

**REQUIREMENTS FOR FORMATION OF STOCK  
LEGAL RESERVE LIFE INSURANCE COMPANIES  
(ARTICLE II, ILLINOIS INSURANCE CODE)**

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

Amy Stuart  
Supervisor, Life A&H Corporate Regulation  
Illinois Department of Insurance  
320 West Washington Street, 4<sup>th</sup> 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 hand signed with an ink pen signatures of each affiant as part of this Primary Application.

1. Request to Director of Insurance for reservation of the name. Email [Amy.Stuart@illinois.gov](mailto:Amy.Stuart@illinois.gov) regarding the reservation of the name.
2. Minimum capital and surplus: (Sec. 13)  
Life and/or Accident and Health (\$1,000,000 capital and \$1,000,000 surplus).
3. Duplicate originals of Articles of Incorporation signed by the incorporator(s): (Sec. 14.1 and 15)
4. By-Laws adopted by incorporators: (Sec. 10, 12 and 15)
  - (a) By-Laws should provide for the following Committees to the Board: Executive; Audit; Investment and Reinsurance Committees.
  - (b) By-Laws are also required to include provisions regarding independence on the Board of Directors. If the company is not part of a holding company system, the By-Laws should set forth the following provision regarding independence on the Board: *"At least 20%, but not less than one, of the directors of a company that is not subject to Section 131.20b shall be persons who are not officers or employees of the company."*
  - (c) If the company is a member of an insurance holding company system, the By-Laws should set forth the following provision regarding independence on the Board: *"Not less than one-third of the directors of a domestic insurer that is a member of an insurance holding company system shall be persons who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with the insurer and who are not beneficial owners of a controlling interest in the voting stock of the 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."*
5. Form of subscription agreement: (Sec 15 and 21)
6. Proposed written investment plan: (Sec. 126.4)
7. Form of escrow agreement: (Sec. 15 and 21.1)
8. Prospectus and underwriting agreement, if any: (Sec. 147.1 and Part 913 of 50 Ill. Administrative Code)

9. Two organization bonds (\$50,000 each) or, in lieu thereof, cash or securities (\$100,000). **No bonds are required if stock is to be purchased by a sole shareholder.** (Sec. 15 and 16)
10. Check in the amount of \$2,000.00 payable to **Director of Insurance:**  
(Sec. 408(1)(a))
11. Publication of Intention to Form an Insurance Company: (Sec. 17) Proof of Publication is required to be submitted.
12. 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 person as defined by Sec. 131.1(b) and (e);
    - (2) source and nature of consideration being used as organization capital and 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 Operation: (see attached Corporate Plan of Operations format which must be completed in its entirety)
  - c) Biographical statements by all promoters, incorporators and proposed management personnel (Part 915 of Regulations) – complete and sign the current version of the NAIC Biographical Affidavit form (Form 11) – forms can be accessed on the NAIC UCAA page at [http://www.naic.org/industry\\_ucaa.htm](http://www.naic.org/industry_ucaa.htm) Biographical affidavits should bear original signatures and be Notarized. Please note, domestic insurance companies must have three Illinois Directors on the Board of Directors pursuant to the requirements for Directors set forth in 215 ILCS 5/10.

**Independent Third-Party Background Investigation Reports are required for all officers and directors of the forming insurance company, and for any persons owning at least 10%.** Please see the NAIC's website for a list of approved vendors to conduct Third Party Background Investigations. Insurance companies are required to have staff persons with working knowledge and aptitude regarding Statutory Accounting and Reporting. Insurers may also utilize firms to prepare their statutory financial statements. **Applicant company must complete the attached Affidavit to Identify Persons/Firms to Prepare Statutory Financial Statements.**

The National Association of Insurance Commissioners' (NAIC) website at: [http://www.naic.org/store\\_pub\\_accounting\\_reporting.htm#app\\_manual](http://www.naic.org/store_pub_accounting_reporting.htm#app_manual) houses pertinent accounting and reporting information, including the NAIC *Accounting Practices and Procedures Manual* and the Annual and Quarterly Statement Blanks.

