

AN ACT concerning regulation.

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

Section 5. The Illinois Insurance Code is amended by changing Sections 131.1, 131.2, 131.3, 131.4, 131.5, 131.6, 131.8, 131.8a, 131.11, 131.12, 131.12a, 131.13, 131.14, 131.16, 131.17, 131.18, 131.19, 131.20, 131.20a, 131.20b, 131.21, 131.22, 131.23, 131.24, 131.26, 131.27, and 408.3 and by adding Sections 131.9a, 131.14a, 131.14b, 131.14c, 131.14d, 131.20c, 131.29, and 131.30 as follows:

(215 ILCS 5/131.1) (from Ch. 73, par. 743.1)

Sec. 131.1. Definitions. As used in this Article, the following terms have the respective meanings set forth in this Section unless the context requires otherwise:

(a) An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(a-5) "Acquiring party" means such person by whom or on whose behalf the merger or other acquisition of control referred to in Section 131.4 is to be affected and any person that controls such person or persons.

(a-10) "Associated person" means, with respect to an

acquiring party, (1) any beneficial owner of shares of the company to be acquired, owned, directly or indirectly, of record or beneficially by the acquiring party, (2) any affiliate of the acquiring party or beneficial owner, and (3) any other person acting in concert, directly or indirectly, pursuant to any agreement, arrangement, or understanding, whether written or oral, with the acquiring party or beneficial owner, or any of their respective affiliates, in connection with the merger, consolidation, or other acquisition of control referred to in Section 131.4 of this Code.

(a-15) "Company" has the same meaning as "company" as defined in Section 2 of this Code, except that it does not include agencies, authorities, or instrumentalities of the United States, its possessions and territories, the Commonwealth of Puerto Rico, the District of Columbia, or a state or political subdivision of a state.

(b) "Control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, the holding of shareholders' or policyholders' proxies by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is solely the result of an official position with or corporate office held by the person. Control is presumed to exist if any person, directly or

indirectly, owns, controls, holds with the power to vote, or holds shareholders' proxies representing 10% or more of the voting securities of any other person, or holds or controls sufficient policyholders' proxies to elect the majority of the board of directors of the domestic company. This presumption may be rebutted by a showing made in the manner as the Director may provide by rule. The Director may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support such determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.

(b-5) "Enterprise risk" means any activity, circumstance, event, or series of events involving one or more affiliates of a company that, if not remedied promptly, is likely to have a material adverse effect upon the financial condition or liquidity of the company or its insurance holding company system as a whole, including, but not limited to, anything that would cause the company's risk-based capital to fall into company action level as set forth in Article IIA of this Code or would cause the company to be in hazardous financial condition as set forth in Article XII 1/2 of this Code.

(b-10) "Exchange Act" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

(c) "Insurance holding company system" means two or more affiliated persons, one or more of which is an insurance

company as defined in paragraph (e) of Section 2 of this Code.

(d) (Blank). ~~"Company" has the same meaning as "Company" as defined in Section 2 of this Code, except that it does not include agencies, authorities or instrumentalities of the United States, its possessions and territories, the Commonwealth of Puerto Rico, the District of Columbia or a State or political subdivision of a State.~~

(d-5) "Non-operating holding company" is a general business corporation functioning solely for the purpose of forming, owning, acquiring, and managing subsidiary business entities and having no other business operations not related thereto.

(d-10) "Own", "owned," or "owning" means shares (1) with respect to which a person has title or to which a person's nominee, custodian, or other agent has title and which such nominee, custodian, or other agent is holding on behalf of the person or (2) with respect to which a person (A) has purchased or has entered into an unconditional contract, binding on both parties, to purchase the shares, but has not yet received the shares, (B) owns a security convertible into or exchangeable for the shares and has tendered the security for conversion or exchange, (C) has an option to purchase or acquire, or rights or warrants to subscribe to, the shares and has exercised such option, rights, or warrants, or (D) holds a securities futures contract to purchase the shares and has received notice that the position will be physically settled and is irrevocably

bound to receive the underlying shares. To the extent that any affiliates of the stockholder or beneficial owner are acting in concert with the stockholder or beneficial owner, the determination of shares owned may include the effect of aggregating the shares owned by the affiliate or affiliates. Whether shares constitute shares owned shall be decided by the Director in his or her reasonable determination.

(e) "Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert, but does not include any securities broker performing no more than the usual and customary broker's function or joint venture partnership exclusively engaged in owning, managing, leasing or developing real or tangible personal property other than capital stock.

(e-5) "Policyholders' proxies" are proxies that give the holder the right to vote for the election of the directors and other corporate actions not in the day to day operations of the company.

(f) (Blank). ~~"Securityholder" of a specified person is one who owns any security of such person, including common stock, preferred stock, debt obligations, and any other security convertible into or evidencing the right to acquire any of the foregoing.~~

(g) "Subsidiary" of a specified person is an affiliate

controlled by such person directly, or indirectly through one or more intermediaries.

(h) "Voting Security" is a security which gives to the holder thereof the right to vote for the election of directors and includes any security convertible into or evidencing a right to acquire a voting security.

(i) (Blank). ~~"Acquiring Party" means such person by whom or on whose behalf the merger or other acquisition of control referred to in Section 131.4 is to be affected and any person that controls such person or persons.~~

(j) (Blank). ~~"Policyholders' Proxies" are proxies which give the holder the right to vote for the election of the directors and other corporate actions not in the day-to-day operations of the company.~~

(k) (Blank). ~~"Non-operating Holding Company" is a general business corporation functioning solely for the purpose of forming, owning, acquiring and managing subsidiary business entities and having no other business operations not related thereto.~~

(Source: P.A. 84-805.)

(215 ILCS 5/131.2) (from Ch. 73, par. 743.2)

Sec. 131.2. Subsidiaries. A domestic company, either by itself or in cooperation with one or more persons, may organize or acquire one or more subsidiaries. The subsidiaries may conduct any kind of business or businesses and their authority

to do so shall not be limited by reason of the fact that they are subsidiaries of a domestic company. In addition to investments in common stock, preferred stock, debt obligations and other securities of subsidiaries permitted under all other sections of this Code, a domestic company, other than a company subject to Articles XVIII or XIX, may also:

(a) invest, in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries, amounts which do not exceed the lesser of 10% of the company's assets or 50% of the company's surplus as regards policyholders, but after such investments the company's surplus as regards policyholders must be reasonable in relation to the company's outstanding liabilities and adequate to its financial needs. In calculating the amount of such investments, there must be included (i) total net monies or other consideration expended and obligations assumed in the acquisition or formation of a subsidiary, including all organizational expenses and contributions to capital and surplus of the subsidiary whether or not represented by the purchase of capital stock or issuance of other securities, and (ii) all amounts expended in acquiring additional common stock, preferred stock, debt obligations, and other securities, and all contributions to the capital or surplus of a subsidiary subsequent to its acquisition or formation;

(b) invest any amount in common stock, preferred stock,

debt obligations and other securities of one or more direct subsidiaries acting only as a non-operating holding company or engaged or organized exclusively for the ownership and management of assets authorized as investments for the company, provided that each subsidiary agrees to limit its investments in any asset so that such investments will not cause the amount of the total investment of the company to exceed the amount the company could have invested in such asset. For the purpose of this clause, "the total investment of the company" will include (i) any direct investment by the company in an asset and (ii) the company's proportionate share of any investment in such asset by any ~~direct~~ subsidiary of the company, which must be calculated by multiplying the amount of the subsidiary's investment by the percentage of the company's ownership of such subsidiary;

(c) invest in common stock of one or more insurance corporation subsidiaries any amount by which the investing company's capital and surplus exceeds the minimum capital and surplus required of a new company under Section 13 to qualify for a certificate of authority to write the kind or kinds of insurance which the company is authorized to write, if the company is a stock company, and if the company is other than a stock company, the company may invest the amount by which the company's surplus exceeds the minimum surplus required of a new company under Section



43 or 66 to qualify for a certificate of authority to write the kind or kinds of insurance which the company is authorized to write;

(d) with the approval of the Director, invest any greater amount in common stock, preferred stock, debt obligations, or other securities of one or more subsidiaries, but after such investment the company's surplus as regards policyholders must be reasonable in relation to the company's outstanding liabilities and adequate to its financial needs.

(Source: P.A. 85-1186.)

(215 ILCS 5/131.3) (from Ch. 73, par. 743.3)

Sec. 131.3. (1) Investments in common stock, preferred stock, debt obligations or other securities of subsidiaries made under Section 131.2 of this Article are subject to Sections 126.3, 126.4, 126.5, 126.6, 126.7, and 133 of this Code but are not subject to any other of the otherwise applicable restrictions or prohibitions contained in this Code applicable to such investments of a domestic company subject to this Code.

(2) If a company ceases to control a subsidiary, it must dispose of any investment therein made under this section within 3 years from the time of the cessation of control or within such further time as the Director may prescribe, unless at any time after the investment is made, the investment meets

the requirements for investment under any other section of this Code, and the company has notified the Director thereof.

(3) Whether any investment made pursuant to this Section meets the applicable requirements of this Section is to be determined before the investment is made by calculating the applicable investment limitations as though the investment had already been made, taking into account the then outstanding principal balance on all previous investments in debt obligations, and the value of all previous investments in equity securities as of the day they were made, net of any return of capital invested, not including dividends.

(Source: P.A. 90-418, eff. 8-15-97.)

(215 ILCS 5/131.4) (from Ch. 73, par. 743.4)

Sec. 131.4. Acquisition of control of or merger with domestic company.

