

1 AN ACT concerning insurer security deposits. 47

2 Be it enacted by the People of the State of Illinois, 51
3 represented in the General Assembly: 52

4 Section 5. The Illinois Insurance Code is amended by 55
5 changing Sections 26, 53, 74, 278, 327, and 341 as follows: 56

6 (215 ILCS 5/26) (from Ch. 73, par. 638) 59

7 Sec. 26. Deposit. A Every company subject to the 61
8 provisions of this Article shall make and maintain with the 63
9 Director for the protection of all creditors, policyholders 64
10 and policy obligations of the company, a deposit of 65
11 securities which are authorized investments under Section 66
12 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2) having a 67
13 fair market value equal to the minimum capital and surplus 69
14 required to be maintained under Section 13. The Director may 70
15 release the required deposit of securities upon receipt of an 71
16 order of a court having proper jurisdiction or upon: (i) 72
17 certification by the company that it has no outstanding 73
18 creditors, policyholders, or policy obligations in effect and 74
19 no plans to engage in the business of insurance; (ii) receipt 75
20 of a lawful resolution of the company's board of directors 76
21 effecting the surrender of its articles of incorporation for 77
22 administrative dissolution by the Director; and (iii) receipt 78
23 of the name and forwarding address for each of the final 79
24 officers and directors of the company, together with a plan 80
25 of dissolution approved by the Director.

26 (Source: P.A. 90-418, eff. 8-15-97.) 79

27 (215 ILCS 5/53) (from Ch. 73, par. 665) 82

28 Sec. 53. Deposit. A Each company subject to the 85
29 provisions of this Article shall make and maintain with the 86
30 Director for the protection of all creditors, policyholders 87

Secretary of the Senate

Originated in the Senate



PUBLIC ACT 92-75



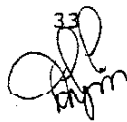
1 and policy obligations of the company, a deposit of
 2 securities which are authorized investments under Section 88
 3 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2) having a 89
 4 fair market value equal to the minimum surplus required to be 90
 5 maintained under Section 43. The Director may release the 92
 6 required deposit of securities upon receipt of an order of a 94
 7 court having proper jurisdiction or upon: (i) certification 96
 8 by the company that it has no outstanding creditors,
 9 policyholders, or policy obligations in effect and no plans 97
 10 to engage in the business of insurance; (ii) receipt of a 90
 11 lawful resolution of the company's board of directors 99
 12 effecting the surrender of its articles of incorporation for
 13 administrative dissolution by the Director; and (iii) receipt 100
 14 of the name and forwarding address for each of the final 101
 15 officers and directors of the company, together with a plan 102
 16 of dissolution approved by the Director.
 17 (Source: P.A. 90-418, eff. 8-15-97.) 104

18 (215 ILCS 5/74) (from Ch. 73, par. 686) 107
 19 Sec. 74. Deposit. A Each domestic reciprocal subject to 109
 20 the provisions of this Article shall make and maintain with 110
 21 the Director, for the protection of all creditors, 111
 22 policyholders and policy obligations of the reciprocal, a 112
 23 deposit of securities that are authorized investments under 113
 24 Section 126.11A(1), 126.11A(2), 126.24A(1), or 126.24A(2), 114
 25 having a fair market value equal to the surplus required to
 26 be maintained under Section 66. The Director may release the 116
 27 required deposit of securities upon receipt of an order of a 118
 28 court having proper jurisdiction or upon: (i) certification 120
 29 by the reciprocal company that it has no outstanding
 30 creditors, policyholders, or policy obligations in effect and 121
 31 no plans to engage in the business of insurance; (ii) receipt 122
 32 of a lawful resolution of the governing body of the 123
 33 reciprocal's attorney-in-fact effecting the surrender of its 124

1 certificate of authority and declaration of organization for
2 administrative dissolution by the Director; and (iii) receipt 125
3 of the name and forwarding address for each of the final 126
4 officers and directors of the reciprocal's attorney-in-fact, 127
5 together with a plan of dissolution approved by the Director. 128
6 (Source: P.A. 90-418, eff. 8-15-97; 90-655, eff. 7-30-98.) 130

