

1 AN ACT in relation to 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 143, 229.4, and 408 and adding Section 229.4a
6 as follows:

7 (215 ILCS 5/143) (from Ch. 73, par. 755)

8 Sec. 143. Policy forms.

9 (1) Life, accident and health. No company transacting the
10 kind or kinds of business enumerated in Classes 1 (a), 1 (b)
11 and 2 (a) of Section 4 shall issue or deliver in this State a
12 policy or certificate of insurance or evidence of coverage,
13 attach an endorsement or rider thereto, incorporate by
14 reference bylaws or other matter therein or use an application
15 blank in this State until the form and content of such policy,
16 certificate, evidence of coverage, endorsement, rider, bylaw
17 or other matter incorporated by reference or application blank
18 has been filed electronically with the Director, either through
19 the System for Electronic Rate and Form Filing (SERFF) or as
20 otherwise prescribed by the Director, and approved by the
21 Director. The Department shall mail a quarterly invoice to the
22 company for the appropriate filing fees required under Section
23 408. and the appropriate filing fee under Section 408 has been
24 ~~paid, except that~~ Any such endorsement or rider that
25 unilaterally reduces benefits and is to be attached to a policy
26 subsequent to the date the policy is issued must be filed with,
27 reviewed, and formally approved by the Director prior to the
28 date it is attached to a policy issued or delivered in this
29 State. It shall be the duty of the Director to withhold
30 approval of any such policy, certificate, endorsement, rider,
31 bylaw or other matter incorporated by reference or application
32 blank filed with him if it contains provisions which encourage

1 misrepresentation or are unjust, unfair, inequitable,
2 ambiguous, misleading, inconsistent, deceptive, contrary to
3 law or to the public policy of this State, or contains
4 exceptions and conditions that unreasonably or deceptively
5 affect the risk purported to be assumed in the general coverage
6 of the policy. In all cases the Director shall approve or
7 disapprove any such form within 60 days after submission unless
8 the Director extends by not more than an additional 30 days the
9 period within which he shall approve or disapprove any such
10 form by giving written notice to the insurer of such extension
11 before expiration of the initial 60 days period. The Director
12 shall withdraw his approval of a policy, certificate, evidence
13 of coverage, endorsement, rider, bylaw, or other matter
14 incorporated by reference or application blank if he
15 subsequently determines that such policy, certificate,
16 evidence of coverage, endorsement, rider, bylaw, other matter,
17 or application blank is misrepresentative, unjust, unfair,
18 inequitable, ambiguous, misleading, inconsistent, deceptive,
19 contrary to law or public policy of this State, or contains
20 exceptions or conditions which unreasonably or deceptively
21 affect the risk purported to be assumed in the general coverage
22 of the policy or evidence of coverage.

23 If a previously approved policy, certificate, evidence of
24 coverage, endorsement, rider, bylaw or other matter
25 incorporated by reference or application blank is withdrawn for
26 use, the Director shall serve upon the company an order of
27 withdrawal of use, either personally or by mail, and if by
28 mail, such service shall be completed if such notice be
29 deposited in the post office, postage prepaid, addressed to the
30 company's last known address specified in the records of the
31 Department of Insurance. The order of withdrawal of use shall
32 take effect 30 days from the date of mailing but shall be
33 stayed if within the 30-day period a written request for
34 hearing is filed with the Director. Such hearing shall be held
35 at such time and place as designated in the order given by the
36 Director. The hearing may be held either in the City of

1 Springfield, the City of Chicago or in the county where the
2 principal business address of the company is located. The
3 action of the Director in disapproving or withdrawing such form
4 shall be subject to judicial review under the Administrative
5 Review Law.

6 All examinations, investigations, and hearings provided
7 for by this Code may be conducted either by the Director
8 personally or by one or more of the actuaries, technical
9 advisors, deputies, supervisors, or examiners employed or
10 retained by the Department and designated by the Director for
11 that purpose. When necessary to supplement its examination
12 procedures, the Department may retain independent actuaries
13 deemed competent by the Director, independent certified public
14 accountants, or qualified examiners of insurance companies
15 deemed competent by the Director, or any combination of the
16 foregoing, the cost of which shall be borne by the company or
17 person being examined.

18 This subsection shall not apply to riders or endorsements
19 issued or made at the request of the individual policyholder
20 relating to the manner of distribution of benefits or to the
21 reservation of rights and benefits under his life insurance
22 policy.

23 (2) Casualty, fire, and marine. The Director shall require
24 the filing of all policy forms issued or delivered by any
25 company transacting the kind or kinds of business enumerated in
26 Classes 2 (except Class 2 (a)) and 3 of Section 4. In addition,
27 he may require the filing of any generally used riders,
28 endorsements, certificates, application blanks, and other
29 matter incorporated by reference in any such policy or contract
30 of insurance. The Department shall mail a quarterly invoice to
31 the company for the appropriate filing fees required under
32 Section 408 along with the appropriate filing fee under Section
33 408. Companies that are members of an organization, bureau, or
34 association may have the same filed for them by the
35 organization, bureau, or association. If the Director shall
36 find from an examination of any such policy form, rider,

1 endorsement, certificate, application blank, or other matter
2 incorporated by reference in any such policy so filed that it
3 (i) violates any provision of this Code, (ii) contains
4 inconsistent, ambiguous, or misleading clauses, or (iii)
5 contains exceptions and conditions that will unreasonably or
6 deceptively affect the risks that are purported to be assumed
7 by the policy, he shall order the company or companies issuing
8 these forms to discontinue their use. Nothing in this
9 subsection shall require a company transacting the kind or
10 kinds of business enumerated in Classes 2 (except Class 2 (a))
11 and 3 of Section 4 to obtain approval of these forms before
12 they are issued nor in any way affect the legality of any
13 policy that has been issued and found to be in conflict with
14 this subsection, but such policies shall be subject to the
15 provisions of Section 442.