(a) No person other than the issuer may make a tender for or a request or invitation for tenders of, or enter into an agreement to exchange securities for, or seek to acquire or acquire shareholders' proxies to vote or seek to acquire or acquire in the open market, or otherwise, any voting security of a domestic company or acquire policyholders' proxies of a domestic company or any entity that controls a domestic company, for consideration if, after the consummation thereof, that person would, directly or indirectly, (or by conversion or by exercise of any right to acquire) be in control of the

company, and no person may enter into an agreement to merge or consolidate with or otherwise to acquire control of a domestic company, unless the offer, request, invitation, or agreement is conditioned on receiving the approval of the Director based on Section 131.8 of this Article and no such acquisition of control or a merger with a domestic company may be consummated unless the person has filed with the Director and has sent to the company a statement containing the information required by Section 131.5 and the Director has approved the transaction or granted an exemption. ~~For purposes of this Section a domestic company includes any other person which controls a domestic company or holds or controls sufficient policyholders' proxies to elect the majority of the board of directors of the domestic company.~~ Prior to the acquisition, the Director may conclude that a statement need not be filed by the acquiring party if the acquiring party demonstrates to the satisfaction of the Director that:

(1) such transaction will not result in the change of control of the domestic company; or

(2) (blank); ~~the person which is subject to the acquisition has assets in excess of \$1,000,000 and shareholders of record of 500 or more and its insurance business either directly or through its affiliates is an insignificant portion of its total business; or~~

(3) the acquisition of, or attempt to acquire control of, such other person is subject to requirements in the

jurisdiction of its domicile which are substantially similar to those contained in this Section and Sections 131.5 through 131.12; or

(4) the control of the policyholders' proxies is being acquired solely by virtue of the holders official office and not as the result of any agreement or for any consideration.

The purpose of this Section is to afford to the Director the opportunity to review acquisitions in order to determine whether or not the acquisition would be adverse to the interests of the existing and future policyholders of the company.

(b) For purposes of this Section, any controlling person of a domestic company seeking to divest its controlling interest in the domestic company in any manner shall file with the Director, with a copy to the company, confidential notice of its proposed divestiture at least 30 days prior to the cessation of control. The Director shall determine those instances in which the party or parties seeking to divest or to acquire a controlling interest in a company shall be required to file for and obtain approval of the transaction. The information shall remain confidential until the conclusion of the transaction unless the Director, in his or her discretion, determines that confidential treatment shall interfere with enforcement of this Section. If the statement referred to in subsection (a) of this Section is otherwise filed in connection

with the proposed divesture or related acquisition, this subsection (b) shall not apply.

(c) For purposes of this Section, a domestic company shall include any person controlling a domestic company unless the person, as determined by the Director, is either directly or through its affiliates primarily engaged in business other than the business of insurance. For the purposes of this Section, "person" shall not include any securities broker holding, in the usual and customary broker's function, less than 20% of the voting securities of an insurance company or of any person that controls an insurance company.

(Source: P.A. 86-784.)

(215 ILCS 5/131.5) (from Ch. 73, par. 743.5)

Sec. 131.5. Statement; contents ~~Statement-Contents~~. In order to seek the approval of the Director pursuant to Section 131.8, the applicant must file a statement with the Director under oath or affirmation which contains as a minimum the following information:

(1) The name and address of each acquiring party, and

(a) if such person is an individual, his principal occupation and all offices and positions held during the past 5 years, and any conviction of crimes, other than minor traffic violations, during the past 10 years;

(b) if such person is not an individual, a report of the nature of its business operations during the past 5 years or

for such lesser period as the person and any predecessors thereof has been in existence; an informative description of the business intended to be conducted by the person and the person's subsidiaries; and a list of all individuals who are or who have been selected to become directors or executive officers of the person, or who perform or will perform functions appropriate to such positions. The list must include for each individual the information required by subsection (1) (a).

(2) The source, nature and amount of the consideration used or to be used in effecting the merger, consolidation or other acquisition of control, a description of any transaction wherein funds were or are to be obtained for any such purpose, including any pledge of the company's own securities or the securities of any of its subsidiaries or affiliates, and the identity of persons furnishing such consideration. However, where a source of such consideration is a loan made in the lender's ordinary course of business, the identity of the lender must remain confidential, if the person filing the statement so requests.

(3) Financial information as to the earnings and financial condition of each acquiring party for the preceding 5 fiscal years of each acquiring party (or for such lesser period as the acquiring party and any predecessors thereof have been in existence) audited by an independent certified public accountant in accordance with generally accepted auditing

~~standards and similar unaudited information for the second and third preceding fiscal years and as of a date not earlier than 90 days prior to the filing of the statement. If an acquiring party is an insurer which has been actively engaged in the business of insurance for 10 years, the financial information need not be audited, provided it is based on the annual statements of such acquiring person filed with the insurance department of the person's domiciliary state and is in accordance with the requirement of insurance or other accounting principles prescribed or permitted under the laws and regulations of such state.~~

~~(a) When an applicant is controlled by an individual, financial information for that individual will not be required if the applicant is currently subject to the registration and reporting requirements of Section 12(g) of the Securities Exchange Act of 1934 or is an insurer which has been actively engaged in the business of insurance for a period in excess of 10 years;~~

~~(b) When an individual as an acquiring party must file financial information under this paragraph such information need not be delivered to the company. However, such information shall be available if the Director holds a hearing pursuant to Section 131.8.~~

(4) Any plans or proposals which each acquiring party may have to liquidate such company, to sell its assets or merge or consolidate it with any person, or to make any other material

change in its business or corporate structure or management.

(5) The number of shares of any security referred to in Section 131.4 which each acquiring party proposes to acquire, ~~and~~ the terms of the offer, request, invitation, agreement, or acquisition referred to in Section 131.4, and a statement as to the method by which the fairness of the proposal was arrived.

(6) The amount of each class of any security referred to in Section 131.4 which is beneficially owned or concerning which there is a right to acquire beneficial ownership by each acquiring party.

(7) A full description of any existing contracts, arrangements or understandings with respect to any security referred to in Section 131.4 in which any acquiring party is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. The description must identify the persons with whom such contracts, arrangements or understandings have been entered into.

(8) A description of the acquisition of any security or policyholders' proxy referred to in Section 131.4 during the 12 calendar months preceding the filing of the statement, by any acquiring party, including the dates of acquisition, names of the acquiring parties ~~acquirers~~, and consideration paid or agreed to be paid therefor.



(9) A description of any recommendations to acquire any security referred to in Section 131.4 made during the 12 calendar months preceding the filing of the statement, by any acquiring party, or by anyone based upon interviews or at the suggestion of such acquiring party.

(10) Copies of all tender offers for, requests or invitations for tenders of, exchange offers for, and agreements to acquire or exchange any securities referred to in Section 131.4, and (if distributed) of additional soliciting material relating thereto.

(11) The terms of any agreement, contract or understanding made with, or proposed to be made with, any broker-dealer as to solicitation of securities referred to in Section 131.4 for tender, and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

(12) Beginning July 1, 2014, an agreement by the person required to file the statement referred to in this Section 131.5 that the person will provide the annual report specified in Section 131.14b for so long as control exists.

(13) Beginning July 1, 2014, an acknowledgement by the person required to file the statement referred to in this Section 131.5 that the person and all subsidiaries within its control in the insurance holding company system shall provide information to the Director upon request as necessary to evaluate enterprise risk to the company.

(14) Any additional information as the Director may by rule

or regulation prescribe as necessary or appropriate for the protection of policyholders or in the public interest.

(15) With respect to each acquiring party, the following information:

(A) the name and address of all associated persons and a detailed description of every agreement, arrangement, and understanding between the acquiring party and all associated persons in connection with the merger, consolidation, or other acquisition of control;

(B) the class or series and number of shares of securities of the company that are directly or indirectly owned beneficially and of record by the acquiring party or the associated persons or both; and

(C) a detailed description of each proxy, contract, arrangement, understanding, or relationship pursuant to which the acquiring party or the associated persons, or both, have a right to vote, or cause or direct the vote of, any securities of the company.

(Source: P.A. 84-805.)

(215 ILCS 5/131.6) (from Ch. 73, par. 743.6)

Sec. 131.6. (1) If the person required to file the statement referred to in Section 131.5 is a partnership, limited partnership, syndicate or other group, the Director may require that the information be given with respect to each partner of such partnership or limited partnership, each member

of such syndicate or group, and each person who controls such partner or member. If any partner, member or person is a corporation or the person required to file the statement referred to in Section 131.5 is a corporation, the Director may require that the information be given with respect to the corporation, each officer and director of the corporation, and each person who is directly or indirectly the beneficial owner of more than 10% of the outstanding voting securities of the corporation.

(2) If any material change occurs in the facts set forth in the statement filed with the Director and sent to the company under Section 131.5 ~~131.9~~, an amendment setting forth the change, together with copies of all documents and other material relevant to the change, must be filed with the Director and sent to the company within 2 business days after the person learns of the change.

(Source: P.A. 84-805.)

(215 ILCS 5/131.8) (from Ch. 73, par. 743.8)

Sec. 131.8. (1) After the statement required by Section 131.5 has been filed, the Director shall approve ~~must disapprove~~ any merger, consolidation or other acquisition of control referred to in Section 131.4 unless ~~the acquiring party demonstrates to~~ the Director finds that:

(a) after the ~~After~~ change of control, the domestic company referred to in Section 131.4 would not be able to

satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(b) the effect of the merger, consolidation or other acquisition of control would be not substantially to lessen competition in insurance in this State or ~~not~~ tend to create a monopoly therein. In applying the competitive standard in this paragraph:

(i) the informational requirements of subsection (3)(a) and the standards of subsection (4)(b) of Section 131.12a shall apply,

(ii) the merger or other acquisition shall not be found substantially to lessen competition in insurance in this State or tend to create a monopoly therein ~~disapproved~~ if the Director finds ~~acquiring party demonstrates~~ that any of the situations meeting the criteria provided by subsection (4)(c) of Section 131.12a exist, and

(iii) the Director may condition the approval of the merger or other acquisition on the removal of the basis of disapproval within a specified period of time;

(c) the financial condition of any acquiring party is such as might ~~to not~~ jeopardize the financial stability of the domestic company or ~~not~~ jeopardize the interests of its policyholders;

(d) the plans or proposals which the acquiring party

has to liquidate the domestic company, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair ~~fair~~ and unreasonable ~~reasonable~~ to policyholders of such company and not in the public interest; or

(e) the competence, experience and integrity of those persons who would control the operation of the domestic company are such that it would be in the best interests of policyholders of such company and of the insurance buying public to permit the merger, consolidation or other acquisition of control.

