

**Requirements for Formation of
Property and Casualty Inter-Insurance
Exchange (Article IV, Illinois
Insurance Code, 215, ILCS)**

Applicants must utilize the NAIC's Primary Application available at <https://content.naic.org/industry/ucaa>. The complete Primary Application, and the check made payable to the Illinois Department of Insurance, should be mailed in an original paper format to the following mailing address:

Marcy Savage
Deputy Director – Corporate Regulation
Illinois Department of Insurance
320 West Washington Street, 4th Floor
Springfield, IL 62767-0001

In conjunction with the Primary Application, applicants should also adhere to the following requirements and instructions set forth below when preparing their Primary formation application to this Department. Documents with signature lines and all NAIC Biographical Affidavits require original ink signatures as part of this Primary Application.

1. Request to Director of Insurance for reservation of name.
(Section 63).
2. Submission of documents to Director of Insurance (Section 69):
 - a) Declaration of Organization in duplicate originals (Section 68 and 69(a)).
 - b) Power of Attorney form in duplicate, with Certificate of Adoption by Attorney-in-Fact. Section 67 and 69 (d)).
 - c) Appointment of Director of Insurance as attorney for service of process (printed form). Section 77 and 69(c)).
 - d) All forms of policies or contracts proposed to be used, and forms of applications therefor. (Section 69 (d)).
 - e) Two organization bonds in favor of the State of Illinois. (Section 69(c), 70, 16):
 - For the use and benefit of the State of Illinois.
 - For the use and benefit of subscribers and creditors.
 - f) Form of guaranty fund agreement or guaranty capital shares certificate, in duplicate with certificate of adoption by Attorney-in-Fact. (Section 69(f), 76 and 56).
 - g) Articles of Incorporation of Attorney-in-Fact certified a true copy of the Secretary of State.
 - h) Proposed written Investment Plan (Section 126.4)
 - i) Executed Escrow Agreement: (Section 69.1).
3. Information required by Section 155.04:
 - a) Paragraphs (1), (2) and (3) are the Section 131.5 items to be filed. Definitions are as follows:
 - (1) For incorporation purposes the acquiring party is the person(s) who will be the ultimate controlling persons as defined by Section 131.1(b) and (e)
 - (2) Source and nature of consideration being used as organization capital/surplus

- (3) Current financial information on ultimate controlling person(s) must be audited except where the ultimate controlling person(s) is an individual(s) a compiled statement may be submitted.
 - b) Plan of Operations (see attached).
 - c) Biographical statements by all promoters, incorporators and proposed management personnel (Part 915 of Regulations) - The attached biographical form may be reproduced as to number needed.
- 4. Approval of Declaration of Organization by Director of Insurance (Section 71}. The date of approval is the date of organization of the Exchange.
- 5. Issuance by Director of Permit to solicit subscriptions to Guaranty Fund or to Guaranty Capital.
- 6. Notification to Director of deposit of guaranty fund or guaranty capital in Bank with request for examination. (Section 73}.
- 7. Issuance by Director of Insurance of warranty for examination. (Section 73).
- 8. Examination as to possession of required capital and surplus (Section 73).
- 9. Subscription to the Illinois Automobile Assigned Risk Plan, 20 North Wacker Drive, Chicago, IL 60606 (Class 2, (b} and Class 3 (e) is to be written}.
- 10. Acceptance of "An Act to provide insurance for employers who have been rejected, etc.," if Class 2 (d}, Workers' Compensation is to be written (Printed Form}. (215 ILCS 5/468}.
- 11. Articles of Acceptance (Membership Agreement) to the Illinois FAIR Plan authorized by the Urban Property Insurance Act of 1968 to implement the Illinois FAIR Plan, if Class 3, Fire and Allied Lines is to be written. (Printed Form - complete and return two copies).
- 12. Deposit with Director (Section 74).
- 13. Check for fees (Section 408).
- 14. Issuance of Certificate of Authority (Section 73).
- 15. Release of organization bonds by Director of Insurance or return of cash or securities deposited in lieu thereof.
- 16. Obtain a Federal Employment Identification Number and advise this Department of the number.

REFERENCES: It will be necessary that you study the Illinois Insurance Code and The Illinois Securities Law for your guidance. This sheet is only an outline guide for your convenience. The Code may be obtained from Nation Insurance Law Service, NILS Publishing Company, 20675 Bahama Street, PO Box 2507, Chatsworth, CA 91311. The Code may be obtained from The Michie Company, PO Box 7587, Charlottesville, VA 22906-7587. The Illinois Securities Law may be obtained from the Secretary of State. The Illinois Insurance Code can also be found in Chapter 215, Illinois Compiled Statutes.

