

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 Intergovernmental Cooperation Act is
5 amended by changing Section 6 as follows:

6 (5 ILCS 220/6) (from Ch. 127, par. 746)

7 Sec. 6. Joint self-insurance. An intergovernmental
8 contract may, among other undertakings, authorize public
9 agencies to jointly self-insure and authorize each public
10 agency member of the contract to utilize its funds to pay to a
11 joint insurance pool its costs and reserves to protect, wholly
12 or partially, itself or any public agency member of the
13 contract against liability or loss in the designated insurable
14 area.

15 A joint insurance pool shall have an annual audit performed
16 by an independent certified public accountant and shall file an
17 annual audited financial report with the Director of Insurance
18 no later than 150 days after the end of the pool's immediately
19 preceding fiscal year. The Director of Insurance shall issue
20 rules necessary to implement this audit and report requirement.
21 The rule shall establish the due date for filing the initial
22 annual audited financial report. Within 30 days after January
23 1, 1991, and within 30 days after each January 1 thereafter,

1 public agencies that are jointly self-insured to protect
2 against liability under the Workers' Compensation Act and the
3 Workers' Occupational Diseases Act shall file with the Illinois
4 Workers' Compensation Commission a report indicating an
5 election to self-insure.

6 The joint insurance pool shall also annually file with the
7 Director a statement of actuarial opinion that conforms to the
8 Actuarial Standards of Practice issued by the Actuarial
9 Standards Board. All statements of actuarial opinion shall be
10 issued by an independent actuary who is an associate or fellow
11 of the Casualty Actuarial Society or of the Society of
12 Actuaries. The statement of actuarial opinion shall include a
13 statement ~~in a casualty actuarial society~~ that the pool's
14 reserves are calculated in accordance with sound
15 loss-reserving standards and adequate for the payment of
16 claims. This opinion shall be filed no later than 150 days
17 after the end of each fiscal year. The joint insurance pool
18 shall be exempt from filing a statement of actuarial opinion by
19 an independent actuary who is an associate or fellow of the
20 Casualty Actuarial Society or of the Society of Actuaries ~~in a~~
21 ~~casualty actuarial society~~ that the joint insurance pool's
22 reserves are in accordance with sound loss-reserving standards
23 and payment of claims for the primary level of coverage if the
24 joint insurance pool files with the Director, by the reporting
25 deadline, a statement of actuarial opinion from the provider of
26 the joint pool's aggregate coverage, reinsurance, or other

1 similar excess insurance coverage. Any statement of actuarial
2 opinion must be prepared by an actuary who satisfies the
3 qualification standards set forth by the American Academy of
4 Actuaries to issue the opinion in the particular area of
5 actuarial practice.

6 The Director may assess penalties against a joint insurance
7 pool that fails to comply with the auditing, statement of
8 actuarial opinion, and examination requirements of this
9 Section in an amount equal to \$500 per day for each violation,
10 up to a maximum of \$10,000 for each violation. The Director (or
11 his or her staff) or a Director-selected independent auditor
12 (or actuarial firm) that is not owned or affiliated with an
13 insurance brokerage firm, insurance company, or other
14 insurance industry affiliated entity may examine, as often as
15 the Director deems advisable, the affairs, transactions,
16 accounts, records, and assets and liabilities of each joint
17 insurance pool that fails to comply with this Section. The
18 joint insurance pool shall cooperate fully with the Director's
19 representatives in all evaluations and audits of the joint
20 insurance pool and resolve issues raised in those evaluations
21 and audits. The failure to resolve those issues may constitute
22 a violation of this Section, and may, after notice and an
23 opportunity to be heard, result in the imposition of penalties
24 pursuant to this Section. No sanctions under this Section may
25 become effective until 30 days after the date that a notice of
26 sanctions is delivered by registered or certified mail to the

1 joint insurance pool. The Director shall have the authority to
2 extend the time for filing any statement by any joint insurance
3 pool for reasons that he or she considers good and sufficient.

4 If a joint insurance pool requires a member to submit
5 written notice in order for the member to withdraw from a
6 qualified pool, then the period in which the member must
7 provide the written notice cannot be greater than 120 days,
8 except that this requirement applies only to joint insurance
9 pool agreements entered into, modified, or renewed on or after
10 the effective date of this amendatory Act of the 98th General
11 Assembly.