16 (3) This Section shall not apply (i) to surety contracts or
17 fidelity bonds, (ii) to policies issued to an industrial
18 insured as defined in Section 121-2.08 except for workers'
19 compensation policies, nor (iii) to riders or endorsements
20 prepared to meet special, unusual, peculiar, or extraordinary
21 conditions applying to an individual risk.

22 (Source: P.A. 90-794, eff. 8-14-98.)

23

24 (215 ILCS 5/229.4) (from Ch. 73, par. 841.4)

25 Sec. 229.4. Standard Non-forfeiture Law for Individual
26 Deferred Annuities.

27 (1) No contract of annuity issued on or after the operative
28 date of this Section except as stated in subsection (11) shall
29 be delivered or issued for delivery in this State unless it
30 contains in substance the following provisions or
31 corresponding provisions which in the opinion of the Director
32 are at least as favorable to the contract holder upon cessation
33 of payment of considerations under the contract:

34 (a) That upon cessation of payment of considerations

1 under a contract, the company will grant a paid-up annuity
2 benefit on a plan stipulated in the contract of such value
3 as is specified in subsections (3), (4), (5), (6) and (8).

4 (b) If a contract provides for a lump sum settlement at
5 maturity, or at any other time, that upon surrender of the
6 contract at or prior to the commencement of any annuity
7 payments, the company will pay in lieu of any paid-up
8 annuity benefit a cash surrender benefit of such amount as
9 is specified in subsections (3), (4), (6) and (8). The
10 company shall reserve the right to defer the payment of
11 such cash surrender benefit for a period of 6 months after
12 demand therefor with surrender of the contract.

13 (c) A statement of the mortality table, if any, and
14 interest rates used in calculating any minimum paid-up
15 annuity, cash surrender or death benefits that are
16 guaranteed under the contract, together with sufficient
17 information to determine the amount of such benefits.

18 (d) A statement that any paid-up annuity, cash
19 surrender or death benefits that may be available under the
20 contract are not less than the minimum benefits required by
21 any statute of the state in which the contract is delivered
22 and an explanation of the manner in which such benefits are
23 altered by the existence of any additional amounts credited
24 by the company to the contract, any indebtedness to the
25 company on the contract or any prior withdrawals from or
26 partial surrenders of the contract.

27 Notwithstanding the requirements of this subsection, any
28 deferred annuity contract may provide that if no considerations
29 have been received under a contract for a period of 2 full
30 years and the portion of the paid-up annuity benefit at
31 maturity on the plan stipulated in the contract arising from
32 considerations paid prior to such period would be less than
33 \$20.00 monthly, the company may at its option terminate such
34 contract by payment in cash of the present value of such
35 portion of the paid-up annuity benefit, calculated on the basis
36 of the mortality table, if any, and interest rate specified in

1 the contract for determining the paid-up annuity benefit, and
2 by such payment shall be relieved of any further obligation
3 under such contract.

4 (2) The minimum values as specified in subsections (3),
5 (4), (5), (6) and (8) of any paid-up annuity, cash surrender or
6 death benefits available under an annuity contract shall be
7 based upon minimum nonforfeiture amounts as defined in this
8 subsection.

9 (a) With respect to contracts providing for flexible
10 considerations, the minimum nonforfeiture amount at any
11 time at or prior to the commencement of any annuity
12 payments shall be equal to an accumulation up to such time
13 at a rate of interest of 3% per annum of percentages of the
14 net considerations, as hereinafter defined, paid prior to
15 such time, decreased by the sum of (i) any prior
16 withdrawals from or partial surrenders of the contract
17 accumulated at a rate of interest of 3% per annum and (ii)
18 the amount of any indebtedness to the company on the
19 contract, including interest due and accrued, and
20 increased by any existing additional amounts credited by
21 the company to the contract.

22 The net considerations for a given contract year used
23 to define the minimum nonforfeiture amount shall be an
24 amount not less than zero and shall be equal to the
25 corresponding gross considerations credited to the
26 contract during that contract year less an annual contract
27 charge of \$30.00 and less a collection charge of \$1.25 per
28 consideration credited to the contract during that
29 contract year. The percentages of net considerations shall
30 be 65% of the net consideration for the first contract year
31 and 87 1/2% of the net considerations for the second and
32 later contract years. Notwithstanding the provisions of
33 the preceding sentence, the percentage shall be 65% of the
34 portion of the total net consideration for any renewal
35 contract year which exceeds by not more than two times the
36 sum of those portions of the net considerations in all

1 prior contract years for which the percentage was 65%.

2 (a-5) Notwithstanding the provisions of paragraph (a)
3 of this subsection, the minimum nonforfeiture amount for
4 any contract issued on or after July 1, 2002 and before
5 July 1, 2005 shall be based on a rate of interest of 1.5%
6 per annum.

7 (b) With respect to contracts providing for fixed
8 scheduled considerations, minimum nonforfeiture amounts
9 shall be calculated on the assumption that considerations
10 are paid annually in advance and shall be defined as for
11 contracts with flexible considerations which are paid
12 annually, with two exceptions:

13 (i) The portion of the net consideration for the
14 first contract year to be accumulated shall be the sum
15 of 65% of the net consideration for the first contract
16 year plus 22 1/2% of the excess of the net
17 consideration for the first contract year over the
18 lesser of the net considerations for the second and
19 third contract years.

20 (ii) The annual contract charge shall be the lesser
21 of (A) \$30.00 or (B) 10% of the gross annual
22 consideration.

23 (c) With respect to contracts providing for a single
24 consideration, minimum nonforfeiture amounts shall be
25 defined as for contracts with flexible considerations
26 except that the percentage of net consideration used to
27 determine the minimum nonforfeiture amount shall be equal
28 to 90% and the net consideration shall be the gross
29 consideration less a contract charge of \$75.00.

30 (3) Any paid-up annuity benefit available under a contract
31 shall be such that its present value on the date annuity
32 payments are to commence is at least equal to the minimum
33 nonforfeiture amount on that date. Such present value shall be
34 computed using the mortality table, if any, and the interest
35 rate specified in the contract for determining the minimum
36 paid-up annuity benefits guaranteed in the contract.