(2) The Director may hold a public hearing on any merger, consolidation or other acquisition of control referred to in Section 131.4 if the Director determines that the statement filed as required by Section 131.5 does not demonstrate compliance with the standards referred to in subsection (1), of this Section, or if he determines that such acquisition of control is likely to be hazardous or prejudicial to the ~~will adversely affect policyholders or the~~ insurance buying public.

(3) The public hearing referred to in subsection (2) must be held within 60 days after the statement required by Section 131.5 is filed, and at least 20 days' notice thereof must be given by the Director to the person filing the statement and to the domestic company. Not less than 7 ~~12~~ days' notice of such hearing must be given by the person filing the statement to

such other persons as may be designated by the Director and by the company to its shareholders ~~securityholders~~. The Director must make a determination within 60 ~~30~~ days after the conclusion of the hearing. At the hearing, the person filing the statement, the domestic company, any person to whom notice of the hearing was sent, and any other person whose interests may be affected thereby has the right to present evidence, examine and cross-examine witnesses, and offer oral and written arguments and in connection therewith is entitled to conduct discovery proceedings in the same manner as is presently allowed in the Circuit Courts of this State. All discovery proceedings must be concluded not later than 3 days prior to the commencement of the public hearing.

(4) If the proposed acquisition of control will require the approval of more than one state insurance commissioner, the public hearing referred to in subsection (2) of this Section may be held on a consolidated basis upon request of the person filing the statement referred to in Section 131.5 of this Code. Such person shall file the statement referred to in Section 131.5 of this Code with the National Association of Insurance Commissioners (NAIC) within 5 days after making the request for a public hearing. A commissioner may opt out of a consolidated hearing and shall provide notice to the applicant of the opt out within 10 days after the receipt of the statement referred to in Section 131.5 of this Code. A hearing conducted on a consolidated basis shall be public and shall be held within the

United States before the commissioners of the states in which the companies are domiciled. Such commissioners shall hear and receive evidence. A commissioner may attend such hearing in person or by telecommunication.

(5) In connection with a change of control of a domestic company, any determination by the Director that the person acquiring control of the company shall be required to maintain or restore the capital of the company to the level required by the laws and regulations of this State shall be made not later than 60 days after the filing of the statement required by Section 131.5 of this Code.

(Source: P.A. 84-805.)

(215 ILCS 5/131.8a) (from Ch. 73, par. 743.8a)

Sec. 131.8a. The Director may retain at the applicant's expense any attorneys, actuaries, accountants and other experts not otherwise a part of the Director's staff as may be reasonably necessary to assist in reviewing ~~the conduct of financial or character examinations in conjunction with an acquisition proposed under Section 131.4. The applicant shall deposit with the Director cash, bonds or securities, acceptable to the Director, in a reasonable amount not to exceed \$100,000, for purpose of securing the payment of any expert's cost.~~

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

(215 ILCS 5/131.9a new)

Sec. 131.9a. Exemptions. Sections 131.4 through 131.12 do not apply to:

(1) any transaction that is subject to Article X of this Code dealing with merger, consolidation, or plans of exchange; or

(2) any offer, request, invitation, agreement, or acquisition that the Director by order exempts therefrom as (A) not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic company or (B) otherwise not comprehended within the purposes of Sections 131.4 through 131.12.

(215 ILCS 5/131.11) (from Ch. 73, par. 743.11)

Sec. 131.11. The following are violations of Sections 131.4 through 131.12:

(1) the failure to file any statement, amendment, or other material required to be filed under Sections 131.4 or 131.5; or

(2) the effectuation or any attempt to effectuate an acquisition of control of, divestiture of, or merger or consolidation with, a domestic company unless the Director has given his approval ~~thereto~~.

(Source: P.A. 77-673.)

(215 ILCS 5/131.12) (from Ch. 73, par. 743.12)

Sec. 131.12. The courts of this State are hereby vested



with jurisdiction over every person not resident, domiciled, or authorized to do business in this State who files a statement with the Director under Section 131.4, and over all actions involving such person arising out of violations of Sections 131.4, 131.5, 131.6, ~~131.9~~ or 131.11, and each such person is deemed to have performed acts equivalent to and constituting an appointment by such a person of the Director to be his true and lawful attorney upon whom may be served all lawful process in any action, suit or proceeding arising out of violations of Sections 131.4, 131.5, 131.6, ~~131.9~~ or 131.11. Copies of all such lawful process must be served on the Director and transmitted by registered or certified mail by the Director to such person at his last known address.

(Source: P.A. 77-673.)

(215 ILCS 5/131.12a) (from Ch. 73, par. 743.12a)

Sec. 131.12a. Acquisitions involving companies ~~insurers~~ not otherwise covered.

(1) Definitions. The following definitions shall apply for the purposes of this Section only:

(a) "Acquisition" means any agreement, arrangement or activity the consummation of which results in a person acquiring directly or indirectly the control of another person or control of the insurance in force of another person, and includes but is not limited to the acquisition of voting securities, the acquisition of assets, the transaction of bulk

reinsurance and the act of merging or consolidating.

(b) An "involved company insurer" includes a company ~~an insurer~~ which either acquires or is acquired, is affiliated with an acquirer or acquired or is the result of a merger.

(2) Scope.

(a) Except as exempted in paragraph (b) of this subsection (2), this Section applies to any acquisition in which there is a change in control of a company ~~an insurer~~ authorized to do business in this State.

(b) This Section shall not apply to the following:

(i) an acquisition subject to approval or disapproval by the Director pursuant to Section 131.8;

(ii) a purchase of securities solely for investment purposes so long as such securities are not used by voting or otherwise to cause or attempt to cause the substantial lessening of competition in any insurance market in this State. If a purchase of securities results in a presumption of control under subsection (b) of Section 131.1, it is not solely for investment purposes unless the commissioner of the company's ~~insurer's~~ state of domicile accepts a disclaimer of control or affirmatively finds that control does not exist and such disclaimer action or affirmative finding is communicated by the domiciliary commissioner to the Director of this State;

(iii) the acquisition of a person by another person

when both persons are neither directly nor through affiliates primarily engaged in the business of insurance, if pre-acquisition notification is filed with the Director in accordance with subsection (3)(a) of this Section, 30 days prior to the proposed effective date of the acquisition. However, such pre-acquisition notification is not required for exclusion from this Section if the acquisition would otherwise be excluded from this Section by any other subparagraph of subsection (2)(b);

(iv) the acquisition of already affiliated persons;

(v) an acquisition if, as an immediate result of the acquisition,

(A) in no market would the combined market share of the involved companies ~~insurers~~ exceed 5% of the total market,

(B) there would be no increase in any market share, or

(C) in no market would the combined market share of the involved companies ~~insurers~~ exceed 12% of the total market, and the market share increase by more than 2% of the total market.

For the purpose of this subparagraph (b)(v), "market" means direct written insurance premium in this State for a line of business as contained in the annual statement required to be filed by companies ~~insurers~~ licensed to do business in this State;

(vi) an acquisition for which a pre-acquisition notification would be required pursuant to this Section due solely to the resulting effect on the ocean marine insurance line of business;

(vii) an acquisition of a company ~~an insurer~~ whose domiciliary commissioner affirmatively finds that such company ~~insurer~~ is in failing condition; there is a lack of feasible alternative to improving such condition; the public benefits of improving such company's ~~insurer's~~ condition through the acquisition exceed the public benefits that would arise from not lessening competition; and such findings are communicated by the domiciliary commissioner to the Director of this State.

(3) Pre-acquisition Notification; Waiting Period. An acquisition covered by subsection (2) may be subject to an order pursuant to subsection (5) unless the acquiring person files a pre-acquisition notification and the waiting period has expired. The acquired person may file a pre-acquisition notification. The Director shall give confidential treatment to information submitted under this subsection in the same manner as provided in Section 131.22 of this Article.

(a) The pre-acquisition notification shall be in such form and contain such information as prescribed by the Director, which shall conform substantially to the form of notification adopted by the National Association of Insurance Commissioners

relating to those markets which, under subsection (b)(v) of Section (2), cause the acquisition not to be exempted from the provisions of this Section. The Director may require such additional material and information as he deems necessary to determine whether the proposed acquisition, if consummated, would violate the competitive standard of subsection (4). The required information may include an opinion of an economist as to the competitive impact of the acquisition in this State accompanied by a summary of the education and experience of such person indicating his or her ability to render an informed opinion.

(b) The waiting period required shall begin on the date of the receipt by the Director of a pre-acquisition notification and shall end on the earlier of the 30th day after the date of such receipt, or termination of the waiting period by the Director. Prior to the end of the waiting period, the Director on a one time basis may require the submission of additional needed information relevant to the proposed acquisition, in which event the waiting period shall end on the earlier of the 30th day after the receipt of such additional information by the Director or termination of the waiting period by the Director.

(4) Competitive Standard.

(a) The Director may enter an order under subsection (5)(a) with respect to an acquisition if there is substantial evidence

that the effect of the acquisition may be substantially to lessen competition in any line of insurance in this State or tend to create a monopoly therein or if the company insurer fails to file adequate information in compliance with subsection (3).