7 (215 ILCS 5/278) (from Ch. 73, par. 890) 133

8 Sec. 278. Reserve deposits. A Each company subject to 136
9 this Article shall from time to time deposit with the 139
10 Director, securities of the kind authorized for investment by
11 a company transacting the kind of business enumerated in 140
12 Class 1 of Section 4, in such amount that the market value of 141
13 the securities deposited shall, at all times, be at least 142
14 equal to the total of the reserves required by this Code on 143
15 the life contracts issued by said company until there shall 144
16 be on deposit at least \$200,000. Thereafter, while the 145
17 reserves on all such contracts are maintained, further 146
18 deposits shall be optional with the company. Each separate 147
19 deposit, except in the case of newly organized companies 148
20 during the first 2 years of existence, shall be in the sum of
21 not less than \$1,000 and such securities may be deposited at
22 any time. Any such company may at any time, withdraw any of 149
23 such securities in excess of the minimum herein required and 150
24 may from time to time exchange any of such securities by 151
25 depositing others of the kind in which the company is 152
26 authorized to invest, of equal value. So long as the said
27 company shall remain solvent and maintain its deposits as 153
28 herein required, it may collect the interest or other income 154
29 of the securities deposited as the same may accrue. All such 155
30 deposits shall be held by the Director in trust for the 156
31 benefit of the holders of life contracts upon which contracts
32 reserves at least equal to the minimum reserves prescribed by 157
33 Section 281 are required. The Director may release the 159



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

14 (215 ILCS 5/327) (from Ch. 73, par. 939) 177
15 Sec. 327. Benefit fund. 180
16 (1) An Every association shall maintain a benefit fund 182
17 which shall be used solely for the payment of claims of 184
18 members and no part thereof shall be used for defraying the 185
19 expenses of the association. Such fund, any portion of which 186
20 may be deposited with the Director, may be held in cash or
21 invested in securities of the United States Government or of 187
22 the State of Illinois, and not otherwise. All moneys or other 188
23 assets of the benefit account, as defined in the Act 189
24 mentioned in Section 316, of any association shall upon the 190
25 effective date of this Code be deemed transferred to and 191
26 become a part of its benefit fund. The minimum amount of such 192
27 benefit fund at all times after one year from the effective
28 date of this Code shall be \$1,000, plus the sum of \$200 for 193
29 each 100 members in excess of 500. If the benefit fund of any 194
30 association at any time after one year from the effective 195
31 date of this Code shall be less than the minimum amount 196
32 required by this Section and is not increased to such minimum
33 within 90 days, the association shall be deemed insolvent and 197



1 the Director shall proceed against it under Article XIII. 198
2 The Director may release any required benefit fund deposit 199
3 upon receipt of an order of a court having proper 201
4 jurisdiction or upon: (i) certification by the association 202
5 that it has no outstanding member creditors, member 203
6 certificates, or member obligations in effect and no plans to 204
7 engage in the business of insurance; (ii) receipt of a lawful 205
8 resolution of the association's board of directors effecting 206
9 the surrender of its charter and articles of incorporation
10 for administrative dissolution by the Director; and (iii) 207
11 receipt of the name and forwarding address for each of the 208
12 final officers and directors of the company, together with a 209
13 plan of dissolution approved by the Director.
14 (2) Whenever the association shall have been notified of 211
15 any loss under its certificate of membership, which exceeds 212
16 in amount the benefit fund of the association, the president 213
17 shall convene the directors of the association who shall levy 214
18 an assessment against all members for an amount sufficient to 215
19 pay all such losses of the association at the time said 216
20 assessment is made and for an amount in excess thereof 217
21 sufficient to maintain the minimum amount of the benefit fund 218
22 as provided in this Section. Assessments provided for in this 219
23 section shall be distributed equally against all members of 220
24 the association except for children under 16 years of age.
25 The board of directors shall assess each such child an amount
26 not to exceed one half of the amount levied against each 221
27 other member.
28 (3) In order to provide for an unexpected number of 223
29 deaths, an association shall have the right to levy 224
30 additional assessments whenever in the discretion of the 225
31 board of directors the same shall be deemed advisable except 226
32 that no assessment may be levied if the amount in the benefit
33 fund exceeds, or if such assessment will increase the amount 227
34 of the benefit fund in excess of a sum equal to \$25 per 228



1 member in good standing. The entire proceeds of all such 229
 2 additional assessments shall be placed in the benefit fund. 230
 3 (Source: Laws 1957, p. 68.) 232

4 (215 ILCS 5/341) (from Ch. 73, par. 953) 235
 5 Sec. 341. Deposit required. 238

6 (1) A Every burial society shall maintain with the 240
 7 Director a deposit of cash or securities in an amount of at 242
 8 least \$1,000 one-thousand-dollars. A Any society having a 244
 9 membership of more than 2,500 twenty-five-hundred members and 245
 10 less than 5,000 five--thousand members shall maintain a 246
 11 deposit with the Director of \$5,000 five-thousand-dollars. A 248
 12 Any society having a membership of more than 5,000 five 250
 13 thousand members and less than 10,000 ten--thousand members 251
 14 shall maintain a deposit with the Director of \$10,000 ten 253
 15 thousand-dollars. A Any society having more than 10,000 ten 256
 16 thousand members shall maintain a deposit with the Director 257
 17 of \$10,000 ten-thousand-dollars and an additional \$1,000 one 258
 18 thousand--dollars for each 1,000 one--thousand members in 260
 19 excess of 10,000 ten-thousand.