1 (4) For contracts which provide cash surrender benefits,
2 such cash surrender benefits available prior to maturity shall
3 not be less than the present value as of the date of surrender
4 of that portion of the maturity value of the paid-up annuity
5 benefit which would be provided under the contract at maturity
6 arising from considerations paid prior to the time of cash
7 surrender reduced by the amount appropriate to reflect any
8 prior withdrawals from or partial surrenders of the contract,
9 such present value being calculated on the basis of an interest
10 rate not more than 1% higher than the interest rate specified
11 in the contract for accumulating the net considerations to
12 determine such maturity value, decreased by the amount of any
13 indebtedness to the company on the contract, including interest
14 due and accrued, and increased by any existing additional
15 amounts credited by the company to the contract. In no event
16 shall any cash surrender benefit be less than the minimum
17 nonforfeiture amount at that time. The death benefit under such
18 contracts shall be at least equal to the cash surrender
19 benefit.

20 (5) For contracts which do not provide cash surrender
21 benefits, the present value of any paid-up annuity benefit
22 available as a nonforfeiture option at any time prior to
23 maturity shall not be less than the present value of that
24 portion of the maturity value of the paid-up benefit provided
25 under the contract arising from considerations paid prior to
26 the time of the contract is surrendered in exchange for, or
27 changed to, a deferred paid-up annuity, such present value
28 being calculated for the period prior to the maturity date on
29 the basis of the interest rate specified in the contract for
30 accumulating the net considerations to determine such maturity
31 value, and increased by any existing additional amounts
32 credited by the company to the contract. For contracts which do
33 not provide any death benefits prior to the commencement of any
34 annuity payments, such present values shall be calculated on
35 the basis of such interest rate and the mortality table
36 specified in the contract for determining the maturity value of

1 the paid-up annuity benefit. However, in no event shall the
2 present value of a paid-up annuity benefit be less than the
3 minimum nonforfeiture amount at that time.

4 (6) For the purpose of determining the benefits calculated
5 under subsections (4) and (5), in the case of annuity contracts
6 under which an election may be made to have annuity payments
7 commence at optional maturity dates, the maturity date shall be
8 deemed to be the latest date for which election shall be
9 permitted by the contract, but shall not be deemed to be later
10 than the anniversary of the contract next following the
11 annuitant's seventieth birthday or the tenth anniversary of the
12 contract, whichever is later.

13 (7) Any contract which does not provide cash surrender
14 benefits or does not provide death benefits at least equal to
15 the minimum nonforfeiture amount prior to the commencement of
16 any annuity payments shall include a statement in a prominent
17 place in the contract that such benefits are not provided.

18 (8) Any paid-up annuity, cash surrender or death benefits
19 available at any time, other than on the contract anniversary
20 under any contract with fixed scheduled considerations, shall
21 be calculated with allowance for the lapse of time and the
22 payment of any scheduled considerations beyond the beginning of
23 the contract year in which cessation of payment of
24 considerations under the contract occurs.

25 (9) For any contract which provides, within the same
26 contract by rider or supplemental contract provision, both
27 annuity benefits and life insurance benefits that are in excess
28 of the greater of cash surrender benefits or a return of the
29 gross considerations with interest, the minimum nonforfeiture
30 benefits shall be equal to the sum of the minimum nonforfeiture
31 benefits for the annuity portion and the minimum nonforfeiture
32 benefits, if any, for the life insurance portion computed as if
33 each portion were a separate contract. Notwithstanding the
34 provisions of subsections (3), (4), (5), (6) and (8),
35 additional benefits payable (a) in the event of total and
36 permanent disability, (b) as reversionary annuity or deferred

1 reversionary annuity benefits, or (c) as other policy benefits
2 additional to life insurance, endowment, and annuity benefits,
3 and considerations for all such additional benefits, shall be
4 disregarded in ascertaining the minimum nonforfeiture amounts,
5 paid-up annuity, cash surrender and death benefits that may be
6 required by this section. The inclusion of such additional
7 benefits shall not be required in any paid-up benefits, unless
8 such additional benefits separately would require minimum
9 nonforfeiture amounts, paid-up annuity, cash surrender and
10 death benefits.

11 (10) After the effective date of this Section, any company
12 may file with the Director a written notice of its election to
13 comply with the provisions of this Section after a specified
14 date before the second anniversary of the effective date of
15 this Section. After the filing of such notice, then upon such
16 specified date, which shall be the operative date of this
17 section for such company, this Section shall become operative
18 with respect to annuity contracts thereafter issued by such
19 company. If a company makes no such election, the operative
20 date of this section for such company shall be the second
21 anniversary of the effective date of this Section.

22 (11) This Section shall not apply to any reinsurance, group
23 annuity purchased under a retirement plan or plan of deferred
24 compensation established or maintained by an employer
25 (including a partnership or sole proprietorship) or by an
26 employee organization, or by both, other than a plan providing
27 individual retirement accounts or individual retirement
28 annuities under Section 408 of the Internal Revenue Code, as
29 now or hereafter amended, premium deposit fund, variable
30 annuity, investment annuity, immediate annuity, any deferred
31 annuity contract after annuity payments have commenced, or
32 reversionary annuity, nor to any contract which shall be
33 delivered outside this State through an agent or other
34 representative of the company issuing the contract.

35 (12) This Section is repealed on July 1, 2006.

36 (Source: P.A. 92-541, eff. 7-1-02.)

1 (215 ILCS 5/229.4a new)

2 Sec. 229.4a. Standard Non-forfeiture Law for Individual
3 Deferred Annuities.

4 (1) Title. This Section shall be known as the Standard
5 Nonforfeiture Law for Individual Deferred Annuities.

6 (2) Applicability. This Section shall not apply to any
7 reinsurance, group annuity purchased under a retirement plan or
8 plan of deferred compensation established or maintained by an
9 employer (including a partnership or sole proprietorship) or by
10 an employee organization, or by both, other than a plan
11 providing individual retirement accounts or individual
12 retirement annuities under Section 408 of the Internal Revenue
13 Code, as now or hereafter amended, premium deposit fund,
14 variable annuity, investment annuity, immediate annuity, any
15 deferred annuity contract after annuity payments have
16 commenced, or reversionary annuity, nor to any contract which
17 shall be delivered outside this State through an agent or other
18 representative of the company issuing the contract.

