

**Requirements for Formation of Stock  
Domestic Surplus Line Insurer (Art. II,  
Illinois Insurance Code, 215 ILCS and  
Section 445a - Illinois Insurance Code  
5/445a 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, 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 ink signatures as part of this Primary Application.

1. Request to Director of Insurance of Reservation of Name.
2. Minimum capital and surplus: \$15,000,000.
3. Duplicate originals of Articles of Incorporation: (Section 14.1 and 15). Limiting Power/Authority as set forth in (Section 445a).
4. By-Laws adopted by Incorporators: (Section 12 and 15)
5. Form of Subscription Agreement: (Section 15 and 21).
6. Proposed written Investment Plan (Section 126.4).
7. Form of Escrow Agreement: (Section 15 and 21.1).
8. Prospectus and Underwriting Agreement, if any: (Section 147.1 and Part 913 of Regulations).
9. Two Organization Bonds (\$50,000 each) or, in lieu thereof, cash or securities (\$100,000). No Bonds required if stock is to be purchased by a sole shareholder. (Section 15 and 16).
10. Check in the amount of \$2,000 payable to Director of Insurance (Section 408(1)(a)).
11. Publication of Intention: (Section 17).
12. Information required by Section 155.04:

a) Paragraphs (1), (2) and (3) are the Section 131.5 items to be filed. Definitions as follows:

- For incorporation purposes the acquiring party is the person(s) who will be the ultimate controlling person as defined by Section 131.1(b) and (e);
- source and nature of consideration being used as organization capital/surplus;
- 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) – Please use the NAIC Form 11. Per Company Bulletin CB 2016-05, all companies will be required to utilize nationally recognized independent third-party agencies to provide background investigation /verification reports to the Illinois Department of Insurance. Those vendors are listed in the NAIC chart at the following website location:  
[http://www.naic.org/documents/industry\\_ucaa\\_third\\_party.pdf](http://www.naic.org/documents/industry_ucaa_third_party.pdf)

13. Approval of Articles of Incorporation (Section 18).

14. Recording of Articles of Incorporation (Section 19).

15. Permit to solicit subscriptions: (Section 20).

16. Examination of Company: (Section 24).

17. Deposit having a fair market value equal to the minimum capital and surplus required to be maintained under Section 13 (Section 26).

21. Issuance of the Certificate of Authority.

22. Obtain a Federal Employers' Identification Number and advise this Department of 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 the National Insurance Law Service, NILS Publishing Company, 20675 Bahama Street, P O Box 2507, Chatsworth, CA 91311. The Code may be obtained from The Michie Company, P O 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 market place
  - 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

**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 (PROPERTY & CASUALTY 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 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 Marcy Savage, Deputy Director, Corporate Regulation Section, at the Illinois Department of Insurance.