(b) In determining whether a proposed acquisition would violate the competitive standard of paragraph (a) of this subsection the Director shall consider the following:

(i) any acquisition covered under subsection (2) involving 2 or more companies insurers competing in the same market is prima facie evidence of violation of the competitive standards:

(A) if the market is highly concentrated and the involved companies insurers possess the following shares of the market:

<u>Company Insurer</u> A	<u>Company Insurer</u> B
4%	4% or more
10%	2% or more
15%	1% or more

(B) if the market is not highly concentrated and the involved companies insurers possess the following shares of the market:

<u>Company Insurer</u> A	<u>Company Insurer</u> B
5%	5% or more
10%	4% or more
15%	3% or more

19%

1% or more

A highly concentrated market is one in which the share of the 4 largest companies ~~insurers~~ is 75% or more of the market. Percentages not shown in the tables are to be interpolated proportionately to the percentages that are shown. If more than 2 companies ~~insurers~~ are involved, exceeding the total of the 2 columns in the table is prima facie evidence of violation of the competitive standard in paragraph (a) of this subsection. For the purpose of this subparagraph, the company ~~insurer~~ with the largest share of the market shall be deemed to be Company ~~Insurer~~ A.

(ii) There is a significant trend toward increased concentration when the aggregate market share of any grouping of the largest companies ~~insurers~~ in the market from the 2 largest to the 8 largest has increased by 7% or more of the market over a period of time extending from any base year 5-10 years prior to the acquisition up to the time of the acquisition. Any acquisition covered under subsection (2) involving 2 or more companies ~~insurers~~ competing in the same market is prima facie evidence of violation of the competitive standard in paragraph (a) of this subsection if:

(A) there is a significant trend toward increased concentration in the market,

(B) one of the companies ~~insurers~~ involved is one of the companies ~~insurers~~ in a grouping of such large

companies ~~insurers~~ showing the requisite increase in the market share, and

(C) another involved company's ~~insurer's~~ market is 2% or more.

(iii) For the purpose of subsection (4) (b) :

(A) The term "company" ~~"insurer"~~ includes any company or group of companies under common management, ownership or control.

(B) The term "market" means the relevant product and geographic markets. In determining the relevant product and geographical markets, the Director shall give due consideration to, among other things, the definitions or guidelines, if any, promulgated by the National Association of Insurance Commissioners and to information, if any, submitted by parties to the acquisition. In the absence of sufficient information to the contrary, the relevant product market is assumed to be the direct written insurance premium for a line of business with such line being that used in the annual statement required to be filed by companies ~~insurers~~ doing business in this State and the relevant geographical market is assumed to be this State.

(C) The burden of showing prima facie evidence of violation of the competitive standard rests upon the Director.

(iv) Even though an acquisition is not prima facie



violative of the competitive standard under subparagraph (b) (i) and (b) (ii) of this subsection the Director may establish the requisite anticompetitive effect based upon other substantial evidence. Even though an acquisition is prima facie violative of the competitive standard under subparagraphs (b) (i) and (b) (ii) of this subsection (4), a party may establish the absence of the requisite anticompetitive effect based upon other substantial evidence. Relevant factors in making a determination under this paragraph include, but are not limited to, the following: market shares, volatility of ranking of market leaders, number of competitors, concentration, trend of concentration in the industry, and ease of entry and exit into the market.

(c) An order may not be entered under subsection (5) (a) if:

(i) the acquisition will yield substantial economies of scale or economies in resource utilization that cannot be feasibly achieved in any other way, and the public benefits which would arise from such economies exceed the public benefits which would arise from not lessening competition; or

(ii) the acquisition will substantially increase the availability of insurance, and the public benefits of such increase exceed the public benefits which would arise from not lessening competition.

(5) Orders and Penalties:

(a) (i) If an acquisition violates the standard of this Section, the Director may enter an order

(A) requiring an involved company insurer to cease and desist from doing business in this State with respect to the line or lines of insurance involved in the violation, or

(B) denying the application of an acquired or acquiring company insurer for a license to do business in this State.

(ii) Such an order shall not be entered unless there is a hearing, notice of such hearing is issued prior to the end of the waiting period ~~and not less than 15 days prior to the end of the waiting period~~ and not less than 15 days prior to the hearing, and the hearing is concluded and the order is issued no later than 60 days after the end of the waiting period. Every order shall be accompanied by a written decision of the Director setting forth his findings of fact and conclusions of law.

(iii) (Blank). ~~An order entered under this paragraph shall not become final earlier than 30 days after it is issued, during which time the involved insurer may submit a plan to remedy the anticompetitive impact of the acquisition within a reasonable time. Based upon such plan or other information, the Director shall specify, if any, the conditions under and the time period during which the~~

~~aspects of the acquisition causing a violation of the standards of this Section would be remedied and the order vacated or modified.~~

(iv) An order pursuant to this paragraph shall not apply if the acquisition is not consummated.

(b) Any person who violates a cease and desist order of the Director under paragraph (a) and while such order is in effect may after notice and hearing and upon order of the Director be subject at the discretion of the Director to any one or more of the following:

(i) a monetary penalty of not more than \$10,000 for every day of violation or

(ii) suspension or revocation of such person's license ~~or both.~~

(c) Any company ~~insurer~~ or other person who fails to make any filing required by this Section and who also fails to demonstrate a good faith effort to comply with any such filing requirement shall be subject to a civil penalty of not more than \$50,000.

(6) Inapplicable Provisions. Subsections (2) and (3) of Section 131.23 and Section 131.25 do not apply to acquisitions covered under subsection (2).

(Source: P.A. 92-16, eff. 6-28-01.)

(215 ILCS 5/131.13) (from Ch. 73, par. 743.13)

Sec. 131.13. Registration of companies. Every company which is authorized to do business in this State and which is a member of an insurance holding company system must register with the Director, except a foreign or alien company subject to registration requirements and standards adopted by statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in this section and Sections 131.14 through 131.20a ~~131.19~~. Any company which is subject to registration under this section must register within 60 days after the effective date of this Article or 15 days after it becomes subject to registration, whichever is later, unless the Director for good cause shown extends the time for registration, and then within such extended time. The Director may require any authorized company which is a member of a holding company system which is not subject to registration under this section to furnish a copy of the registration statement or other information filed by such company with the insurance regulatory authority of its domiciliary jurisdiction.

~~If upon review of the information filed pursuant to this Section and the information included in the annual statement filed pursuant to Section 136, the Director determines there is a potential for adverse economic impact due to substantial ownership of companies authorized to do business in this State by persons who are not citizens or residents of the United States or entities which are not organized or created under the~~

~~laws of any state or territory of the United States, he shall report such determination along with any legislative recommendations to the General Assembly.~~

(Source: P.A. 84-805.)

(215 ILCS 5/131.14) (from Ch. 73, par. 743.14)

Sec. 131.14. Every company subject to registration must file a registration statement on a ~~in the~~ form and in a format prescribed ~~designated~~ by the Director, which shall contain the following ~~contains~~ current information ~~about~~:

(1) the capital structure, general financial condition, ownership and management of the company and any person controlling the company;

(2) the identity and relationship of every member of the insurance holding company system;

(3) the following agreements in force, relationships subsisting, and transactions currently outstanding or that have occurred during the last calendar year between such company and its affiliates:

(a) loans, other investments, or purchases, sales or exchanges of ~~or~~ securities of the affiliates by the company or of the company by its affiliates;

(b) purchases, sales, or exchanges of assets;

(c) transactions not in the ordinary course of business;

(d) guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the

company's assets to liability, other than insurance contracts entered into in the ordinary course of the company's business;

(e) all management agreements, ~~and~~ service contracts, and ~~all~~ cost-sharing arrangements, ~~other than cost allocation arrangements based upon generally accepted accounting principles; and~~

(f) reinsurance agreements;

(f-5) dividends and other distributions to shareholders;

(g) any pledge of the company's own securities, securities of any subsidiary or controlling affiliate, to secure a loan made to any member of the insurance holding company system; and

(h) consolidated tax allocation agreements;~~;~~

(4) (blank); ~~other matters concerning transactions between registered companies and any affiliates as may be included from time to time in any registration forms adopted or approved by the Director.~~

(5) financial statements of or within an insurance holding company system, including all affiliates, if requested by the Director; financial statements may include, but are not limited to, annual audited financial statements filed with the U.S. Securities and Exchange Commission (SEC) pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended; a company required to file financial statements pursuant to this paragraph (5) may satisfy the request by providing the Director with the most recently filed parent corporation financial statements that have been filed

with the SEC;

(6) statements that the company's or its parent company's board of directors or a committee thereof oversees corporate governance and internal controls and that the company's officers or senior management have approved and implemented and continue to maintain and monitor corporate governance and internal controls; and

(7) other matters concerning transactions between registered companies and any affiliates as may be included from time to time in any registration forms adopted or approved by the Director.

(Source: P.A. 84-805.)

(215 ILCS 5/131.14a new)

Sec. 131.14a. Summary filing. Every company subject to registration must file a summary outlining all items in the current registration statement representing changes from the prior registration statement.

(215 ILCS 5/131.14b new)

Sec. 131.14b. Enterprise risk filing. The ultimate controlling person of every company subject to registration shall also file an annual enterprise risk report. The report shall, to the best of the ultimate controlling person's knowledge and belief, identify the material risks within the insurance holding company system that could pose enterprise

risk to the company. The report shall be filed with the lead state commissioner of the insurance holding company system as determined by the procedures within the Financial Analysis Handbook adopted by the National Association of Insurance Commissioners.

(215 ILCS 5/131.14c new)

Sec. 131.14c. Violations. The failure to file a registration statement or any summary of the registration statement or enterprise risk filing required by this Article within the time specified for filing shall be a violation of this Article.

(215 ILCS 5/131.14d new)

Sec. 131.14d. Confidentiality.

(a) Documents, materials, or other information in the possession or control of the Director that are obtained by, created by, or disclosed to the Director or any other person pursuant to Section 131.14b are recognized as being proprietary and to contain trade secrets. Disclosure of such documents, materials, or other information is recognized as damaging to the competitive position of the insurer whose confidential information is in the possession or control of the Director. All such documents, materials, or other information shall be confidential by law and privileged, shall not be subject to the Freedom of Information Act, shall not be subject to subpoena,



and shall not be subject to discovery or admissible in evidence in any private civil action. However, the Director is authorized to use such documents, materials, or other information in the furtherance of any regulatory or legal action brought as a part of the Director's official duties. The Director shall not otherwise disclose or make such documents, materials, or other information public without the prior written consent of the insurer.

