AN ACT concerning insurer security deposits.

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 26, 53, 74, 278, 327, and 341 as follows:

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

Sec. 26. Deposit. A ~~Every~~ company subject to the provisions of this Article shall make and maintain with the Director for the protection of all creditors, policyholders and policy obligations of the company, a deposit of securities which are authorized investments under Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2) having a fair market value equal to the minimum capital and surplus required to be maintained under Section 13. The Director may release the required deposit of securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the company that it has no outstanding creditors, policyholders, or policy obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the company's board of directors effecting the surrender of its articles of incorporation for administrative dissolution by the Director; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the company, together with a plan of dissolution approved by the Director.

(Source: P.A. 90-410, eff. 8-15-97.)

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

Sec. 53. Deposit. A ~~Each~~ company subject to the provisions of this Article shall make and maintain with the Director for the protection of all creditors, policyholders

Originated in the Senate

Secretary of the Senate

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and policy obligations of the company, a deposit of securities which are authorized investments under Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2) having a fair market value equal to the minimum surplus required to be maintained under Section 43. The Director may release the required deposit of securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the company that it has no outstanding creditors, policyholders, or policy obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the company's board of directors effecting the surrender of its articles of incorporation for administrative dissolution by the Director; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the company, together with a plan of dissolution approved by the Director.

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

(215 ILCS 5/74) (from Ch. 73, par. 686)

Sec. 74. Deposit. A ~~Each~~ domestic reciprocal subject to the provisions of this Article shall make and maintain with the Director, for the protection of all creditors, policyholders and policy obligations of the reciprocal, a deposit of securities that are authorized investments under Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2), having a fair market value equal to the surplus required to be maintained under Section 66. The Director may release the required deposit of securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the reciprocal company that it has no outstanding creditors, policyholders, or policy obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the governing body of the reciprocal's attorney-in-fact effecting the surrender of its

certificate of authority and declaration of organization for administrative dissolution by the Director; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the reciprocal's attorney-in-fact, together with a plan of dissolution approved by the Director.

(Source: P.A. 90-418, eff. 8-15-97; 90-655, eff. 7-30-98.)

(215 ILCS 5/278) (from Ch. 73, par. 890)

Sec. 278. Reserve deposits. A ~~Each~~ company subject to this Article shall from time to time deposit with the Director, securities of the kind authorized for investment by a company transacting the kind of business enumerated in Class 1 of Section 4, in such amount that the market value of the securities deposited shall, at all times, be at least equal to the total of the reserved required by this Code on the life contracts issued by said company until there shall be on deposit at least $200,000. Thereafter, while the reserves on all such contracts are maintained, further deposits shall be optional with the company. Each separate deposit, except in the case of newly organized companies during the first 2 years of existence, shall be in the sum of not less than $1,000 and such securities may be deposited at any time. Any such company may at any time, withdraw any of such securities in excess of the minimum herein required and may from time to time exchange any of such securities by depositing others of the kind in which the company is authorized to invest, of equal value. So long as the said company shall remain solvent and maintain its deposits as herein required, it may collect the interest or other income of the securities deposited as the same may accrue. All such deposits shall be held by the Director in trust for the benefit of the holders of life contracts upon which contracts reserves at least equal to the minimum reserves prescribed by Section 281 are required. The Director may release the

required deposit of securities upon receipt of an order of a 161
court having proper jurisdiction or upon: (i) certification 163
by the company that it has no outstanding life contracts on
which reserves are required, life insurance policyholders, or 165
policy obligations in effect and no plans to engage in the
business of insurance; (ii) receipt of a lawful resolution of 166
the company's board of directors effecting the surrender of 167
its articles of incorporation for administrative dissolution 169
by the Director; and (iii) receipt of the name and forwarding 170
address for each of the final officers and directors of the
company, together with a plan of dissolution approved by the 172
Director.
(Source: Laws 1959, p. 1148.) 174

(215 ILCS 5/327) (from Ch. 73, par. 939) 177
Sec. 327. Benefit fund. 180
(1) An ~~Every~~ association shall maintain a benefit fund 182
which shall be used solely for the payment of claims of 184
members and no part thereof shall be used for defraying the 185
expenses of the association. Such fund, any portion of which 186
may be deposited with the Director, may be held in cash or
invested in securities of the United States Government or of 187
the State of Illinois, and not otherwise. All moneys or other 188
assets of the benefit account, as defined in the Act 189
mentioned in Section 316, of any association shall upon the 190
effective date of this Code be deemed transferred to and 191
become a part of its benefit fund. The minimum amount of such 192
benefit fund at all times after one year from the effective
date of this Code shall be $1,000, plus the sum of $200 for 193
each 100 members in excess of 500. If the benefit fund of any 194
association at any time after one year from the effective 195
date of this Code shall be less than the minimum amount 196
required by this Section and is not increased to such minimum
within 90 days, the association shall be deemed insolvent and 197

the Director shall proceed against it under Article XIII. The Director may release any required benefit fund deposit upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the association that it has no outstanding member creditors, member certificates, or member obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the association's board of directors effecting the surrender of its charter and articles of incorporation for administrative dissolution by the Director; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the company, together with a plan of dissolution approved by the Director.

(2) Whenever the association shall have been notified of any loss under its certificate of membership, which exceeds in amount the benefit fund of the association, the president shall convene the directors of the association who shall levy an assessment against all members for an amount sufficient to pay all such losses of the association at the time said assessment is made and for an amount in excess thereof sufficient to maintain the minimum amount of the benefit fund as provided in this Section. Assessments provided for in this section shall be distributed equally against all members of the association except for children under 16 years of age. The board of directors shall assess each such child an amount not to exceed one half of the amount levied against each other member.