19 (3) Nonforfeiture Requirements.

20 (A) In the case of contracts issued on or after the
21 operative date of this Section as defined in subsection
22 (13), no contract of annuity, except as stated in
23 subsection (2), shall be delivered or issued for delivery
24 in this State unless it contains in substance the following
25 provisions, or corresponding provisions which in the
26 opinion of the Director of Insurance are at least as
27 favorable to the contract holder, upon cessation of payment
28 of considerations under the contract:

29 (i) That upon cessation of payment of
30 considerations under a contract, or upon the written
31 request of the contract owner, the company shall grant
32 a paid-up annuity benefit on a plan stipulated in the
33 contract of such value as is specified in subsections
34 (5), (6), (7), (8) and (10);

35 (ii) If a contract provides for a lump sum

1 settlement at maturity, or at any other time, that upon
2 surrender of the contract at or prior to the
3 commencement of any annuity payments, the company
4 shall pay in lieu of a paid-up annuity benefit a cash
5 surrender benefit of such amount as is specified in
6 subsections (5), (6), (8) and (10). The company may
7 reserve the right to defer the payment of the cash
8 surrender benefit for a period not to exceed 6 months
9 after demand therefor with surrender of the contract
10 after making written request and receiving written
11 approval of the Director. The request shall address the
12 necessity and equitability to all policyholders of the
13 deferral;

14 (iii) A statement of the mortality table, if any,
15 and interest rates used calculating any minimum
16 paid-up annuity, cash surrender, or death benefits
17 that are guaranteed under the contract, together with
18 sufficient information to determine the amounts of the
19 benefits; and

20 (iv) A statement that any paid-up annuity, cash
21 surrender or death benefits that may be available under
22 the contract are not less than the minimum benefits
23 required by any statute of the state in which the
24 contract is delivered and an explanation of the manner
25 in which the benefits are altered by the existence of
26 any additional amounts credited by the company to the
27 contract, any indebtedness to the company on the
28 contract or any prior withdrawals from or partial
29 surrenders of the contract.

30 (B) Notwithstanding the requirements of this Section,
31 a deferred annuity contract may provide that if no
32 considerations have been received under a contract for a
33 period of 2 full years and the portion of the paid-up
34 annuity benefit at maturity on the plan stipulated in the
35 contract arising from prior considerations paid would be
36 less than \$20 monthly, the company may at its option

1 terminate the contract by payment in cash of the then
2 present value of the portion of the paid-up annuity
3 benefit, calculated on the basis on the mortality table, if
4 any, and interest rate specified in the contract for
5 determining the paid-up annuity benefit, and by this
6 payment shall be relieved of any further obligation under
7 the contract.

8 (4) Minimum values. The minimum values as specified in
9 subsections (5), (6), (7), (8) and (10) of any paid-up annuity,
10 cash surrender or death benefits available under an annuity
11 contract shall be based upon minimum nonforfeiture amounts as
12 defined in this subsection.

13 (A) (i) The minimum nonforfeiture amount at any time at
14 or prior to the commencement of any annuity payments shall
15 be equal to an accumulation up to such time at rates of
16 interest as indicated in subdivision (4) (B) of the net
17 considerations (as hereinafter defined) paid prior to such
18 time, decreased by the sum of paragraphs (a) through (d)
19 below:

20 (a) Any prior withdrawals from or partial
21 surrenders of the contract accumulated at rates of
22 interest as indicated in subdivision (4) (B);

23 (b) An annual contract charge of \$50,
24 accumulated at rates of interest as indicated in
25 subdivision (4) (B);

26 (c) Any premium tax paid by the company for the
27 contract, accumulated at rates of interest as
28 indicated in subdivision (4) (B); and

29 (d) The amount of any indebtedness to the
30 company on the contract, including interest due and
31 accrued.

32 (ii) The net considerations for a given contract year
33 used to define the minimum nonforfeiture amount shall be an
34 amount equal to 87.5% of the gross considerations, credited
35 to the contract during that contract year.

36 (B) The interest rate used in determining minimum

1 nonforfeiture amounts shall be an annual rate of interest
2 determined as the lesser of 3% per annum and the following,
3 which shall be specified in the contract if the interest
4 rate will be reset:

5 (i) The five-year Constant Maturity Treasury Rate
6 reported by the Federal Reserve as of a date, or
7 average over a period, rounded to the nearest 1/20th of
8 one percent, specified in the contract no longer than
9 15 months prior to the contract issue date or
10 redetermination date under subdivision (4) (B) (iv);

11 (ii) Reduced by 125 basis points;

12 (iii) Where the resulting interest rate is not less
13 than 1%; and

14 (iv) The interest rate shall apply for an initial
15 period and may be redetermined for additional periods.
16 The redetermination date, basis and period, if any,
17 shall be stated in the contract. The basis is the date
18 or average over a specified period that produces the
19 value of the 5-year Constant Maturity Treasury Rate to
20 be used at each redetermination date.

21 (C) During the period or term that a contract provides
22 substantive participation in an equity indexed benefit, it
23 may increase the reduction described in subdivision
24 (4) (B) (ii) above by up to an additional 100 basis points to
25 reflect the value of the equity index benefit. The present
26 value at the contract issue date, and at each
27 redetermination date thereafter, of the additional
28 reduction shall not exceed market value of the benefit. The
29 Director may require a demonstration that the present value
30 of the additional reduction does not exceed the market
31 value of the benefit. Lacking such a demonstration that is
32 acceptable to the Director, the Director may disallow or
33 limit the additional reduction.

34 (D) The Director may adopt rules to implement the
35 provisions of subdivision (4) (C) and to provide for further
36 adjustments to the calculation of minimum nonforfeiture

1 amounts for contracts that provide substantive
2 participation in an equity index benefit and for other
3 contracts that the Director determines adjustments are
4 justified.