(b) An insurer whose documents, materials, or other information is in the possession or control of the Director or any other person pursuant to Section 131.14b of this Code and who is aggrieved by an actual or threatened disclosure of such documents, materials, or other information or by any violation of this Section, may commence proceedings, subject in the case of the Director to Article III of the Code of Civil Procedure, in any court of competent jurisdiction to prevent such disclosure or to enforce the provisions of this Section.

(c) Neither the Director nor any person who received documents, materials, or other information relating to the report required by Section 131.14b of this Code, through examination or otherwise, while acting under the authority of the Director or with whom such documents, materials, or other information are shared pursuant to this Section, Section 131.14b or Section 131.20c of this Code shall be permitted or required to testify in any private civil action concerning any confidential documents, materials, or information subject to

subsection (a) of this Section.

(d) Solely to assist in the performance of the Director's regulatory duties, the Director may do the following:

(1) upon request, share documents, materials, or other information relating to the report required by Section 131.14b of this Code, including the confidential and privileged documents, materials, or information subject to subsection (a) of this Section, including proprietary and trade secret documents and materials with other state, federal, and international financial regulatory agencies, including members of any supervisory college as provided for in Section 131.20c of this Code, with the NAIC and with any third-party consultants designated by the Director, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the documents, materials, or other information relating to the report required by Section 131.14b of this Code and has verified in writing the legal authority to maintain confidentiality; and

(2) receive documents, materials, or other information relating to the report required by Section 131.14b of this Code, including otherwise confidential and privileged documents, materials, or information, including proprietary and trade secret information or documents, from regulatory officials of other foreign or domestic jurisdictions, including members of any supervisory

college as defined in Section 131.20c of this Code, and from the NAIC, and shall maintain as confidential or privileged any documents, materials, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information.

(e) The Director shall enter into a written agreement with any member of a supervisory college as provided for in Section 131.20c of this Code, the International Association of Insurance Supervisors (IAIS), the NAIC, or any third-party consultant governing sharing and use of information provided pursuant to this Section. The agreement shall do the following:

(1) specify procedures and protocols regarding the confidentiality and security of information shared with the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant pursuant to this Section, including procedures and protocols for sharing by the member of a supervisory college, the IAIS, or the NAIC with international, federal, or state regulators;

(2) specify that ownership of information shared with the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant pursuant to this Section remains with the Director and that the member of a supervisory college's, the IAIS's, the NAIC's, or the third-party consultant's use of the information is subject

to the direction of the Director;

(3) restrict the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant from storing the information shared pursuant to this Section in a permanent database;

(4) require notice to be given within 5 business days to an insurer whose confidential information, in the possession of the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant pursuant to this Section, is subject to a request or subpoena to the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant for disclosure or production;

(5) require the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant to consent to intervention by an insurer in any judicial or administrative action in which the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant may be required to disclose confidential information about the insurer shared with the member of a supervisory college, the IAIS, the NAIC, or the third-party consultant pursuant to this Section; and

(6) in the case of an agreement involving a third-party consultant, provide for the insurer's prior written consent to the sharing of information with that third-party consultant.

(f) The sharing of information and documents by the

Director pursuant to this Section shall not constitute a delegation of regulatory authority or rulemaking, and the Director is solely responsible for the administration and execution of the provisions of this Section. An insurer whose confidential information is in the possession of the member of a supervisory college, the IAIS, the NAIC, or third-party consultant pursuant to this Section and who is aggrieved by an actual or threatened disclosure of confidential information, or by any violation of this Section, may commence proceedings in any court of competent jurisdiction to prevent such disclosure or to enforce the provisions of this Section.

(g) No waiver of any applicable privilege or claim of confidentiality in the documents, proprietary and trade secret materials, or other information relating to the report required by Section 131.14b of this Section, shall occur as a result of disclosure of such documents, materials, or other information relating to the report required by Section 131.14b of this Section to the Director or as a result of sharing as authorized in this Section.

(h) Documents, materials, or other information in the possession or control of a member of a supervisory college, the IAIS, the NAIC, or a third-party consultant pursuant to this Section shall be confidential by law and privileged, shall not be subject to the Freedom of Information Act, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.

(215 ILCS 5/131.16) (from Ch. 73, par. 743.16)

Sec. 131.16. Reporting material changes or additions; penalty for late registration statement.

(1) Each registered company must keep current the information required to be included in its registration statement by reporting all material changes or additions on amendment forms designated by the Director within 15 days after the end of the month in which it learns of each change or addition, or within a longer time thereafter as the Director may establish. Any transaction which has been submitted to the Director pursuant to Section 131.20a need not be reported to the Director under this subsection; except each registered company must report all dividends and other distributions to shareholders within 15 ~~5~~ business days following the declaration ~~and no less than 10 business days prior to payment thereof.~~

(2) On or before May 1 each year, each company subject to registration under this Article shall file a statement in a format as designated by the Director. This statement shall include information previously included in an amendment under subsection (1) of this Section, transactions and agreements submitted under Section 131.20a, and any other material transactions which are required to be reported.

(2.5) Any person within an insurance holding company system subject to registration shall be required to provide complete

and accurate information to a company where the information is reasonably necessary to enable the company to comply with the provisions of this Article.

(3) Any company failing, without just cause, to file any registration statement, any summary of changes to a registration statement, or any Enterprise Risk Filing or any person within an insurance holding company system who fails to provide complete and accurate information to a company as required in this Code shall be required, after notice and hearing, to pay a penalty of up to \$1,000 for each day's delay, to be recovered by the Director of Insurance of the State of Illinois and the penalty so recovered shall be paid into the General Revenue Fund of the State of Illinois. The maximum penalty under this section is \$50,000. The Director may reduce the penalty if the company demonstrates to the Director that the imposition of the penalty would constitute a financial hardship to the company.

(Source: P.A. 88-364.)

(215 ILCS 5/131.17) (from Ch. 73, par. 743.17)

Sec. 131.17. (1) The Director must terminate the registration of any company which demonstrates that it no longer is a member of an insurance holding company system.

(2) The Director may require or allow 2 or more affiliated companies subject to registration to file a consolidated registration statement. ~~Two or more affiliated companies~~

~~subject to registration hereunder may file a consolidated registration statement or consolidated reports amending their consolidated registration statement or their individual registration statements unless the Director requires a separate registration statement or report from each registered company.~~

(3) A company which is authorized to do business in this State and which is part of an insurance holding company system may register on behalf of any affiliated company which is required to register under Section 131.13 and to file all information and material required to be filed under this Article unless the Director requires a separate registration by the affiliated company.

(Source: P.A. 77-673.)

(215 ILCS 5/131.18) (from Ch. 73, par. 743.18)

Sec. 131.18. Sections 131.13 through 131.19 do not apply to any company, information, or transaction if and to the extent that the Director by rule, regulation, or order may exempt the same from Sections 131.13 through 131.19.

~~Any requirement for the furnishing of financial statements of the insurance holding company system, or any member thereof, as part of or in connection with the registration statement filed under Section 131.14 shall not apply to any company which submits and maintains in effect in lieu thereof a guarantee or a bond acceptable to the Director in an amount equal to the~~



~~capital and surplus of the company as shown on its most recent audited financial statements, payable to the Director for the benefit of the creditors, policyholders and stockholders of the company as their interests may appear. Such guarantee, if issued by a national bank, and such a bond, if issued by a licensed insurance company which is not a member of the insurance holding company system, in each case having capital and surplus in excess of \$25,000,000, shall be deemed acceptable.~~

(Source: P.A. 77-673.)

(215 ILCS 5/131.19) (from Ch. 73, par. 743.19)

Sec. 131.19. Disclaimer of affiliation. Any person may file with the Director a disclaimer of affiliation with any authorized company or a disclaimer may be filed by the a company or any member of an insurance holding company system. The disclaimer shall ~~must~~ fully disclose all material relationships and bases ~~basis~~ for affiliation between the person and the company as well as the basis for disclaiming the affiliation. A disclaimer of affiliation shall be deemed to have been granted unless the Director, within 30 days following receipt of a complete disclaimer, notifies the filing party that the disclaimer is disallowed. In the event of disallowance, the disclaiming party may request an administrative hearing, which shall be granted. The disclaiming party shall be relieved of its duty to register

under Section 131.13 of this Code if approval of the disclaimer has been granted by the Director or if the disclaimer is deemed to have been approved. ~~After a disclaimer is filed, the company is relieved of any duty to register or report under Section 131.13 which may arise out of the company's relationship with the person unless and until the Director disallows the disclaimer. The Director may disallow such a disclaimer only after furnishing all parties in interest with notice and opportunity to be heard and after making specific findings of fact to support the disallowance.~~

(Source: P.A. 84-805.)

(215 ILCS 5/131.20) (from Ch. 73, par. 743.20)

Sec. 131.20. Standards for transactions with affiliates; adequacy of surplus.

(1) Transactions ~~Material transactions~~ with their affiliates by companies subject to registration are subject to the following standards:

(a) the terms are fair and reasonable;

(a-5) agreements for cost sharing services and management shall include such provisions as may be required by rules and regulations issued by the Director;

(b) charges or fees for services performed are reasonable;

(c) expenses incurred and payment received must be allocated to the company ~~insurer~~ in conformity with

customary insurance accounting practices consistently applied;

(d) the books, accounts, and records of each party must be so maintained as to clearly and accurately disclose the precise nature and details of the transactions, including accounting information necessary to support the reasonableness of the charges or fees to the respective parties; and

(e) the company's surplus as regards policyholders following any transactions with affiliates or dividends or distributions to securityholders or affiliates must be reasonable in relation to the company's outstanding liabilities and adequate to meet its financial needs.