12 For purposes of this Section, "public agency member" means
13 any public agency defined or created under this Act, any local
14 public entity as defined in Section 1-206 of the Local
15 Governmental and Governmental Employees Tort Immunity Act, and
16 any public agency, authority, instrumentality, council, board,
17 service region, district, unit, bureau, or, commission, or any
18 municipal corporation, college, or university, whether
19 corporate or otherwise, and any other local governmental body
20 or similar entity that is presently existing or created after
21 the effective date of this amendatory Act of the 92nd General
22 Assembly, whether or not specified in this Section. Only public
23 agency members with tax receipts, tax revenues, taxing
24 authority, or other resources sufficient to pay costs and to
25 service debt related to intergovernmental activities described
26 in this Section, or public agency members created by or as part

1 of a public agency with these powers, may enter into contracts
2 or otherwise associate among themselves as permitted in this
3 Section.

4 No joint insurance pool or other intergovernmental
5 cooperative offering health insurance shall interfere with the
6 statutory obligation of any public agency member to bargain
7 over or to reach agreement with a labor organization over a
8 mandatory subject of collective bargaining as those terms are
9 used in the Illinois Public Labor Relations Act. No
10 intergovernmental contract of insurance offering health
11 insurance shall limit the rights or obligations of public
12 agency members to engage in collective bargaining, and it shall
13 be unlawful for a joint insurance pool or other
14 intergovernmental cooperative offering health insurance to
15 discriminate against public agency members or otherwise
16 retaliate against such members for limiting their
17 participation in a joint insurance pool as a result of a
18 collective bargaining agreement.

19 It shall not be considered a violation of this Section for
20 an intergovernmental contract of insurance relating to health
21 insurance coverage, life insurance coverage, or both to permit
22 the pool or cooperative, if a member withdraws employees or
23 officers into a union-sponsored program, to re-price the costs
24 of benefits provided to the continuing employees or officers
25 based upon the same underwriting criteria used by that pool or
26 cooperative in the normal course of its business, but no member

1 shall be expelled from a pool or cooperative if the continuing
2 employees or officers meet the general criteria required of
3 other members.

4 (Source: P.A. 98-504, eff. 1-1-14.)

5 Section 10. The Illinois Insurance Code is amended by
6 changing Sections 26, 53, 174, and 245.1 as follows:

7 (215 ILCS 5/26) (from Ch. 73, par. 638)

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

9 Sec. 26. Deposit.

10 (a) A company subject to the provisions of this Article
11 shall make and maintain with the Director for the protection of
12 all creditors, policyholders and policy obligations of the
13 company, a deposit of securities ~~which are authorized~~
14 ~~investments under Section 126.11A(1), 126.11A(2), 126.24A(1),~~
15 ~~or 126.24A(2)~~ having a fair market value equal to the minimum
16 capital and surplus required to be maintained under Section 13.
17 The Director may release the required deposit of securities
18 upon receipt of an order of a court having proper jurisdiction
19 or upon: (i) certification by the company that it has no
20 outstanding creditors, policyholders, or policy obligations in
21 effect and no plans to engage in the business of insurance;
22 (ii) receipt of a lawful resolution of the company's board of
23 directors effecting the surrender of its articles of
24 incorporation for administrative dissolution by the Director;

1 and (iii) receipt of the name and forwarding address for each
2 of the final officers and directors of the company, together
3 with a plan of dissolution approved by the Director.

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

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

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

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

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

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

1 Development Bank, the Asian Development Bank, the African
2 Development Bank, or the International Finance
3 Corporation.

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

10 (7) Certificates of deposit.

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

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

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

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

25 (4) The market value of the bond or note must be
26 readily ascertainable or the value of the bond or note must

1 be obtainable by the insurer or its custodian from the
2 issuer's fiscal agent.

3 (5) The bond or note must be the direct obligation of
4 the issuer.

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

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

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

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

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

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

25 (4) The issuing bank, savings bank, or savings
26 association must agree to the terms and conditions of the

1 Director regarding the rights to the certificate of deposit
2 and must have executed a written certificate of deposit
3 agreement with the Director. The terms and conditions of
4 the agreement shall include, but need not be limited to:

5 (A) Exclusive authorized signature authority for
6 the chief financial officer.

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

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

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

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

21 (F) Such other conditions as the Director
22 requires.

23 (e) The Director may refuse to accept certain securities or
24 refuse to accept the reported market value of certain
25 securities offered pursuant to this Section in order to ensure
26 that sufficient cash and securities are on hand to meet the

1 purposes of the deposit. In making a refusal under this
2 subsection (e), the guidelines for use of the Director may
3 include, but need not be limited to, whether the market value
4 of the securities cannot be readily ascertained and the lack of
5 liquidity of the securities. Securities refused under this
6 subsection (e) are not acceptable as deposits.