5 (5) Computation of Present Value. Any paid-up annuity
6 benefit available under a contract shall be such that its
7 present value on the date annuity payments are to commence is
8 at least equal to the minimum nonforfeiture amount on that
9 date. Present value shall be computed using the mortality
10 table, if any, and the interest rates specified in the contract
11 for determining the minimum paid-up annuity benefits
12 guaranteed in the contract.

13 (6) Calculation of Cash Surrender Value. For contracts that
14 provide cash surrender benefits, the cash surrender benefits
15 available prior to maturity shall not be less than the present
16 value as of the date of surrender of that portion of the
17 maturity value of the paid-up annuity benefit that would be
18 provided under the contract at maturity arising from
19 considerations paid prior to the time of cash surrender reduced
20 by the amount appropriate to reflect any prior withdrawals from
21 or partial surrenders of the contract, such present value being
22 calculated on the basis of an interest rate not more than 1%
23 higher than the interest rate specified in the contract for
24 accumulating the net considerations to determine maturity
25 value, decreased by the amount of any indebtedness to the
26 company on the contract, including interest due and accrued,
27 and increased by any existing additional amounts credited by
28 the company to the contract. In no event shall any cash
29 surrender benefit be less than the minimum nonforfeiture amount
30 at that time. The death benefit under such contracts shall be
31 at least equal to the cash surrender benefit.

32 (7) Calculation of Paid-up Annuity Benefits. For contracts
33 that do not provide cash surrender benefits, the present value
34 of any paid-up annuity benefit available as a nonforfeiture
35 option at any time prior to maturity shall not be less than the
36 present value of that portion of the maturity value of the

1 paid-up annuity benefit provided under the contract arising
2 from considerations paid prior to the time the contract is
3 surrendered in exchange for, or changed to, a deferred paid-up
4 annuity, such present value being calculated for the period
5 prior to the maturity date on the basis of the interest rate
6 specified in the contract for accumulating the net
7 considerations to determine maturity value, and increased by
8 any additional amounts credited by the company to the contract.
9 For contracts that do not provide any death benefits prior to
10 the commencement of any annuity payments, present values shall
11 be calculated on the basis of such interest rate and the
12 mortality table specified in the contract for determining the
13 maturity value of the paid-up annuity benefit. However, in no
14 event shall the present value of a paid-up annuity benefit be
15 less than the minimum nonforfeiture amount at that time.

16 (8) Maturity Date. For the purpose of determining the
17 benefits calculated under subsections (6) and (7), in the case
18 of annuity contracts under which an election may be made to
19 have annuity payments commence at optional maturity dates, the
20 maturity date shall be deemed to be the latest date for which
21 election shall be permitted by the contract, but shall not be
22 deemed to be later than the anniversary of the contract next
23 following the annuitant's seventieth birthday or the tenth
24 anniversary of the contract, whichever is later.

25 (9) Disclosure of Limited Death Benefits. A contract that
26 does not provide cash surrender benefits or does not provide
27 death benefits at least equal to the minimum nonforfeiture
28 amount prior to the commencement of any annuity payments shall
29 include a statement in a prominent place in the contract that
30 such benefits are not provided.

31 (10) Inclusion of Lapse of Time Considerations. Any paid-up
32 annuity, cash surrender or death benefits available at any
33 time, other than on the contract anniversary under any contract
34 with fixed scheduled considerations, shall be calculated with
35 allowance for the lapse of time and the payment of any
36 scheduled considerations beyond the beginning of the contract

1 year in which cessation of payment of considerations under the
2 contract occurs.

3 (11) Proration of Values; Additional Benefits. For a
4 contract which provides, within the same contract by rider or
5 supplemental contract provision, both annuity benefits and
6 life insurance benefits that are in excess of the greater of
7 cash surrender benefits or a return of the gross considerations
8 with interest, the minimum nonforfeiture benefits shall be
9 equal to the sum of the minimum nonforfeiture benefits for the
10 annuity portion and the minimum nonforfeiture benefits, if any,
11 for the life insurance portion computed as if each portion were
12 a separate contract. Notwithstanding the provisions of
13 subsections (5), (6), (7), (8) and (10), additional benefits
14 payable in the event of total and permanent disability, as
15 reversionary annuity or deferred reversionary annuity
16 benefits, or as other policy benefits additional to life
17 insurance, endowment and annuity benefits, and considerations
18 for all such additional benefits, shall be disregarded in
19 ascertaining the minimum nonforfeiture amounts, paid-up
20 annuity, cash surrender and death benefits that may be required
21 under this Section. The inclusion of such benefits shall not be
22 required in any paid-up benefits, unless the additional
23 benefits separately would require minimum nonforfeiture
24 amounts, paid-up annuity, cash surrender and death benefits.

25 (12) Rules. The Director may adopt rules to implement the
26 provisions of this Section.

27 (13) Effective Date. After the effective date of this
28 amendatory Act of the 93rd General Assembly, a company may
29 elect to apply its provisions to annuity contracts on a
30 contract form-by-contract form basis before July 1, 2006. In
31 all other instances, this Section shall become operative with
32 respect to annuity contracts issued by the company on or after
33 July 1, 2006.

34 (215 ILCS 5/408) (from Ch. 73, par. 1020)

35 Sec. 408. Fees and charges.

1 (1) The Director shall charge, collect and give proper
2 acquittances for the payment of the following fees and charges:

3 (a) For filing all documents submitted for the
4 incorporation or organization or certification of a
5 domestic company, except for a fraternal benefit society,
6 \$2,000.

7 (b) For filing all documents submitted for the
8 incorporation or organization of a fraternal benefit
9 society, \$500.

10 (c) For filing amendments to articles of incorporation
11 and amendments to declaration of organization, except for a
12 fraternal benefit society, a mutual benefit association, a
13 burial society or a farm mutual, \$200.

14 (d) For filing amendments to articles of incorporation
15 of a fraternal benefit society, a mutual benefit
16 association or a burial society, \$100.