(2) For purposes of this Article, in determining whether a company's surplus as regards policyholders is reasonable in relation to the company's outstanding liabilities and adequate to meet its needs, the following factors, among others, may be considered:

(a) the size of the company as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria;

(b) the extent to which the company's business is diversified among ~~the~~ several lines of insurance;

(c) the number and size of risks insured in each line of business;

(d) the extent of the geographical dispersion of the

company's insured risks;

(e) the nature and extent of the company's reinsurance program;

(f) the quality, diversification, and liquidity of the company's investment portfolio;

(g) the recent past and projected future trend in the size of the company's investment portfolio ~~surplus as regards policyholders~~;

(h) the surplus as regards policyholders maintained by companies comparable to the registrant in respect of the factors enumerated in this paragraph;

(i) the adequacy of the company's reserves;

(j) the quality of the company's earnings and the extent to which the reported earnings include extraordinary items; and

(k) the quality and liquidity of investments in affiliates ~~subsidiaries made under Section 131.2 or 131.3.~~

The Director may discount any such investment or treat any such investment as a non-admitted asset for purposes of determining the adequacy of surplus as regards policyholders whenever the investment so warrants.

(Source: P.A. 88-364.)

(215 ILCS 5/131.20a) (from Ch. 73, par. 743.20a)

Sec. 131.20a. Prior notification of transactions; dividends and distributions.

(1) (a) The following transactions listed in items (i) through (vii) involving ~~between~~ a domestic company and any person in its insurance holding company system, including amendments or modifications (other than termination) of affiliate agreements previously filed pursuant to this Section, which are subject to any materiality standards contained in this Section, may not be entered into unless the company has notified the Director in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the Director may permit, and the Director has not disapproved it within such period. The notice for amendments or modifications (other than termination) shall include the reasons for the change and the financial impact on the domestic company. Informal notice shall be reported, within 30 days after a termination of a previously filed agreement, to the Director for determination of the type of filing required, if any.†

(i) Sales, purchases, exchanges of assets, loans or extensions of credit, guarantees, investments, or any other transaction, except dividends, ~~(A)~~ that involves the transfer of assets from or liabilities to a company (A) equal to or exceeding the lesser of 3% of the company's admitted assets or 25% of its surplus as regards policyholders as of the 31st day of December next preceding or (B) that is proposed when the domestic company is not eligible to declare and pay a dividend or other

distribution pursuant to the provisions of Section 27.

(ii) Loans or extensions of credit to any person that is not an affiliate (A) that involve the lesser of 3% of the company's admitted assets or 25% of the company's surplus, each as of the 31st day of December next preceding, made with the agreement or understanding that the proceeds of such transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, any affiliate of the company making such loans or extensions of credit or (B) that are proposed when the domestic company is not eligible to declare and pay a dividend or other distribution pursuant to the provisions of Section 27.

(iii) Reinsurance agreements or modifications thereto, including all reinsurance pooling agreements, reinsurance agreements in which the reinsurance premium or a change in the company's liabilities, or the projected reinsurance premium or a change in the company's liabilities in any of the next 3 years, equals or exceeds 5% of the company's surplus as regards policyholders, as of the 31st day of December next preceding, including those agreements that may require as consideration the transfer of assets from a company ~~an insurer~~ to a nonaffiliate, if an agreement or understanding exists between the company ~~insurer~~ and nonaffiliate that any portion of those assets will be

transferred to one or more affiliates of the company insurer.

(iv) All management agreements; service contracts, other than agency contracts; tax allocation agreements; all reinsurance allocation agreements related to reinsurance agreements required to be filed under this Section; and all cost-sharing arrangements, ~~and any other contracts providing for the rendering of services on a regular systematic basis.~~

(v) Direct or indirect acquisitions or investments in a person that controls the company, or in an affiliate of the company, in an amount which, together with its present holdings in such investments, exceeds 2.5% of the company's surplus as regards policyholders. Direct or indirect acquisitions or investments in subsidiaries acquired pursuant to Section 131.2 of this Article (or authorized under any other Section of this Code), or in non-subsidiary insurance affiliates that are subject to the provisions of this Article, are exempt from this requirement.

(vi) Any series of the previously described transactions that are substantially similar to each other, that take place within any 180 day period, and that in total are equal to or exceed the lesser of 3% of the domestic company's ~~insurer's~~ admitted assets or 25% of its policyholders surplus, as of the 31st day of the December next preceding.

(vii) ~~(vi)~~ Any other material transaction that the Director by rule determines might render the company's surplus as regards policyholders unreasonable in relation to the company's outstanding liabilities and inadequate to its financial needs or may otherwise adversely affect the interests of the company's policyholders or shareholders.

Nothing herein contained shall be deemed to authorize or permit any transactions that, in the case of a company ~~an insurer~~ not a member of the same holding company system, would be otherwise contrary to law.

(b) Any transaction or contract otherwise described in paragraph (a) of this subsection that is between a domestic company ~~insurer~~ and any person that is not its affiliate and that precedes or follows within 180 days or is concurrent with a similar transaction between that nonaffiliate and an affiliate of the domestic company and that involves amounts that are equal to or exceed the lesser of 3% of the domestic company's ~~insurer's~~ admitted assets or 25% of its surplus as regards policyholders at the end of the prior year may not be entered into unless the company has notified the Director in writing of its intention to enter into the transaction at least 30 days prior thereto or such shorter period as the Director may permit, and the Director has not disapproved it within such period.

(c) A company may not enter into transactions which are part of a plan or series of like transactions with any person



within the holding company system if the purpose of those separate transactions is to avoid the statutory threshold amount and thus avoid the review that would occur otherwise. If the Director determines that such separate transactions were entered into for such purpose, he may exercise his authority under subsection (2) of Section 131.24.

(d) The Director, in reviewing transactions pursuant to paragraph (a), shall consider whether the transactions comply with the standards set forth in Section 131.20 and whether they may adversely affect the interests of policyholders.

(e) The Director shall be notified within 30 days of any investment of the domestic company insurer in any one corporation if the total investment in that corporation by the insurance holding company system exceeds 10% of that corporation's voting securities.

(f) Except for those transactions subject to approval under other Sections of this Code, any such transaction or agreements which are not disapproved by the Director may be effective as of the date set forth in the notice required under this Section.

(g) If a domestic company insurer enters into a transaction described in this subsection without having given the required notification, the Director may cause the company insurer to pay a civil forfeiture of not more than \$250,000. Each transaction so entered shall be considered a separate offense.

(2) No domestic company subject to registration under

Section 131.13 may pay any extraordinary dividend or make any other extraordinary distribution to its shareholders ~~securityholders~~ until: (a) 30 days after the Director has received notice of the declaration thereof and has not within such period disapproved the payment, or (b) the Director approves such payment within the 30-day period. For purposes of this subsection, an extraordinary dividend or distribution is any dividend or distribution of cash or other property whose fair market value, together with that of other dividends or distributions, made within the period of 12 consecutive months ending on the date on which the proposed dividend is scheduled for payment or distribution exceeds the greater of: (a) 10% of the company's surplus as regards policyholders as of the 31st day of December next preceding, or (b) the net income of the company for the 12-month period ending the 31st day of December next preceding, but does not include pro rata distributions of any class of the company's own securities.

Notwithstanding any other provision of law, the company may declare an extraordinary dividend or distribution which is conditional upon the Director's approval, and such a declaration confers no rights upon security holders until: (a) the Director has approved the payment of the dividend or distribution, or (b) the Director has not disapproved the payment within the 30-day period referred to above.

(Source: P.A. 92-140, eff. 7-24-01.)

(215 ILCS 5/131.20b)

Sec. 131.20b. Controlled companies ~~insurers~~; management; directors.

(1) Notwithstanding the control of a domestic company ~~insurer~~ by any person, the officers and directors of the company ~~insurer~~ shall not thereby be relieved of any obligation or liability to which they would otherwise be subject by law, and the company ~~insurer~~ shall be managed so as to assure its separate operating identity consistent with this Article ~~VIII~~ ~~1/2 of this Code~~.

(2) Nothing in this Section shall preclude a domestic company ~~insurer~~ from having or sharing a common management or a cooperative or joint use of personnel, property, or services with one or more affiliated persons under arrangements meeting the standards and requirements of Sections 131.20 and 131.20a.

(3) ~~Not After June 30, 2002, not~~ less than one-third of the directors of a domestic company, and not less than one-third of the members of each committee of the board of directors of any domestic company, ~~insurer~~ that is a member of an insurance holding company system shall be persons who are not officers or employees of the company ~~insurer~~ or of any entity controlling, controlled by, or under common control with the company ~~insurer~~ and who are not beneficial owners of a controlling interest in the voting stock of the company ~~insurer~~ or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of

directors or any committee thereof.

(3.5) The board of directors of a domestic company or ultimate controlling company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. The committee or committees shall have responsibility for nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the company, and recommending to the board of directors the selection and compensation of the principal officers.

(4) Subsections ~~Subsection~~ (3) and (3.5) of this Section do  
does not apply to a domestic company insurer if the ultimate  
controlling company or the person entity controlling the  
company, such as a company, a mutual insurance holding company,  
or a publicly held corporation, has a board of directors and  
committees thereof that meet the requirements of subsections  
(3) and (3.5) with respect to such controlling entity or are  
subject to and meet the requirements of the corporate  
governance rules of a national securities exchange, such as the  
New York Stock Exchange, or an inter-dealer quotation system,  
such as the National Association of Securities Dealers  
Automatic Quotation the insurer, whether directly or through an

~~intermediate subsidiary, has a board of directors composed in accordance with that subsection.~~

~~(5) (Blank). Subsection (3) of this Section does not apply to a domestic insurer if the ultimate controlling party of the domestic insurer is a corporation whose equity securities or equivalent instruments are listed on the New York Stock Exchange.~~

(6) A company may make application to the Director for a waiver from the requirements of this Section, if the company's annual direct written and assumed premium, excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, is less than \$300,000,000. A company may also make application to the Director for a waiver from the requirements of this Section based upon unique circumstances. The Director may consider various factors, including, but not limited to, the type of business entity, volume of business written, availability of qualified board members, or the ownership or organizational structure of the entity.