(3) In order to provide for an unexpected number of deaths, an association shall have the right to levy additional assessments whenever in the discretion of the board of directors the same shall be deemed advisable except that no assessment may be levied if the amount in the benefit fund exceeds, or if such assessment will increase the amount of the benefit fund in excess of a sum equal to $25 per

member in good standing. The entire proceeds of all such additional assessments shall be placed in the benefit fund. (Source: Laws 1957, p. 68.)

(215 ILCS 5/341) (from Ch. 73, par. 953)

Sec. 341. Deposit required.

(1) A ~~Every~~ burial society shall maintain with the Director a deposit of cash or securities in an amount of at least $1,000 ~~one-thousand-dollars~~. A ~~Any~~ society having a membership of more than 2,500 ~~twenty-five-hundred~~ members and less than 5,000 ~~five--thousand~~ members shall maintain a deposit with the Director of $5,000 ~~five-thousand-dollars~~. A ~~Any~~ society having a membership of more than 5,000 ~~five thousand~~ members and less than 10,000 ~~ten--thousand~~ members shall maintain a deposit with the Director of $10,000 ~~ten thousand-dollars~~. A ~~Any~~ society having more than 10,000 ~~ten thousand~~ members shall maintain a deposit with the Director of $10,000 ~~ten-thousand-dollars~~ and an additional $1,000 ~~one thousand--dollars~~ for each 1,000 ~~one--thousand~~ members in excess of 10,000 ~~ten-thousand~~.

(2) All deposits as required herein shall be in cash or in securities permitted by section 346.

(3) The Director may release the required deposit of cash or securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the burial society that it has no outstanding creditors, policyholders, certificate holders, or member obligations in effect and no plans to engage in the business of insurance; (ii) receipt of a lawful resolution of the burial society's board of directors effecting the surrender of its articles of incorporation for administrative dissolution by the Director; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the burial society, together with a plan of dissolution approved by the Director.

(Source: Laws 1937, p. 696.)

Section 10. The Health Maintenance Organization Act is amended by changing Section 2-6 as follows:

(215 ILCS 125/2-6) (from Ch. 111 1/2, par. 1406.2)

Sec. 2-6. Statutory Deposits. An ~~Every~~ organization subject to the provisions of this Act shall make and maintain with the Director through December 30, 1993, for the protection of enrollees of the organization, a deposit of securities which are authorized investments under paragraphs (1) and (2) of subsection (h) of Section 3-1 having a fair market value equal to at least $100,000. Effective December 31, 1993 and through December 30, 1994, the deposit shall have a fair market value at least equal to $200,000. Effective December 31, 1994 and thereafter, the deposit shall have a fair market value at least equal to $300,000. An organization issued a certificate of authority on or after the effective date of this Amendatory Act of 1993, shall make and maintain with the Director; for the protection of enrollees of the organization, a deposit of securities which are authorized investments under paragraphs (1) and (2) of subsection (h) of Section 3-1 having a fair market value equal to at least $300,000. The amount on deposit shall remain as an admitted asset of the organization in the determination of its net worth. The Director may release the required deposit of securities upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the organization that it has no outstanding enrollee creditors, enrollees, certificate holders, or enrollee obligations in effect and no plans to engage in the business of insurance as a health maintenance organization; (ii) receipt of a lawful resolution of the organization's governing body effecting the surrender of its certificate of

authority, articles of incorporation, or other organizational documents to their issuing governmental officer for voluntary or administrative dissolution; and (iii) receipt of the name and forwarding address for each of the final officers and directors of the organization, together with a plan of dissolution approved by the Director.

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

Section 15. The Limited Health Service Organization Act is amended by changing Section 2006 as follows:

(215 ILCS 130/2006) (from Ch. 73, par. 1502-6)

Sec. 2006. Statutory deposits.

(a) An ~~Every~~ organization subject to the provisions of this Act shall make and maintain with the Director, for the protection of enrollees of the organization, a deposit of securities that are in the form authorized under Section 2-6 of the Health Maintenance Organization Act having a fair market value equal to the minimum net worth required under subsection (a) of Section 2004. The amount on deposit shall remain as an admitted asset of the organization in the determination of its net worth. The Director may release the required deposit of securities required by this Section upon receipt of an order of a court having proper jurisdiction or upon: (i) certification by the organization that it has no outstanding enrollee creditors, enrollees, certificate holders, or enrollee obligations in effect and no plans to engage in the business of insurance as a limited health service organization; (ii) receipt of a lawful resolution of the organization's governing body effecting the surrender of its certificate of authority, articles of incorporation, or other organizational documents to their issuing governmental officer for voluntary or administrative dissolution; and (iii) receipt of the name and forwarding address for each of

the final officers and directors of the organization, together with a plan of dissolution approved by the Director.

(b) An LHSO that offers a POS contract shall, in addition to the deposit required by subsection (a), deposit and maintain with the Director cash or securities that are authorized investments under Section 1003 having a fair market value equal to the greater of:

(1) $50,000 if the LHSO's expenditures for out-of-plan covered services do not exceed 10% of its total limited health expenditures in any calendar quarter; or

(2) $100,000 if the LHSO's expenditures for out-of-plan covered services exceeds 10% but are less than 20% of its total limited health services expenditure in any calendar quarter; or

(3) 120% of its current actual monthly out-of-plan covered service claims expense plus incurred but not reported balances for out-of-plan covered services.

(c) The combined deposit amount required in subsections (a) and (b) shall not exceed $200,000.

(Source: P.A. 87-1079; 88-364; 88-667, eff. 9-16-94.)

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

President of the Senate

Michael J. Madigan
Speaker, House of Representatives

APPROVED

this 12th day of July, 20 01 A.D.,

George H. Ryan
GOVERNOR