Corporate Plan of Operation in Illinois

(Project items 3 years into the future, except for debt servicing if applicable)

Use the following outline as a minimum reporting base:

- a) **Product Lines - types of business to be solicited**
 - type of business to be solicited - standard or substandard
 - projected volume for each type or line of business
 - each type of business as percent share of all types of business in Illinois
 - expected market penetration
 - description of policies
 - maximum limits to be offered
- b) **Marketing Strategy**
 - method of solicitation (agency, brokers, direct mail, etc.)
 - expenses of procuring business
 - agent/broker compensation (first year, other years)
 - definition of market (who and where in Illinois)
- c) **Breakdown of Operating Expenses**
 - ratios of expenses to premiums by type of business for solicitation, general
 - expenses, other large sub-items
 - summarization of all types of business
- d) **Copies of any Service or Management Agreements and MGA Agreements and Producer Control Agreements**
 - explain purpose, duration, etc.
- e) **Business Expectations**
 - loss ratios
 - comment on differences between experience in other states and expectations
 - reinsurance protection to be acquired
- f) **Corporate Plans**
 - what, if anything, is unique or exceptional concerning this company, or the manner the company plans to service policyholders
 - what exceptional contribution can the company make to the Illinois marketplace how will company's premium rates compare to known premium rates in Illinois
- g) **Capital adequacy considerations**
 - will RBC levels remain above the company action event level?
 - provide RBC projections prepared by a qualified actuarial or certified public accounting firm
 - contingency plans for maintaining acceptable RBC level
 - extent of debt servicing requirements and projections

by _____, _____
(Name) (Title)
and attested by _____,
(Name)
_____, this _____
day of _____ A.D., 20 _____.

BY: _____

The attached materials are made a part of this application. If any changes in above referenced staff or firms are made during the licensure review process, please provide an updated Affidavit to the attention of Marcy Savage, Deputy Director, Corporate Regulation Section, at the Illinois Department of Insurance.

A C C E P T A N C E

The _____,

a _____ company organized and existing under and by virtue of the laws of the State of _____, by its duly appointed officers, in accordance with the provisions of Section 468 of the Illinois Insurance Code (*215 ILCS 5/468*) which requires "All companies licensed to write Workers' Compensation and Employers' Liability insurance in this State to participate in a plan providing for the equitable apportionment among them of insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods," hereby accepts all provisions of said Section.

In witness whereof, the said _____

has caused its corporate name to be hereunto subscribed and its duly attested corporate seal to be affixed,

this _____ day of _____, A. D. _____,

at _____, _____.

(Seal)

By: _____

Attest: _____

* * * * *

NOTICE: No renewal is necessary. Execute and file in duplicate with the Director of Insurance, Springfield, Illinois.

ILLINOIS FAIR PLAN ASSOCIATION

180 North Stetson

Suite 2800

Chicago, IL 60601

ACCEPTANCE OF ARTICLES OF ASSOCIATION

BY MEMBER

The undersigned Insurer hereby becomes a Member of the **Illinois Fair Plan Association**, assumes all the rights and duties in connection therewith, and ratifies, accepts and agrees to be bound by the Articles of Association of the **Illinois Fair Plan Association** as amended from time to time.

As respects risks eligible for the **FAIR Plan**, the undersigned agrees that with respect to cancellation or nonrenewal initiated by the undersigned, it will give the policyholder (*except in cases of nonpayment of premium or evidence of incendiaries*), thirty (30) days to avail himself of the **FAIR Plan** and the undersigned shall, in writing, explain to the policyholder the procedures for making application to the Association.

Accepted and ratified this ____ day of _____ A. D. ____.

Insurer

By: _____
Authorized Signature

APPOINTMENT OF ATTORNEY
INTERINSURERS AND LLOYDS

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE

KNOW ALL MEN BY THESE PRESENTS:

That
.....
of the City of, in the State of
having been admitted, or having applied for admission to transact business in the State of Illinois, in conformity with the laws thereof, **Attorney-in-Fact**
of said and the members
thereof do hereby make, constitute and appoint Director of Insurance
and his successors in office, the true and lawful ATTORNEY, in and for the State of Illinois, on whom all
process of law, whether mesne or final, against said
..... or against all or any members thereof, may be served in any action or
special proceeding against said or all or any members
thereof, in the State of Illinois, subject to and in accordance with all the statutes and laws of said State
of Illinois now in force, and such other acts as may be hereafter passed amendatory thereof and supple-
mentary thereto. And the said Attorney is hereby authorized and empowered to accept and acknowledge
service of process in all cases as provided for by the laws of the State of Illinois, and such service shall
be deemed valid personal service upon said
..... and all or any members thereof. This appointment is to con-
tinue in force for the period of time and in the manner provided by the statutes of the State of Illinois.

IN WITNESS WHEREOF,
has signed and sealed these presents at the City of
in the State of on the day
of A. D.

STATE OF }
County of } ss.

On this day of A. D.
before me
duly appointed to take the proof and acknowledgment of deeds and other instruments, came
....., to me personally known to be the individual
described in and who executed the preceding instrument, and he duly acknowledged the execution of
the same; and being by me duly sworn deposeth and saith that he executed said instrument as his free
and voluntary act for the uses and purposes therein expressed, and that he is duly authorized to execute
said instrument.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official
Seal, at the city of
the day and year first above written.

N. B.—When sworn to before a Notary Public of another State, a Certificate of Magistracy must be attached.