(Source: P.A. 92-140, eff. 7-24-01.)

(215 ILCS 5/131.20c new)

Sec. 131.20c. Supervisory colleges.

(a) With respect to any company registered under Section 131.13 of this Code, and in accordance with subsection (c) of this Section, the Director shall also have the power to participate in a supervisory college for any domestic company

that is part of an insurance holding company system with international operations in order to determine compliance by the company with this Article. The powers of the Director with respect to supervisory colleges include, but are not limited to:

(1) initiating the establishment of a supervisory college;

(2) clarifying the membership and participation of other supervisors in the supervisory college;

(3) clarifying the functions of the supervisory college and the role of other regulators, including the establishment of a group-wide supervisor;

(4) coordinating the ongoing activities of the supervisory college, including planning meetings, supervisory activities, and processes for information sharing; and

(5) establishing a crisis management plan.

(b) Each registered company subject to this Section shall be liable for and shall pay the reasonable expenses of the Director's participation in a supervisory college in accordance with subsection (c) of this Section, including reasonable travel expenses. For purposes of this Section, a supervisory college may be convened as either a temporary or permanent forum for communication and cooperation between the regulators charged with the supervision of the company or its affiliates, and the Director may establish a regular assessment

to the company for the payment of these expenses.

(c) In order to assess the business strategy, financial position, legal and regulatory position, risk exposure, risk management, and governance processes, and as part of the examination of individual companies in accordance with Section 131.21 of this Code, the Director may participate in a supervisory college with other regulators charged with supervision of the company or its affiliates, including other state, federal, and international regulatory agencies. The Director may enter into agreements in accordance with Section 131.22 of this Code providing the basis for cooperation between the Director and the other regulatory agencies and the activities of the supervisory college. Nothing in this Section shall delegate to the supervisory college the authority of the Director to regulate or supervise the company or its affiliates within its jurisdiction.

(215 ILCS 5/131.21) (from Ch. 73, par. 743.21)

Sec. 131.21. Examination.

(1) Subject to the limitation contained in this section and in addition to the powers which the Director has under Sections 132 through 132.7 and 401 through 403 of this Code relating to the examination of companies, the Director shall have the power to examine any company registered under Section 131.13 of this Code and its affiliates to ascertain the financial condition of the company, including the enterprise risk to the company by

~~the ultimate controlling party, or by any entity or combination of entities within the insurance holding company system, or by the insurance holding company system on a consolidated basis. also has the power to order any company registered under Section 131.13 to produce such records, books, or other information papers in the possession of the company or its affiliates as are reasonably necessary to ascertain the financial condition of such company or to determine compliance with this Article. In the event the company fails to comply with the order, the Director has the power to examine the affiliates to obtain such information.~~

(1.5) The Director may order any company registered under Section 131.13 of this Code to produce such records, books, or other information papers in the possession of the company or its affiliates as are reasonably necessary to determine compliance with this Article. To determine compliance with this Article, the Director may order any company registered under Section 131.13 of this Code to produce information not in the possession of the company if the company can obtain access to such information pursuant to contractual relationships, statutory obligations, or other methods. In the event the company cannot obtain the information requested by the Director, the company shall provide the Director a detailed explanation of the reason that the company cannot obtain the information and the identity of the holder of the information. Whenever the Director determines that the detailed explanation



is without merit, the Director may require, after notice and hearing, the company to pay a penalty of up to \$1,000 for each day's delay, or may suspend or revoke the company's license.

(2) The Director may retain at the registered company's expense any attorneys, actuaries, accountants and other experts not otherwise a part of the Director's staff as may be reasonably necessary to assist in the conduct of the examination under subsection (1). Any persons so retained are under the direction and control of the Director and may act in a purely advisory capacity.

(3) Each registered company producing for examination records, books and papers under subsection (1.5) ~~(1)~~ is liable for and must pay the expense of the examination in accordance with Section 408 of this Code.

(4) The Director may retain at the registered company's expense any attorneys, actuaries, accountants, and other experts not otherwise a part of the Director's staff as may be reasonably necessary to assist in the conduct of the examination under subsection (1) of this Section. Any persons so retained are under the direction and control of the Director and may act in a purely advisory capacity.

(5) In the event the company fails to comply with an order, the Director shall have the power to examine the affiliates to obtain the information. The Director shall also have the power to issue subpoenas, to administer oaths, and to examine under oath any person for purposes of determining compliance with

this Section. Upon the failure or refusal of any person to obey a subpoena, the Director may petition a court of competent jurisdiction and, upon proper showing, the court may enter an order compelling the witness to appear and testify or produce documentary evidence. Failure to obey the court order shall be punishable as contempt of court. Every person shall be obliged to attend as a witness at the place specified in the subpoena, when subpoenaed, anywhere within the State. He or she shall be entitled to the same fees and mileage, if claimed, as a witness in the Circuit Court, which fees, mileage, and actual expense, if any, necessarily incurred in securing the attendance of witnesses, and their testimony, shall be itemized and charged against, and be paid by, the company being examined.

(Source: P.A. 89-97, eff. 7-7-95.)

(215 ILCS 5/131.22) (from Ch. 73, par. 743.22)

Sec. 131.22. Confidential treatment.

(a) Documents, materials, or other information in the possession or control of the Department that are obtained by or disclosed to the Director or any other person in the course of an examination or investigation made pursuant to this Article and all information reported pursuant to this Article shall be confidential by law and privileged, shall not be subject to the Illinois Freedom of Information Act, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. However, the Director

is authorized to use the documents, materials, or other information in the furtherance of any regulatory or legal action brought as a part of the Director's official duties. The Director shall not otherwise make the documents, materials, or other information public without the prior written consent of the company to which it pertains unless the Director, after giving the company and its affiliates who would be affected thereby prior written notice and an opportunity to be heard, determines that the interest of policyholders, shareholders, or the public shall be served by the publication thereof, in which event the Director may publish all or any part in such manner as may be deemed appropriate.

(b) Neither the Director nor any person who received documents, materials, or other information while acting under the authority of the Director or with whom such documents, materials, or other information are shared pursuant to this Article shall be permitted or required to testify in any private civil action concerning any confidential documents, materials, or information subject to subsection (a) of this Section.

(c) In order to assist in the performance of the Director's duties, the Director:

(1) may share documents, materials, or other information, including the confidential and privileged documents, materials, or information subject to subsection (a) of this Section, with other state, federal, and

international regulatory agencies, with the NAIC and its affiliates and subsidiaries, and with state, federal, and international law enforcement authorities, including members of any supervisory college allowed by this Article, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the document, material, or other information, and has verified in writing the legal authority to maintain confidentiality;

(1.5) notwithstanding paragraph (1) of this subsection (c), may only share confidential and privileged documents, material, or information reported pursuant to Section 131.14b with commissioners of states having statutes or regulations substantially similar to subsection (a) of this Section and who have agreed in writing not to disclose such information;

(2) may receive documents, materials, or information, including otherwise confidential and privileged documents, materials, or information from the NAIC and its affiliates and subsidiaries and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information; any such documents, materials, or information, while in the Director's

possession, shall not be subject to the Illinois Freedom of Information Act and shall not be subject to subpoena; and

(3) shall enter into written agreements with the NAIC governing sharing and use of information provided pursuant to this Article consistent with this subsection (c) that shall (i) specify procedures and protocols regarding the confidentiality and security of information shared with the NAIC and its affiliates and subsidiaries pursuant to this Article, including procedures and protocols for sharing by the NAIC with other state, federal, or international regulators; (ii) specify that ownership of information shared with the NAIC and its affiliates and subsidiaries pursuant to this Article remains with the Director and the NAIC's use of the information is subject to the direction of the Director; (iii) require prompt notice to be given to a company whose confidential information in the possession of the NAIC pursuant to this Article is subject to a request or subpoena to the NAIC for disclosure or production; and (iv) require the NAIC and its affiliates and subsidiaries to consent to intervention by a company in any judicial or administrative action in which the NAIC and its affiliates and subsidiaries may be required to disclose confidential information about the company shared with the NAIC and its affiliates and subsidiaries pursuant to this Article.

(d) The sharing of documents, materials, or information by

the Director pursuant to this Article shall not constitute a delegation of regulatory authority or rulemaking, and the Director is solely responsible for the administration, execution, and enforcement of the provisions of this Article.

(e) No waiver of any applicable privilege or claim of confidentiality in the documents, materials, or information shall occur as a result of disclosure to the Director under this Section or as a result of sharing as authorized in subsection (c) of this Section.

(f) Documents, materials, or other information in the possession or control of the NAIC pursuant to this Article shall be confidential by law and privileged, shall not be subject to the Illinois Freedom of Information Act, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. ~~All information, documents, and copies thereof obtained by or disclosed to the Director or any other person in the course of an examination or investigation made under Section 131.21 and all information submitted under Sections 131.13 or 131.20a and all personal financial statement information submitted under Section 131.5 must be given confidential treatment and is not subject to subpoena and may not be made public by the Director or any other person, without the prior written consent of the company to which it pertains unless the Director, after giving the company and its affiliates who would be affected thereby notice and opportunity to be heard, determines that the~~

~~interests of policyholders, shareholders or the public will be served by the publication thereof in which event he may publish all or any part thereof in such manner as he may deem appropriate.~~

~~Nothing contained in this Section shall prevent or be construed as prohibiting the Director from disclosing such information to the insurance department of any other state or county or to law enforcement officials of this or any other state or agency of the federal government at any time upon the written agreement of the entity receiving the information to hold that information confidential and in a manner consistent with this Code.~~

(Source: P.A. 88-364.)

