and that involves amounts that are
20 equal to or exceed the lesser of 3% of the domestic company's
21 admitted assets or 25% of its surplus as regards policyholders
22 at the end of the prior year may not be entered into unless the
23 company has notified the Director in writing of its intention
24 to enter into the transaction at least 30 days prior thereto or
25 such shorter period as the Director may permit, and the
26 Director has not disapproved it within such period.

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

9 (d) The Director, in reviewing transactions pursuant to
10 paragraph (a), shall consider whether the transactions comply
11 with the standards set forth in Section 131.20 and whether they
12 may adversely affect the interests of policyholders.

13 (e) The Director shall be notified within 30 days of any
14 investment of the domestic company in any one corporation if
15 the total investment in that corporation by the insurance
16 holding company system exceeds 10% of that corporation's voting
17 securities.

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

23 (g) If a domestic company enters into a transaction
24 described in this subsection without having given the required
25 notification, the Director, using the notice and hearing
26 procedure in subsection (2) of Section 403A of this Code, may

1 cause the company to pay a civil forfeiture of not more than
2 \$250,000. Each transaction so entered shall be considered a
3 separate offense.

4 (2) No domestic company subject to registration under
5 Section 131.13 may pay any extraordinary dividend or make any
6 other extraordinary distribution to its shareholders until:
7 (a) 30 days after the Director has received notice of the
8 declaration thereof and has not within such period disapproved
9 the payment, or (b) the Director approves such payment within
10 the 30-day period. For purposes of this subsection, an
11 extraordinary dividend or distribution is any dividend or
12 distribution of cash or other property whose fair market value,
13 together with that of other dividends or distributions, made
14 within the period of 12 consecutive months ending on the date
15 on which the proposed dividend is scheduled for payment or
16 distribution exceeds the lesser ~~greater~~ of: (a) 10% of the
17 company's surplus as regards policyholders as of the 31st day
18 of December next preceding, or (b) the net income of the
19 company for the 12-month period ending the 31st day of December
20 next preceding, but does not include pro rata distributions of
21 any class of the company's own securities.

22 Notwithstanding any other provision of law, the company may
23 declare an extraordinary dividend or distribution which is
24 conditional upon the Director's approval, and such a
25 declaration confers no rights upon security holders until: (a)
26 the Director has approved the payment of the dividend or

1 distribution, or (b) the Director has not disapproved the
2 payment within the 30-day period referred to above.

3 (Source: P.A. 98-609, eff. 1-1-14.)

4 (215 ILCS 5/139) (from Ch. 73, par. 751)

5 Sec. 139. Penalties for late or false annual statement.

6 (1) Any company failing, without just cause, to file its
7 financial statements as required in this Code shall be
8 required, after notice and hearing, to pay a penalty of up to
9 \$1,000 for each day's delay, to be recovered by the Director of
10 Insurance of the State of Illinois using the notice and hearing
11 procedure in subsection (2) of Section 403A of this Code, and
12 the penalty so recovered shall be paid into the General Revenue
13 fund of the State of Illinois. The Director may reduce the
14 penalty if the company demonstrates to the Director that the
15 imposition of the penalty would constitute a financial hardship
16 to the company.

17 Any statement which is not materially complete when filed
18 shall not be considered to have been properly filed until those
19 deficiencies which make the filing incomplete have been
20 corrected and filed.

21 (2) Any director, officer, agent or employee of any
22 company, who subscribes to, makes or concurs in making or
23 publishing any annual or other statement required by law,
24 knowing the same to contain any material statement which is
25 false shall, after notice and hearing, be guilty of a business

1 offense and shall be fined not more than \$50,000.

2 The penalty shall be paid into the General Revenue fund of
3 the State of Illinois.

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

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

7 Section 99. Effective date. This Act takes effect July 1,
8 2015.

1		INDEX
2		Statutes amended in order of appearance
3	5 ILCS 140/7.5	
4	215 ILCS 5/Art. VIII 1/4	
5	heading new	
6	215 ILCS 5/129 new	
7	215 ILCS 5/129.1 new	
8	215 ILCS 5/129.2 new	
9	215 ILCS 5/129.3 new	
10	215 ILCS 5/129.4 new	
11	215 ILCS 5/129.5 new	
12	215 ILCS 5/129.6 new	
13	215 ILCS 5/129.7 new	
14	215 ILCS 5/129.8 new	
15	215 ILCS 5/129.9 new	
16	215 ILCS 5/131.16	from Ch. 73, par. 743.16
17	215 ILCS 5/131.20a	from Ch. 73, par. 743.20a
18	215 ILCS 5/139	from Ch. 73, par. 751