13. Approval of Articles of Incorporation: (Sec. 18)
14. Recording of Articles of Incorporation in the statutory home office County: (Sec. 19)
15. Permit to solicit subscriptions: (Sec. 20)
16. Examination of Company: (Sec. 24)
17. Deposit: Minimum \$1,500,000 Statutory Deposit of Securities placed with the IL Dept. of Insurance (Sec. 26)

18. Issuance of Certificate of Authority: (Sec. 24)

The Illinois Insurance Laws can be accessed at the following location:

<http://www.ilga.gov/legislation/ilcs/ilcs2.asp?ChapterID=22>

The Illinois Insurance Code can be accessed at the following location:

<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=1249&ChapterID=22>

The Illinois Administrative Code (Title 50) can be found at the following links:

<http://www.ilga.gov/commission/jcar/admincode/050/050parts.html>

If the insurance company will be offering accident and health insurance policies utilizing a network of providers, such as in a PPO plan, the company would be subject to the Network Adequacy and Transparency Act (215 ILCS 124/1 et seq.) which can be found at this weblink:

<http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=3824&ChapterID=22>

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**AFFIDAVIT TO IDENTIFY QUALIFIED INDIVIDUALS AT THE APPLICANT ORGANIZATION; AND  
TO IDENTIFY ANY FIRM THAT WILL BE UTILIZED TO PREPARE ANNUAL AND QUARTERLY  
STATUTORY FINANCIAL STATEMENTS (HEALTH BLANK) OR (LIFE BLANK) FOR THE  
APPLICANT**

List names; proposed titles/positions; and the credentials and qualifications of the persons at the applicant organization with regulatory experience, and/or with statutory accounting experience in the preparation of statutory financial statements:

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List the name(s) of any firm(s) that the applicant organization will be utilizing to prepare annual and quarterly statutory financial health statements for the applicant. Credentials and qualifications of the firm(s) should also be listed:

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IN WITNESS WHEREOF, the undersigned organization has caused this Affidavit to be executed in its name

by \_\_\_\_\_, \_\_\_\_\_  
(Name) (Title)

and attested by \_\_\_\_\_,  
(Name)

\_\_\_\_\_, this \_\_\_\_\_

day of \_\_\_\_\_ A.D., 20 \_\_\_\_.

\_\_\_\_\_  
(Name of Organization)

BY: \_\_\_\_\_

Attest: \_\_\_\_\_

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 Amy Stuart at the Illinois Department of Insurance.

## **Domestic Stock Insurance Company – Life, A&H - CORPORATE PLAN OF OPERATIONS IN ILLINOIS**

Complete the NAIC UCAA Primary Application's ProForma Financial Statements (Excel spreadsheets found under Primary App tab at [https://www.naic.org/industry\\_ucaa.htm](https://www.naic.org/industry_ucaa.htm))

Applicant should complete the specific ProForma for Life/Health Companies, or the ProForma for Health Companies, based upon the type of business the applicant company is proposing to transact and seeking a license for, in Illinois. **Risk Based Capital (RBC) % projections should be at least 300% for each of the three years. ProForma should include all assumptions the Actuarial Firm used to prepare the ProForma statement. After licensure the insurance company must maintain 300% RBC to avoid Regulatory Action.**

Use the following outline to complete the Corporate Plan Narrative (Project items (3) years into the future, except for debt servicing if applicable). Provide complete informative responses to all items outlined below:

- a. Product Lines – types of business to be solicited
  - 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
  - descriptions of policies
  - size of premium per policy
- 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 for 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 in Illinois
  - 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 Market Place
  - how will the company's premium rates compare to known premium rates in Illinois
- g. Surplus 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 outside debt servicing requirements and projections.