17 (e) For filing amendments to articles of incorporation
18 of a farm mutual, \$50.

19 (f) For filing bylaws or amendments thereto, \$50.

20 (g) For filing agreement of merger or consolidation:

21 (i) for a domestic company, except for a fraternal
22 benefit society, a mutual benefit association, a
23 burial society, or a farm mutual, \$2,000.

24 (ii) for a foreign or alien company, except for a
25 fraternal benefit society, \$600.

26 (iii) for a fraternal benefit society, a mutual
27 benefit association, a burial society, or a farm
28 mutual, \$200.

29 (h) For filing agreements of reinsurance by a domestic
30 company, \$200.

31 (i) For filing all documents submitted by a foreign or
32 alien company to be admitted to transact business or
33 accredited as a reinsurer in this State, except for a
34 fraternal benefit society, \$5,000.

35 (j) For filing all documents submitted by a foreign or
36 alien fraternal benefit society to be admitted to transact

1 business in this State, \$500.

2 (k) For filing declaration of withdrawal of a foreign
3 or alien company, \$50.

4 (l) For filing annual statement, except a fraternal
5 benefit society, a mutual benefit association, a burial
6 society, or a farm mutual, \$200.

7 (m) For filing annual statement by a fraternal benefit
8 society, \$100.

9 (n) For filing annual statement by a farm mutual, a
10 mutual benefit association, or a burial society, \$50.

11 (o) For issuing a certificate of authority or renewal
12 thereof except to a fraternal benefit society, \$200.

13 (p) For issuing a certificate of authority or renewal
14 thereof to a fraternal benefit society, \$100.

15 (q) For issuing an amended certificate of authority,
16 \$50.

17 (r) For each certified copy of certificate of
18 authority, \$20.

19 (s) For each certificate of deposit, or valuation, or
20 compliance or surety certificate, \$20.

21 (t) For copies of papers or records per page, \$1.

22 (u) For each certification to copies of papers or
23 records, \$10.

24 (v) For multiple copies of documents or certificates
25 listed in subparagraphs (r), (s), and (u) of paragraph (1)
26 of this Section, \$10 for the first copy of a certificate of
27 any type and \$5 for each additional copy of the same
28 certificate requested at the same time, unless, pursuant to
29 paragraph (2) of this Section, the Director finds these
30 additional fees excessive.

31 (w) For issuing a permit to sell shares or increase
32 paid-up capital:

33 (i) in connection with a public stock offering,
34 \$300;

35 (ii) in any other case, \$100.

36 (x) For issuing any other certificate required or

1 permissible under the law, \$50.

2 (y) For filing a plan of exchange of the stock of a
3 domestic stock insurance company, a plan of
4 demutualization of a domestic mutual company, or a plan of
5 reorganization under Article XII, \$2,000.

6 (z) For filing a statement of acquisition of a domestic
7 company as defined in Section 131.4 of this Code, \$2,000.

8 (aa) For filing an agreement to purchase the business
9 of an organization authorized under the Dental Service Plan
10 Act or the Voluntary Health Services Plans Act or of a
11 health maintenance organization or a limited health
12 service organization, \$2,000.

13 (bb) For filing a statement of acquisition of a foreign
14 or alien insurance company as defined in Section 131.12a of
15 this Code, \$1,000.

16 (cc) For filing a registration statement as required in
17 Sections 131.13 and 131.14, the notification as required by
18 Sections 131.16, 131.20a, or 141.4, or an agreement or
19 transaction required by Sections 124.2(2), 141, 141a, or
20 141.1, \$200.

21 (dd) For filing an application for licensing of:

22 (i) a religious or charitable risk pooling trust or
23 a workers' compensation pool, \$1,000;

24 (ii) a workers' compensation service company,
25 \$500;

26 (iii) a self-insured automobile fleet, \$200; or

27 (iv) a renewal of or amendment of any license
28 issued pursuant to (i), (ii), or (iii) above, \$100.

29 (ee) For filing articles of incorporation for a
30 syndicate to engage in the business of insurance through
31 the Illinois Insurance Exchange, \$2,000.

32 (ff) For filing amended articles of incorporation for a
33 syndicate engaged in the business of insurance through the
34 Illinois Insurance Exchange, \$100.

35 (gg) For filing articles of incorporation for a limited
36 syndicate to join with other subscribers or limited

1 syndicates to do business through the Illinois Insurance
2 Exchange, \$1,000.

3 (hh) For filing amended articles of incorporation for a
4 limited syndicate to do business through the Illinois
5 Insurance Exchange, \$100.

6 (ii) For a permit to solicit subscriptions to a
7 syndicate or limited syndicate, \$100.

8 (jj) For the filing of each form as required in Section
9 143 of this Code, \$50 per form. The fee for advisory and
10 rating organizations shall be \$200 per form.

11 (i) For the purposes of the form filing fee,
12 filings made on insert page basis will be considered
13 one form at the time of its original submission.
14 Changes made to a form subsequent to its approval shall
15 be considered a new filing.

16 (ii) Only one fee shall be charged for a form,
17 regardless of the number of other forms or policies
18 with which it will be used.

19 (iii) (Blank). ~~Fees charged for a policy filed as~~
20 ~~it will be issued regardless of the number of forms~~
21 ~~comprising that policy shall not exceed \$1,000 or~~
22 ~~\$2,000 for advisory or rating organizations.~~

23 (iv) The Director may by rule exempt forms from
24 such fees.

25 (kk) For filing an application for licensing of a
26 reinsurance intermediary, \$500.

27 (ll) For filing an application for renewal of a license
28 of a reinsurance intermediary, \$200.

29 (2) When printed copies or numerous copies of the same
30 paper or records are furnished or certified, the Director may
31 reduce such fees for copies if he finds them excessive. He may,
32 when he considers it in the public interest, furnish without
33 charge to state insurance departments and persons other than
34 companies, copies or certified copies of reports of
35 examinations and of other papers and records.

