

# SB2944



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

SB2944

Introduced 2/18/2016, by Sen. Matt Murphy

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/35A-15

Amends the Insurance Code. Includes within the definition of "company action level event" the filing of an RBC report by a health organization that indicates that the health organization has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of its authorized control level RBC and 3.0 and triggers the trend test determined in accordance with the trend test calculation included in the Health RBC Instructions. Effective immediately.

LRB099 16156 EGJ 40482 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 35A-15 as follows:

6 (215 ILCS 5/35A-15)

7 Sec. 35A-15. Company action level event.

8 (a) A company action level event means any of the following  
9 events:

10 (1) The filing of an RBC Report by an insurer that  
11 indicates that:

12 (A) the insurer's total adjusted capital is  
13 greater than or equal to its regulatory action level  
14 RBC, but less than its company action level RBC;

15 (B) the insurer, if a life, health, or life and  
16 health insurer or a fraternal benefit society, has  
17 total adjusted capital that is greater than or equal to  
18 its company action level RBC, but less than the product  
19 of its authorized control level RBC and 3.0 and has a  
20 negative trend; or

21 (C) the insurer, if a property and casualty  
22 insurer, has total adjusted capital that is greater  
23 than or equal to its company action level RBC, but less

1 than the product of its authorized control level RBC  
2 and 3.0 and triggers the trend test determined in  
3 accordance with the trend test calculation included in  
4 the property and casualty RBC Instructions.

5 (D) the insurer, if a health organization, has  
6 total adjusted capital that is greater than or equal to  
7 its company action level RBC but less than the product  
8 of its authorized control level RBC and 3.0 and  
9 triggers the trend test determined in accordance with  
10 the trend test calculation included in the Health RBC  
11 Instructions.

12 (2) The notification by the Director to the insurer of  
13 an Adjusted RBC Report that indicates an event described in  
14 paragraph (1), provided the insurer does not challenge the  
15 Adjusted RBC Report under Section 35A-35.

16 (3) The notification by the Director to the insurer  
17 that the Director has, after a hearing, rejected the  
18 insurer's challenge under Section 35A-35 to an Adjusted RBC  
19 Report that indicates the event described in paragraph (1).

20 (b) In the event of a company action level event, the  
21 insurer shall prepare and submit to the Director an RBC Plan  
22 that does all of the following:

23 (1) Identifies the conditions that contribute to the  
24 company action level event.

25 (2) Contains proposed corrective actions that the  
26 insurer intends to take and that are expected to result in

1 the elimination of the company action level event. A health  
2 organization is not prohibited from proposing recognition  
3 of a parental guarantee or a letter of credit to eliminate  
4 the company action level event; however the Director shall,  
5 at his discretion, determine whether or the extent to which  
6 the proposed parental guarantee or letter of credit is an  
7 acceptable part of a satisfactory RBC Plan or Revised RBC  
8 Plan.

9 (3) Provides projections of the insurer's financial  
10 results in the current year and at least the 4 succeeding  
11 years, both in the absence of proposed corrective actions  
12 and giving effect to the proposed corrective actions,  
13 including projections of statutory operating income, net  
14 income, capital, and surplus. The projections for both new  
15 and renewal business may include separate projections for  
16 each major line of business and separately identify each  
17 significant income, expense, and benefit component.

18 (4) Identifies the key assumptions affecting the  
19 insurer's projections and the sensitivity of the  
20 projections to the assumptions.

21 (5) Identifies the quality of, and problems associated  
22 with, the insurer's business including, but not limited to,  
23 its assets, anticipated business growth and associated  
24 surplus strain, extraordinary exposure to risk, mix of  
25 business, and use of reinsurance, if any, in each case.

26 (c) The insurer shall submit the RBC Plan to the Director

1 within 45 days after the company action level event occurs or  
2 within 45 days after the Director notifies the insurer that the  
3 Director has, after a hearing, rejected its challenge under  
4 Section 35A-35 to an Adjusted RBC Report.

5 (d) Within 60 days after an insurer submits an RBC Plan to  
6 the Director, the Director shall notify the insurer whether the  
7 RBC Plan shall be implemented or is, in the judgment of the  
8 Director, unsatisfactory. If the Director determines the RBC  
9 Plan is unsatisfactory, the notification to the insurer shall  
10 set forth the reasons for the determination and may set forth  
11 proposed revisions that will render the RBC Plan satisfactory  
12 in the judgment of the Director. Upon notification from the  
13 Director, the insurer shall prepare a Revised RBC Plan, which  
14 may incorporate by reference any revisions proposed by the  
15 Director. The insurer shall submit the Revised RBC Plan to the  
16 Director within 45 days after the Director notifies the insurer  
17 that the RBC Plan is unsatisfactory or within 45 days after the  
18 Director notifies the insurer that the Director has, after a  
19 hearing, rejected its challenge under Section 35A-35 to the  
20 determination that the RBC Plan is unsatisfactory.

21 (e) In the event the Director notifies an insurer that its  
22 RBC Plan or Revised RBC Plan is unsatisfactory, the Director  
23 may, at the Director's discretion and subject to the insurer's  
24 right to a hearing under Section 35A-35, specify in the  
25 notification that the notification constitutes a regulatory  
26 action level event.

1           (f) Every domestic insurer that files an RBC Plan or  
2 Revised RBC Plan with the Director shall file a copy of the RBC  
3 Plan or Revised RBC Plan with the chief insurance regulatory  
4 official in any state in which the insurer is authorized to do  
5 business if that state has a law substantially similar to the  
6 confidentiality provisions in subsection (a) of Section 35A-50  
7 and if that official requests in writing a copy of the plan.  
8 The insurer shall file a copy of the RBC Plan or Revised RBC  
9 Plan in that state no later than the later of 15 days after  
10 receiving the written request for the copy or the date on which  
11 the RBC Plan or Revised RBC Plan is filed under subsection (c)  
12 or (d) of this Section.

13           (Source: P.A. 97-955, eff. 8-14-12; 98-157, eff. 8-2-13.)

14           Section 99. Effective date. This Act takes effect upon  
15 becoming law.