

1 debts due the federal or any state or local government,
2 that are secured by liens perfected prior to the filing
3 of the complaint.

4 (c) Claims for wages actually owing to employees
5 for services rendered within 3 months prior to the date
6 of the filing of the complaint, not exceeding \$1,000 to
7 each employee unless there are claims due the federal
8 government under paragraph (f), then the claims for wages
9 shall have a priority of distribution immediately
10 following that of federal claims under paragraph (f) and
11 immediately preceding claims of general creditors under
12 paragraph (g).

13 (d) Claims by policyholders, beneficiaries, and
14 insureds, under insurance policies, annuity contracts,
15 and funding agreements, and liability claims against
16 insureds covered under insurance policies and insurance
17 contracts issued by the company, and claims of the
18 Illinois Insurance Guaranty Fund, the Illinois Life and
19 Health Insurance Guaranty Association, the Illinois
20 Health Maintenance Organization Guaranty Association and
21 any similar organization in another state as prescribed
22 in Section 545. For purposes of this Section, "funding
23 agreement" means an agreement whereby an insurer
24 authorized to write business under Class 1 of Section 4
25 of this Code may accept and accumulate funds and make one
26 or more payments at future dates in amounts that are not
27 based upon mortality or morbidity contingencies.

28 (e) Claims by policyholders, beneficiaries, and
29 insureds, the allowed values of which were determined by
30 estimation under paragraph (b) of subsection (4) of
31 Section 209.

32 (f) Any other claims due the federal government.

33 (g) All other claims of general creditors not
34 falling within any other priority under this Section

1 including claims for taxes and debts due any state or
2 local government which are not secured claims and claims
3 for attorneys' fees incurred by the company in contesting
4 its conservation, rehabilitation, or liquidation.

5 (h) Claims of guaranty fund certificate holders,
6 guaranty capital shareholders, capital note holders, and
7 surplus note holders.

8 (i) Proprietary claims of shareholders, members, or
9 other owners.

10 Every claim under a written agreement, statute, or rule
11 providing that the assets in a separate account are not
12 chargeable with the liabilities arising out of any other
13 business of the insurer shall be satisfied out of the funded
14 assets in the separate account equal to, but not to exceed,
15 the reserves maintained in the separate account under the
16 separate account agreement, and to the extent, if any, the
17 claim is not fully discharged thereby, the remainder of the
18 claim shall be treated as a priority level (d) claim under
19 paragraph (d) of this subsection to the extent that reserves
20 have been established in the insurer's general account
21 pursuant to statute, rule, or the separate account agreement.

22 For purposes of this provision, "separate account
23 policies, contracts, or agreements" means any policies,
24 contracts, or agreements that provide for separate accounts
25 as contemplated by Section 245.21.

26 To the extent that any assets of an insurer, other than
27 those assets properly allocated to and maintained in a
28 separate account, have been used to fund or pay any expenses,
29 taxes, or policyholder benefits that are attributable to a
30 separate account policy, contract, or agreement that should
31 have been paid by a separate account prior to the
32 commencement of receivership proceedings, then upon the
33 commencement of receivership proceedings, the separate
34 accounts that benefited from this payment or funding shall

1 first be used to repay or reimburse the company's general
2 assets or account for any unreimbursed net sums due at the
3 commencement of receivership proceedings prior to the
4 application of the separate account assets to the
5 satisfaction of liabilities or the corresponding separate
6 account policies, contracts, and agreements.

7 To the extent, if any, reserves or assets maintained in
8 the separate account are in excess of the amounts needed to
9 satisfy claims under the separate account contracts, the
10 excess shall be treated as part of the general assets of the
11 insurer's estate.

12 (2) Within 120 days after the issuance of an Order of
13 Liquidation with a finding of insolvency against a domestic
14 company, the Director shall make application to the court
15 requesting authority to disburse funds to the Illinois
16 Insurance Guaranty Fund, the Illinois Life and Health
17 Insurance Guaranty Association, the Illinois Health
18 Maintenance Organization Guaranty Association and similar
19 organizations in other states from time to time out of the
20 company's marshaled assets as funds become available in
21 amounts equal to disbursements made by the Illinois Insurance
22 Guaranty Fund, the Illinois Life and Health Insurance
23 Guaranty Association, the Illinois Health Maintenance
24 Organization Guaranty Association and similar organizations
25 in other states for covered claims obligations on the
26 presentation of evidence that such disbursements have been
27 made by the Illinois Insurance Guaranty Fund, the Illinois
28 Life and Health Insurance Guaranty Association, the Illinois
29 Health Maintenance Organization Guaranty Association and
30 similar organizations in other states.

31 The Director shall establish procedures for the ratable
32 allocation and distribution of disbursements to the Illinois
33 Insurance Guaranty Fund, the Illinois Life and Health
34 Insurance Guaranty Association, the Illinois Health

1 Maintenance Organization Guaranty Association and similar
2 organizations in other states. In determining the amounts
3 available for disbursement, the Director shall reserve
4 sufficient assets for the payment of the expenses of
5 administration described in paragraph (1) (a) of this
6 Section. All funds available for disbursement after the
7 establishment of the prescribed reserve shall be promptly
8 distributed. As a condition to receipt of funds in
9 reimbursement of covered claims obligations, the Director
10 shall secure from the Illinois Insurance Guaranty Fund, the
11 Illinois Life and Health Insurance Guaranty Association, the
12 Illinois Health Maintenance Organization Guaranty Association
13 and each similar organization in other states, an agreement
14 to return to the Director on demand funds previously received
15 as may be required to pay claims of secured creditors and
16 claims falling within the priorities established in
17 paragraphs (a), (b), (c), and (d) of subsection (1) of this
18 Section in accordance with such priorities.

19 (3) The provisions of this Section are severable under
20 Section 1.31 of the Statute on Statutes.

21 (Source: P.A. 92-65, eff. 7-12-01.)

22 (215 ILCS 5/226.1) (from Ch. 73, par. 838.1)

23 Sec. 226.1. Entitled annuity payment options. Annuity
24 contracts and funding agreements may be issued without a life
25 contingency annuity payment option in the following
26 circumstances: (1) to fund benefits under an employee benefit
27 plan as defined in the Employee Retirement Income Security
28 Act of 1974, as now or hereafter amended; (2) to fund the
29 activities of an organization exempt from taxation under
30 Internal Revenue Code Section 501(c), as now or hereafter
31 amended; (3) to fund a program of a governmental entity or of
32 an agency or instrumentality thereof; (4) to fund an
33 agreement providing for periodic payments entered into in

1 satisfaction of a claim; or (5) to fund a program of an
2 institution having assets in excess of \$25,000,000.

3 (Source: P.A. 86-753.)

4 Section 99. Effective date. This Act takes effect upon
5 becoming law."