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

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

16 (215 ILCS 5/53) (from Ch. 73, par. 665)

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

18 Sec. 53. Deposit.

19 (a) A company subject to the provisions of this Article
20 shall make and maintain with the Director for the protection of
21 all creditors, policyholders and policy obligations of the
22 company, a deposit of securities ~~which are authorized~~
23 ~~investments under Section 126.11A(1), 126.11A(2), 126.24A(1),~~
24 ~~or 126.24A(2)~~ having a fair market value equal to the minimum
25 surplus required to be maintained under Section 43. The

1 Director may release the required deposit of securities upon
2 receipt of an order of a court having proper jurisdiction or
3 upon: (i) certification by the company that it has no
4 outstanding creditors, policyholders, or policy obligations in
5 effect and no plans to engage in the business of insurance;
6 (ii) receipt of a lawful resolution of the company's board of
7 directors effecting the surrender of its articles of
8 incorporation for administrative dissolution by the Director;
9 and (iii) receipt of the name and forwarding address for each
10 of the final officers and directors of the company, together
11 with a plan of dissolution approved by the Director.

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

14 (1) United States government bonds, notes, and bills
15 for which the full faith and credit of the government of
16 the United States is pledged for the payment of principal
17 and interest.

18 (2) United States public bonds and notes of any state
19 or of the District of Columbia, or Canadian public bonds
20 and notes of any province thereof, for which the full faith
21 and credit of the issuer has been pledged for the payment
22 of principal and interest.

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

1 (4) Bonds and notes of any federal agency that are
2 guaranteed as to payment of principal and interest by the
3 United States.

4 (5) International development bank bonds, bonds issued
5 by the State of Israel and sold through the Development
6 Corporation for Israel or its successor entities, and notes
7 issued, assumed, and guaranteed by the International Bank
8 for Reconstruction and Development, the Inter-American
9 Development Bank, the Asian Development Bank, the African
10 Development Bank, or the International Finance
11 Corporation.

12 (6) Corporate bonds and notes of any private
13 corporations that are not affiliates or subsidiaries of the
14 insurer, which corporations are organized under the laws of
15 the United States, Canada, any state, the District of
16 Columbia, any territory or possession of the United States,
17 or any province of Canada.

18 (7) Certificates of deposit.

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

21 (1) The bond or note must be interest-bearing or
22 interest-accruing, and the insurer must be the exclusive
23 owner of the interest accruing thereon and entitled to
24 receive the interest for its account.

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

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

7 (4) The market value of the bond or note must be
8 readily ascertainable or the value of the bond or note must
9 be obtainable by the insurer or its custodian from the
10 issuer's fiscal agent.

11 (5) The bond or note must be the direct obligation of
12 the issuer.

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

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

20 (d) To be eligible for deposit under item (7) of subsection
21 (b), a certificate of deposit must have the following
22 characteristics:

23 (1) The certificate of deposit must be issued by a
24 bank, savings bank, or savings association that is
25 organized under the laws of the United States, of this
26 State, or of any other state and that has a principal

1 office or branch office in this State that is authorized to
2 receive deposits in this State.

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

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

7 (4) The issuing bank, savings bank, or savings
8 association must agree to the terms and conditions of the
9 Director regarding the rights to the certificate of deposit
10 and must have executed a written certificate of deposit
11 agreement with the Director. The terms and conditions of
12 the agreement shall include, but need not be limited to:

13 (A) Exclusive authorized signature authority for
14 the chief financial officer.

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

18 (C) A prohibition against levies, setoffs,
19 survivorship, or other conditions that might hinder
20 the Director's ability to recover the full face value
21 of a certificate of deposit.

22 (D) Instructions regarding interest payments,
23 renewals, taxpayer identification, and early
24 withdrawal penalties.

25 (E) An agreement to be subject to the jurisdiction
26 of the courts of this State, or those of the United

1 States that are located in this State, for the purposes
2 of any litigation arising out of this Section.

3 (F) Such other conditions as the Director
4 requires.

5 (e) The Director may refuse to accept certain securities or
6 refuse to accept the reported market value of certain
7 securities offered pursuant to this Section in order to ensure
8 that sufficient cash and securities are on hand to meet the
9 purposes of the deposit. In making a refusal under this
10 subsection (e), the guidelines for use of the Director may
11 include, but need not be limited to, whether the market value
12 of the securities cannot be readily ascertained and the lack of
13 liquidity of the securities. Securities refused under this
14 subsection (e) are not acceptable as deposits.

15 (f) All deposits required of a domestic insurer pursuant to
16 the laws of another state, province, or country must be
17 comprised of securities of the kinds required under subsection
18 (b), having the characteristics required under subsections (c)
19 and (d), and permitted by the laws of the other state,
20 province, or country, except common stocks, mortgages or loans
21 of any kind, real estate investment trust funds or programs,
22 commercial paper, and letters of credit.