36 (3) The expenses incurred in any performance examination

1 authorized by law shall be paid by the company or person being
2 examined. The charge shall be reasonably related to the cost of
3 the examination including but not limited to compensation of
4 examiners, electronic data processing costs, supervision and
5 preparation of an examination report and lodging and travel
6 expenses. All lodging and travel expenses shall be in accord
7 with the applicable travel regulations as published by the
8 Department of Central Management Services and approved by the
9 Governor's Travel Control Board, except that out-of-state
10 lodging and travel expenses related to examinations authorized
11 under Section 132 shall be in accordance with travel rates
12 prescribed under paragraph 301-7.2 of the Federal Travel
13 Regulations, 41 C.F.R. 301-7.2, for reimbursement of
14 subsistence expenses incurred during official travel. All
15 lodging and travel expenses may be reimbursed directly upon
16 authorization of the Director. With the exception of the direct
17 reimbursements authorized by the Director, all performance
18 examination charges collected by the Department shall be paid
19 to the Insurance Producers Administration Fund, however, the
20 electronic data processing costs incurred by the Department in
21 the performance of any examination shall be billed directly to
22 the company being examined for payment to the Statistical
23 Services Revolving Fund.

24 (4) At the time of any service of process on the Director
25 as attorney for such service, the Director shall charge and
26 collect the sum of \$20, which may be recovered as taxable costs
27 by the party to the suit or action causing such service to be
28 made if he prevails in such suit or action.

29 (5) (a) The costs incurred by the Department of Insurance
30 in conducting any hearing authorized by law shall be assessed
31 against the parties to the hearing in such proportion as the
32 Director of Insurance may determine upon consideration of all
33 relevant circumstances including: (1) the nature of the
34 hearing; (2) whether the hearing was instigated by, or for the
35 benefit of a particular party or parties; (3) whether there is
36 a successful party on the merits of the proceeding; and (4) the

1 relative levels of participation by the parties.

2 (b) For purposes of this subsection (5) costs incurred
3 shall mean the hearing officer fees, court reporter fees, and
4 travel expenses of Department of Insurance officers and
5 employees; provided however, that costs incurred shall not
6 include hearing officer fees or court reporter fees unless the
7 Department has retained the services of independent
8 contractors or outside experts to perform such functions.

9 (c) The Director shall make the assessment of costs
10 incurred as part of the final order or decision arising out of
11 the proceeding; provided, however, that such order or decision
12 shall include findings and conclusions in support of the
13 assessment of costs. This subsection (5) shall not be construed
14 as permitting the payment of travel expenses unless calculated
15 in accordance with the applicable travel regulations of the
16 Department of Central Management Services, as approved by the
17 Governor's Travel Control Board. The Director as part of such
18 order or decision shall require all assessments for hearing
19 officer fees and court reporter fees, if any, to be paid
20 directly to the hearing officer or court reporter by the
21 party(s) assessed for such costs. The assessments for travel
22 expenses of Department officers and employees shall be
23 reimbursable to the Director of Insurance for deposit to the
24 fund out of which those expenses had been paid.

25 (d) The provisions of this subsection (5) shall apply in
26 the case of any hearing conducted by the Director of Insurance
27 not otherwise specifically provided for by law.

28 (6) The Director shall charge and collect an annual
29 financial regulation fee from every domestic company for
30 examination and analysis of its financial condition and to fund
31 the internal costs and expenses of the Interstate Insurance
32 Receivership Commission as may be allocated to the State of
33 Illinois and companies doing an insurance business in this
34 State pursuant to Article X of the Interstate Insurance
35 Receivership Compact. The fee shall be the greater fixed amount
36 based upon the combination of nationwide direct premium income

1 and nationwide reinsurance assumed premium income or upon
2 admitted assets calculated under this subsection as follows:

3 (a) Combination of nationwide direct premium income
4 and nationwide reinsurance assumed premium.

5 (i) \$150, if the premium is less than \$500,000 and
6 there is no reinsurance assumed premium;

7 (ii) \$750, if the premium is \$500,000 or more, but
8 less than \$5,000,000 and there is no reinsurance
9 assumed premium; or if the premium is less than
10 \$5,000,000 and the reinsurance assumed premium is less
11 than \$10,000,000;

12 (iii) \$3,750, if the premium is less than
13 \$5,000,000 and the reinsurance assumed premium is
14 \$10,000,000 or more;

15 (iv) \$7,500, if the premium is \$5,000,000 or more,
16 but less than \$10,000,000;

17 (v) \$18,000, if the premium is \$10,000,000 or more,
18 but less than \$25,000,000;

19 (vi) \$22,500, if the premium is \$25,000,000 or
20 more, but less than \$50,000,000;

21 (vii) \$30,000, if the premium is \$50,000,000 or
22 more, but less than \$100,000,000;

23 (viii) \$37,500, if the premium is \$100,000,000 or
24 more.

25 (b) Admitted assets.

26 (i) \$150, if admitted assets are less than
27 \$1,000,000;

28 (ii) \$750, if admitted assets are \$1,000,000 or
29 more, but less than \$5,000,000;

30 (iii) \$3,750, if admitted assets are \$5,000,000 or
31 more, but less than \$25,000,000;

32 (iv) \$7,500, if admitted assets are \$25,000,000 or
33 more, but less than \$50,000,000;

34 (v) \$18,000, if admitted assets are \$50,000,000 or
35 more, but less than \$100,000,000;

36 (vi) \$22,500, if admitted assets are \$100,000,000

1 or more, but less than \$500,000,000;

2 (vii) \$30,000, if admitted assets are \$500,000,000

3 or more, but less than \$1,000,000,000;

4 (viii) \$37,500, if admitted assets are

5 \$1,000,000,000 or more.

6 (c) The sum of financial regulation fees charged to the
7 domestic companies of the same affiliated group shall not
8 exceed \$250,000 in the aggregate in any single year and
9 shall be billed by the Director to the member company
10 designated by the group.

