

HB0074



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB0074

by Rep. Lou Lang

SYNOPSIS AS INTRODUCED:

215 ILCS 5/53

from Ch. 73, par. 665

Amends the Illinois Insurance Code. Makes a technical change in a Section concerning deposits of securities.

LRB099 02758 WGH 22766 b

A BILL FOR

1 AN ACT concerning regulation.

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

4 Section 5. The Illinois Insurance Code is amended by
5 changing Section 53 as follows:

6 (215 ILCS 5/53) (from Ch. 73, par. 665)

7 (Section scheduled to be repealed on January 1, 2017)

8 Sec. 53. Deposit.

9 (a) A company subject to the ~~the~~ provisions of this Article
10 shall make and maintain with the Director for the protection of
11 all creditors, policyholders and policy obligations of the
12 company, a deposit of securities having a fair market value
13 equal to the minimum surplus required to be maintained under
14 Section 43. The Director may release the required deposit of
15 securities upon receipt of an order of a court having proper
16 jurisdiction or upon: (i) certification by the company that it
17 has no outstanding creditors, policyholders, or policy
18 obligations in effect and no plans to engage in the business of
19 insurance; (ii) receipt of a lawful resolution of the company's
20 board of directors effecting the surrender of its articles of
21 incorporation for administrative dissolution by the Director;
22 and (iii) receipt of the name and forwarding address for each
23 of the final officers and directors of the company, together

1 with a plan of dissolution approved by the Director.

2 (b) All deposits by insurers subject to this Article must
3 be limited to the following types:

4 (1) United States government bonds, notes, and bills
5 for which the full faith and credit of the government of
6 the United States is pledged for the payment of principal
7 and interest.

8 (2) United States public bonds and notes of any state
9 or of the District of Columbia, or Canadian public bonds
10 and notes of any province thereof, for which the full faith
11 and credit of the issuer has been pledged for the payment
12 of principal and interest.

13 (3) United States and Canadian county, provincial,
14 municipal, and district bonds and notes for which the
15 issuer has lawful authority to levy taxes or make
16 assessments for the payment of principal and interest.

17 (4) Bonds and notes of any federal agency that are
18 guaranteed as to payment of principal and interest by the
19 United States.

20 (5) International development bank bonds, bonds issued
21 by the State of Israel and sold through the Development
22 Corporation for Israel or its successor entities, and notes
23 issued, assumed, and guaranteed by the International Bank
24 for Reconstruction and Development, the Inter-American
25 Development Bank, the Asian Development Bank, the African
26 Development Bank, or the International Finance

1 Corporation.

2 (6) Corporate bonds and notes of any private
3 corporations that are not affiliates or subsidiaries of the
4 insurer, which corporations are organized under the laws of
5 the United States, Canada, any state, the District of
6 Columbia, any territory or possession of the United States,
7 or any province of Canada.

8 (7) Certificates of deposit.

9 (c) To be eligible for deposit under subsection (b), any
10 bond or note must have the following characteristics:

11 (1) The bond or note must be interest-bearing or
12 interest-accruing, and the insurer must be the exclusive
13 owner of the interest accruing thereon and entitled to
14 receive the interest for its account.

15 (2) The issuer must be in a solvent financial condition
16 and the bond or note must not be in default.

17 (3) The bond, note, or debt of the issuing country must
18 be rated in one of the 4 highest classifications by an
19 established, nationally recognized investment rating
20 service or must have been given a rating of 1 by the
21 Securities Valuation Office of the National Association of
22 Insurance Commissioners.

23 (4) The market value of the bond or note must be
24 readily ascertainable or the value of the bond or note must
25 be obtainable by the insurer or its custodian from the
26 issuer's fiscal agent.

1 (5) The bond or note must be the direct obligation of
2 the issuer.

3 (6) The bond or note must be stated in United States
4 dollar denominations.

5 (7) The bond or note must be eligible for book-entry
6 form on the books of the Federal Reserve's book-entry
7 system or in a depository trust clearing system or on the
8 books of the issuer's transfer agent or evidenced by a
9 certificate delivered to the insurer or its custodian.

10 (d) To be eligible for deposit under item (7) of subsection
11 (b), a certificate of deposit must have the following
12 characteristics:

13 (1) The certificate of deposit must be issued by a
14 bank, savings bank, or savings association that is
15 organized under the laws of the United States, of this
16 State, or of any other state and that has a principal
17 office or branch office in this State that is authorized to
18 receive deposits in this State.

19 (2) The certificate of deposit must be
20 interest-bearing and may not be issued in discounted form.

21 (3) The certificate of deposit must be issued for a
22 period of not less than one year.

23 (4) The issuing bank, savings bank, or savings
24 association must agree to the terms and conditions of the
25 Director regarding the rights to the certificate of deposit
26 and must have executed a written certificate of deposit

1 agreement with the Director. The terms and conditions of
2 the agreement shall include, but need not be limited to:

3 (A) Exclusive authorized signature authority for
4 the chief financial officer.

5 (B) An agreement to pay, without protest, the
6 proceeds of its certificate of deposit to the Director
7 within 30 business days after presentation.

8 (C) A prohibition against levies, setoffs,
9 survivorship, or other conditions that might hinder
10 the Director's ability to recover the full face value
11 of a certificate of deposit.

12 (D) Instructions regarding interest payments,
13 renewals, taxpayer identification, and early
14 withdrawal penalties.

15 (E) An agreement to be subject to the jurisdiction
16 of the courts of this State, or those of the United
17 States that are located in this State, for the purposes
18 of any litigation arising out of this Section.

19 (F) Such other conditions as the Director
20 requires.

21 (e) The Director may refuse to accept certain securities or
22 refuse to accept the reported market value of certain
23 securities offered pursuant to this Section in order to ensure
24 that sufficient cash and securities are on hand to meet the
25 purposes of the deposit. In making a refusal under this
26 subsection (e), the guidelines for use of the Director may

1 include, but need not be limited to, whether the market value
2 of the securities cannot be readily ascertained and the lack of
3 liquidity of the securities. Securities refused under this
4 subsection (e) are not acceptable as deposits.

5 (f) All deposits required of a domestic insurer pursuant to
6 the laws of another state, province, or country must be
7 comprised of securities of the kinds required under subsection
8 (b), having the characteristics required under subsections (c)
9 and (d), and permitted by the laws of the other state,
10 province, or country, except common stocks, mortgages or loans
11 of any kind, real estate investment trust funds or programs,
12 commercial paper, and letters of credit.

13 (Source: P.A. 98-110, eff. 1-1-14; 98-969, eff. 1-1-15.)