23 (Source: P.A. 98-110, eff. 1-1-14.)

24 (215 ILCS 5/174) (from Ch. 73, par. 786)

25 Sec. 174. Kinds of agreements requiring approval.

1 (1) The following kinds of reinsurance agreements shall not
2 be entered into by any domestic company unless such agreements
3 are approved in writing by the Director:

4 (a) Agreements of reinsurance of any such company
5 transacting the kind or kinds of business enumerated in Class 1
6 of Section 4, or as a Fraternal Benefit Society under Article
7 XVII, a Mutual Benefit Association under Article XVIII, a
8 Burial Society under Article XIX or an Assessment Accident and
9 Assessment Accident and Health Company under Article XXI, cedes
10 previously issued and outstanding risks to any company, or
11 cedes any risks to a company not authorized to transact
12 business in this State, or assumes any outstanding risks on
13 which the aggregate reserves and claim liabilities exceed 20
14 percent of the aggregate reserves and claim liabilities of the
15 assuming company, as reported in the preceding annual
16 statement, for the business of either life or accident and
17 health insurance.

18 (b) Any agreement or agreements of reinsurance whereby any
19 company transacting the kind or kinds of business enumerated in
20 either Class 2 or Class 3 of Section 4 cedes to any company or
21 companies at one time, or during a period of six consecutive
22 months more than twenty per centum of the total amount of its
23 previously retained unearned premium reserve liability.

24 (c) (Blank). ~~Any agreement or agreements of reinsurance~~
25 ~~whereby any company transacting the kind or kinds of business~~
26 ~~enumerated in either Class 2 or 3 of section 4 except Class~~

1 ~~2(a) cedes any outstanding risks to a stock company with less~~
2 ~~than \$2,000,000 in capital and surplus or to a mutual or~~
3 ~~reciprocal company with less than \$2,000,000 in surplus.~~

4 (2) An agreement which is not disapproved by the Director
5 within thirty days after its submission shall be deemed
6 approved.

7 (Source: P.A. 82-626.)

8 (215 ILCS 5/245.1) (from Ch. 73, par. 857.1)

9 Sec. 245.1. Assignability of Life Insurance.

10 No provision of the Illinois Insurance Code, or any other
11 law prohibits an insured under any policy of life insurance, or
12 any other person who may be the owner of any rights under such
13 policy, from making an assignment of all or any part of his
14 rights and privileges under the policy including but not
15 limited to the right to designate a beneficiary thereunder and
16 to have an individual policy issued in accordance with
17 paragraphs (G), (H), and (K) of Section 231.1 ~~(d) and (g) of~~
18 ~~Section 231~~ of the Illinois Insurance Code. Subject to the
19 terms of the policy or any contract relating thereto, an
20 assignment by an insured or by any other owner of rights under
21 the policy, made before or after the effective date of this
22 amendatory Act of 1969 is valid for the purpose of vesting in
23 the assignee, in accordance with any provisions included
24 therein as to the time at which it is effective, all rights and
25 privileges so assigned. However, such assignment is without

1 prejudice to the company on account of any payment it makes or
2 individual policy it issues in accordance with paragraphs (d)
3 and (g) of Section 231 before receipt of notice of the
4 assignment. This amendatory Act of 1969 acknowledges, declares
5 and codifies the existing right of assignment of interests
6 under life insurance policies.

7 (Source: P.A. 76-1443.)

8 (215 ILCS 5/Art. V.5 rep.)

9 (215 ILCS 5/Art. XVI rep.)

10 (215 ILCS 5/Art. XVIII rep.)

11 (215 ILCS 5/Art. XIXB rep.)

12 (215 ILCS 5/178 rep.)

13 (215 ILCS 5/359b rep.)

14 (215 ILCS 5/359c rep.)

15 Section 15. The Illinois Insurance Code is amended by
16 repealing Articles V 1/2, XVI, XVIII, and XIXB and Sections
17 178, 359b, and 359c.

1 INDEX

2 Statutes amended in order of appearance

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- 4 215 ILCS 5/26 from Ch. 73, par. 638
- 5 215 ILCS 5/53 from Ch. 73, par. 665
- 6 215 ILCS 5/174 from Ch. 73, par. 786
- 7 215 ILCS 5/245.1 from Ch. 73, par. 857.1
- 8 215 ILCS 5/Art. V.5 rep.
- 9 215 ILCS 5/Art. XVI rep.
- 10 215 ILCS 5/Art. XVIII rep.
- 11 215 ILCS 5/Art. XIXB rep.
- 12 215 ILCS 5/155.39 rep.
- 13 215 ILCS 5/178 rep.
- 14 215 ILCS 5/359b rep.
- 15 215 ILCS 5/359c rep.