11 (7) The Director shall charge and collect an annual
12 financial regulation fee from every foreign or alien company,
13 except fraternal benefit societies, for the examination and
14 analysis of its financial condition and to fund the internal
15 costs and expenses of the Interstate Insurance Receivership
16 Commission as may be allocated to the State of Illinois and
17 companies doing an insurance business in this State pursuant to
18 Article X of the Interstate Insurance Receivership Compact. The
19 fee shall be a fixed amount based upon Illinois direct premium
20 income and nationwide reinsurance assumed premium income in
21 accordance with the following schedule:

22 (a) \$150, if the premium is less than \$500,000 and
23 there is no reinsurance assumed premium;

24 (b) \$750, if the premium is \$500,000 or more, but less
25 than \$5,000,000 and there is no reinsurance assumed
26 premium; or if the premium is less than \$5,000,000 and the
27 reinsurance assumed premium is less than \$10,000,000;

28 (c) \$3,750, if the premium is less than \$5,000,000 and
29 the reinsurance assumed premium is \$10,000,000 or more;

30 (d) \$7,500, if the premium is \$5,000,000 or more, but
31 less than \$10,000,000;

32 (e) \$18,000, if the premium is \$10,000,000 or more, but
33 less than \$25,000,000;

34 (f) \$22,500, if the premium is \$25,000,000 or more, but
35 less than \$50,000,000;

36 (g) \$30,000, if the premium is \$50,000,000 or more, but

1 less than \$100,000,000;

2 (h) \$37,500, if the premium is \$100,000,000 or more.

3 The sum of financial regulation fees under this subsection
4 (7) charged to the foreign or alien companies within the same
5 affiliated group shall not exceed \$250,000 in the aggregate in
6 any single year and shall be billed by the Director to the
7 member company designated by the group.

8 (8) Beginning January 1, 1992, the financial regulation
9 fees imposed under subsections (6) and (7) of this Section
10 shall be paid by each company or domestic affiliated group
11 annually. After January 1, 1994, the fee shall be billed by
12 Department invoice based upon the company's premium income or
13 admitted assets as shown in its annual statement for the
14 preceding calendar year. The invoice is due upon receipt and
15 must be paid no later than June 30 of each calendar year. All
16 financial regulation fees collected by the Department shall be
17 paid to the Insurance Financial Regulation Fund. The Department
18 may not collect financial examiner per diem charges from
19 companies subject to subsections (6) and (7) of this Section
20 undergoing financial examination after June 30, 1992.

21 (9) In addition to the financial regulation fee required by
22 this Section, a company undergoing any financial examination
23 authorized by law shall pay the following costs and expenses
24 incurred by the Department: electronic data processing costs,
25 the expenses authorized under Section 131.21 and subsection (d)
26 of Section 132.4 of this Code, and lodging and travel expenses.

27 Electronic data processing costs incurred by the
28 Department in the performance of any examination shall be
29 billed directly to the company undergoing examination for
30 payment to the Statistical Services Revolving Fund. Except for
31 direct reimbursements authorized by the Director or direct
32 payments made under Section 131.21 or subsection (d) of Section
33 132.4 of this Code, all financial regulation fees and all
34 financial examination charges collected by the Department
35 shall be paid to the Insurance Financial Regulation Fund.

36 All lodging and travel expenses shall be in accordance with

1 applicable travel regulations published by the Department of
2 Central Management Services and approved by the Governor's
3 Travel Control Board, except that out-of-state lodging and
4 travel expenses related to examinations authorized under
5 Sections 132.1 through 132.7 shall be in accordance with travel
6 rates prescribed under paragraph 301-7.2 of the Federal Travel
7 Regulations, 41 C.F.R. 301-7.2, for reimbursement of
8 subsistence expenses incurred during official travel. All
9 lodging and travel expenses may be reimbursed directly upon the
10 authorization of the Director.

11 In the case of an organization or person not subject to the
12 financial regulation fee, the expenses incurred in any
13 financial examination authorized by law shall be paid by the
14 organization or person being examined. The charge shall be
15 reasonably related to the cost of the examination including,
16 but not limited to, compensation of examiners and other costs
17 described in this subsection.

18 (10) Any company, person, or entity failing to make any
19 payment of \$150 or more as required under this Section shall be
20 subject to the penalty and interest provisions provided for in
21 subsections (4) and (7) of Section 412.

22 (11) Unless otherwise specified, all of the fees collected
23 under this Section shall be paid into the Insurance Financial
24 Regulation Fund.

25 (12) For purposes of this Section:

26 (a) "Domestic company" means a company as defined in
27 Section 2 of this Code which is incorporated or organized
28 under the laws of this State, and in addition includes a
29 not-for-profit corporation authorized under the Dental
30 Service Plan Act or the Voluntary Health Services Plans
31 Act, a health maintenance organization, and a limited
32 health service organization.

33 (b) "Foreign company" means a company as defined in
34 Section 2 of this Code which is incorporated or organized
35 under the laws of any state of the United States other than
36 this State and in addition includes a health maintenance

1 organization and a limited health service organization
2 which is incorporated or organized under the laws of any
3 state of the United States other than this State.

4 (c) "Alien company" means a company as defined in
5 Section 2 of this Code which is incorporated or organized
6 under the laws of any country other than the United States.

7 (d) "Fraternal benefit society" means a corporation,
8 society, order, lodge or voluntary association as defined
9 in Section 282.1 of this Code.

10 (e) "Mutual benefit association" means a company,
11 association or corporation authorized by the Director to do
12 business in this State under the provisions of Article
13 XVIII of this Code.

14 (f) "Burial society" means a person, firm,
15 corporation, society or association of individuals
16 authorized by the Director to do business in this State
17 under the provisions of Article XIX of this Code.

18 (g) "Farm mutual" means a district, county and township
19 mutual insurance company authorized by the Director to do
20 business in this State under the provisions of the Farm
21 Mutual Insurance Company Act of 1986.

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

23 Section 99. Effective date. This Act takes effect upon
24 becoming law, except the provisions changing Section 229.4 of
25 and adding Section 229.4a to the Illinois Insurance Code take
26 effect on July 1, 2004.