(215 ILCS 5/131.23) (from Ch. 73, par. 743.23)

Sec. 131.23. Injunctions; prohibitions against voting securities; sequestration of voting securities. (1) Whenever it appears to the Director that any company or any director, officer, employee or agent thereof has committed or is about to commit a violation of this Article or of any rule, regulation, or order issued by the Director hereunder, the Director may apply to the Circuit Court for the county in which the principal office of the company is located or to the Circuit Court for Sangamon County for an order enjoining the company or the director, officer, employee or agent thereof from violating or continuing to violate this Article or any rule, regulation

or order, and for any other equitable relief as the nature of the case and the interests of the company's policyholders, creditors or the public may require. In any proceeding, the validity of the rule, regulation or order alleged to have been violated may be determined by the Court.

(2) No security or shareholder's or policyholder's proxy which is the subject of any agreement or arrangement regarding acquisition, or which is acquired or to be acquired, in contravention of this Article or of any rule, regulation or order issued by the Director hereunder may be voted at any shareholders' ~~securityholders'~~ meeting, or may be counted for quorum purposes, and any action of shareholders ~~securityholders'~~ requiring the affirmative vote of a percentage of securities shall ~~may~~ be taken as though such securities (including securities that may be voted pursuant to such proxies) were not issued and outstanding; but no action taken at any such meeting may be invalidated by the voting of such securities or proxies, unless the action would materially affect control of the company or unless any court of this State has so ordered. If the Director has reason to believe that any security or shareholder's or policyholder's proxy of the company has been or is about to be acquired in contravention of this Article or of any rule, regulation or order issued by the Director hereunder the company or the Director may apply to the Circuit Court for Sangamon County or to the Circuit Court for the county in which the company has its principal place of



business (a) to enjoin the further pursuit or use of any offer, request, invitation, agreement or acquisition made in contravention of Sections 131.4 through 131.12 or any rule, regulation, or order issued by the Director thereunder; (b) to enjoin the voting of any security or proxy so acquired; (c) to void any vote of such security or proxy already cast at any meeting of shareholders ~~securityholders~~; and (d) for any other equitable relief as the nature of the case and the interests of the company's policyholders, creditors, or the public may require.

(3) In any case where a person has acquired or is proposing to acquire any voting securities or shareholder's or policyholder's proxy in violation of this Article or any rule, regulation or order issued by the Director hereunder, the Circuit Court for Sangamon County or the Circuit Court for the county in which the company has its principal place of business may, on such notice as the court deems appropriate, upon the application of the company or the Director seize or sequester any voting securities or shareholder's or policyholder's proxy of the company owned directly or indirectly by such person, and issue any orders with respect thereto as may be appropriate to effectuate this Article. Notwithstanding any other provisions of law, for the purposes of this Article, the situs of the ownership of the securities of domestic companies is deemed to be in this State.

(4) If the Director has reason to believe that any

shareholders' or policyholders' proxies have been or are about to be acquired in contravention of this Article or of any rule, regulations or order issued by the Director hereunder, the Director may apply to the Circuit Court for Sangamon County or to the Circuit Court for the county in which the company has its principal place of business (a) to enjoin further pursuit or use of any offer, request, invitation, agreement or acquisition made in contravention of Section 131.4 through 131.12 and (b) for any other equitable relief as the nature of the case and the interests of the company's policyholders, creditors or the public may require.

(Source: P.A. 84-805.)

(215 ILCS 5/131.24) (from Ch. 73, par. 743.24)

Sec. 131.24. Sanctions.

(1) Every director or officer of an insurance holding company system who knowingly violates, participates in, or assents to, or who knowingly permits any of the officers or agents of the company to engage in transactions or make investments which have not been properly filed or approved or which violate this Article, shall pay, in their individual capacity, a civil forfeiture of not more than \$100,000 per violation, after notice and hearing before the Director. In determining the amount of the civil forfeiture, the Director shall take into account the appropriateness of the forfeiture with respect to the gravity of the violation, the history of

previous violations, and such other matters as justice may require.

(2) Whenever ~~it appears to~~ the Director determines that any company subject to this Article or any director, officer, employee or agent thereof has engaged in any transaction or entered into a contract which is subject to Section 131.20, and any one of Sections 131.16, 131.20a, 141, 141.1, or 174 of this Code and which would not have been approved had such approval been requested or would have been disapproved had required notice been given, the Director may order the company to cease and desist immediately any further activity under that transaction or contract. After notice and hearing the Director may also order (a) the company to void any such contracts and restore the status quo if such action is in the best interest of the policyholders or the public, and (b) any affiliate of the company, which has received from the company dividends, distributions, assets, loans, extensions of credit, guarantees, or investments in violation of any such Section, to immediately repay, refund or restore to the company such dividends, distributions, assets, extensions of credit, guarantees or investments.

(3) Whenever ~~it appears to~~ the Director determines that any company or any director, officer, employee or agent thereof has committed a willful violation of this Article, the Director may cause criminal proceedings to be instituted in the Circuit Court for the county in which the principal office of the

company is located or in the Circuit Court of Sangamon or Cook County against such company or the responsible director, officer, employee or agent thereof. Any company which willfully violates this Article commits a business offense and may be fined up to \$500,000. Any individual who willfully violates this Article commits a Class 4 felony and may be fined in his individual capacity not more than \$500,000 or be imprisoned for not less than one year nor more than 3 years, or both.

(4) Any officer, director, or employee of an insurance holding company system who willfully and knowingly subscribes to or makes or causes to be made any false statements or false reports or false filings with the intent to deceive the Director in the performance of his duties under this Article, commits a Class 3 felony and upon conviction thereof, shall be imprisoned for not less than 2 years nor more than 5 years or fined \$500,000 or both. Any fines imposed shall be paid by the officer, Director, or employee in his individual capacity.

(5) Whenever the Director determines that any person has committed a violation of Section 131.14b of this Code which prevents the full understanding of the enterprise risk to the company by affiliates or by the insurance holding company system, the violation may serve as an independent basis, after an opportunity for a hearing, for disapproving dividends or distributions and for placing the company under an order of supervision in accordance with Article XII 1/2 of this Code.

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

(215 ILCS 5/131.26) (from Ch. 73, par. 743.26)

Sec. 131.26. Revocation, suspension, or non-renewal of company's license. Whenever ~~it appears to~~ the Director determines that any person has committed a violation of this Article which makes the continued operation of a company contrary to the interests of policyholders or the public, the Director may, after notice and hearing suspend, revoke or refuse to renew the company's license or authority to do business in this State for such a period as the Director ~~he~~ finds is required for the protection of policyholders or the public. Any such determination must be accompanied by specific findings of fact and conclusions of law.

(Source: P.A. 77-673.)

(215 ILCS 5/131.27) (from Ch. 73, par. 743.27)

Sec. 131.27. Judicial review.

(1) Any order or decision made, issued or executed by the Director under this Article whereby any person or company is aggrieved is subject to review by the Circuit Court of Sangamon County or the Circuit Court of Cook County.

The Administrative Review Law, as now or hereafter amended, and the rules adopted pursuant thereto, applies to and governs all proceedings for review of final administrative decisions of the Director provided for in this Section. The term "administrative decision" is defined as in Section 3-101 of the

Code of Civil Procedure.

(2) The filing of an appeal pursuant to this Section shall stay the application of any rule, regulation, order, or other action of the Director to the appealing party unless the court, after giving the party notice and an opportunity to be heard, determines that a stay would be detrimental to the interest of policyholders, shareholders, creditors, or the public.

(3) Any person aggrieved by any failure of the Director to act or make a determination required by this Article may petition the circuit courts of Sangamon County or Cook County for a writ in the nature of a mandamus or a peremptory mandamus directing the Director to act or make a determination.

(Source: P.A. 82-783.)

(215 ILCS 5/131.29 new)

Sec. 131.29. Rulemaking power. The Director may adopt such administrative rules as are necessary to implement the provisions of this Article.

(215 ILCS 5/131.30 new)

Sec. 131.30. Conflict with other laws. This Article supersedes all laws and parts of laws of this State inconsistent with this Code with respect to matters covered by this Code.

(215 ILCS 5/408.3) (from Ch. 73, par. 1020.3)

Sec. 408.3. Insurance Financial Regulation Fund; uses. The monies deposited into the Insurance Financial Regulation Fund shall be used only for (i) payment of the expenses of the Department, including related administrative expenses, incurred in analyzing, investigating and examining the financial condition or control of insurance companies and other entities licensed or seeking to be licensed by the Department, including the collection, analysis and distribution of information on insurance premiums, other income, costs and expenses, and (ii) to pay internal costs and expenses of the Interstate Insurance Receivership Commission allocated to this State and authorized and admitted companies doing an insurance business in this State under Article X of the Interstate Receivership Compact. All distributions and payments from the Insurance Financial Regulation Fund shall be subject to appropriation as otherwise provided by law for payment of such expenses.

Sums appropriated under clause (ii) of the preceding paragraph shall be deemed to satisfy, pro tanto, the obligations of insurers doing business in this State under Article X of the Interstate Insurance Receivership Compact.

Nothing in this Code shall prohibit the General Assembly from appropriating funds from the General Revenue Fund to the Department for the purpose of administering this Code.

No fees collected pursuant to Section 408 of this Code shall be used for the regulation of pension funds or activities

by the Department in the performance of its duties under Article 22 of the Illinois Pension Code.

If at the end of a fiscal year the balance in the Insurance Financial Regulation Fund which remains unexpended or unobligated exceeds the amount of funds that the Director may certify is needed for the purposes enumerated in this Section, then the General Assembly may appropriate that excess amount for purposes other than those enumerated in this Section.

~~Moneys in the Insurance Financial Regulation Fund may be transferred to the Professions Indirect Cost Fund, as authorized under Section 2105-300 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois.~~

(Source: P.A. 94-91, eff. 7-1-05.)

Section 97. Severability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes.

Section 99. Effective date. This Act takes effect January 1, 2014, except that Section 131.14b of the Illinois Insurance Code takes effect July 1, 2014.