20 (2) All deposits as required herein shall be in cash or 262
 21 in securities permitted by section 346. 263

22 (3) The Director may release the required deposit of 265
 23 cash or securities upon receipt of an order of a court having 267
 24 proper jurisdiction or upon: (i) certification by the burial 268
 25 society that it has no outstanding creditors, policyholders, 269
 26 certificate holders, or member obligations in effect and no 270
 27 plans to engage in the business of insurance; (ii) receipt of
 28 a lawful resolution of the burial society's board of 271
 29 directors effecting the surrender of its articles of 272
 30 incorporation for administrative dissolution by the Director; 273
 31 and (iii) receipt of the name and forwarding address for each
 32 of the final officers and directors of the burial society, 274
 33 together with a plan of dissolution approved by the Director. 275

1 (Source: Laws 1937, p. 696.) 277

2 Section 10. The Health Maintenance Organization Act is 280
3 amended by changing Section 2-6 as follows: 281

4 (215 ILCS 125/2-6) (from Ch. 111 1/2, par. 1406.2) 284

5 Sec. 2-6. Statutory Deposits. An Every organization 286
6 subject to the provisions of this Act shall make and maintain 288
7 with the Director through December 30, 1993, for the 289
8 protection of enrollees of the organization, a deposit of 290
9 securities which are authorized investments under paragraphs 290
10 (1) and (2) of subsection (h) of Section 3-1 having a fair 291
11 market value equal to at least \$100,000. Effective December 292
12 31, 1993 and through December 30, 1994, the deposit shall 293
13 have a fair market value at least equal to \$200,000. 294
14 Effective December 31, 1994 and thereafter, the deposit shall 294
15 have a fair market value at least equal to \$300,000. An 295
16 organization issued a certificate of authority on or after 296
17 the effective date of this Amendatory Act of 1993, shall make 297
18 and maintain with the Director; for the protection of 298
19 enrollees of the organization, a deposit of securities which 299
20 are authorized investments under paragraphs (1) and (2) of 299
21 subsection (h) of Section 3-1 having a fair market value 300
22 equal to at least \$300,000. The amount on deposit shall 301
23 remain as an admitted asset of the organization in the 301
24 determination of its net worth. The Director may release the 303
25 required deposit of securities upon receipt of an order of a 305
26 court having proper jurisdiction or upon: (i) certification 307
27 by the organization that it has no outstanding enrollee 308
28 creditors, enrollees, certificate holders, or enrollee
29 obligations in effect and no plans to engage in the business 310
30 of insurance as a health maintenance organization; (ii)
31 receipt of a lawful resolution of the organization's 313
32 governing body effecting the surrender of its certificate of 314

1 authority, articles of incorporation, or other organizational 315
2 documents to their issuing governmental officer for voluntary
3 or administrative dissolution; and (iii) receipt of the name 316
4 and forwarding address for each of the final officers and 317
5 directors of the organization, together with a plan of 319
6 dissolution approved by the Director.
7 (Source: P.A. 88-364.) 321

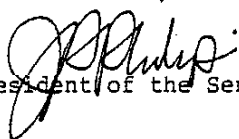
8 Section 15. The Limited Health Service Organization Act 324
9 is amended by changing Section 2006 as follows: 326

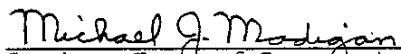
10 (215 ILCS 130/2006) (from Ch. 73, par. 1502-6) 329
11 Sec. 2006. Statutory deposits. 331

12 (a) An Every organization subject to the provisions of 333
13 this Act shall make and maintain with the Director, for the 335
14 protection of enrollees of the organization, a deposit of 336
15 securities that are in the form authorized under Section 2-6 337
16 of the Health Maintenance Organization Act having a fair
17 market value equal to the minimum net worth required under 338
18 subsection (a) of Section 2004. The amount on deposit shall 339
19 remain as an admitted asset of the organization in the 340
20 determination of its net worth. The Director may release the 341
21 required deposit of securities required by this Section upon 342
22 receipt of an order of a court having proper jurisdiction or 343
23 upon: (i) certification by the organization that it has no 345
24 outstanding enrollee creditors, enrollees, certificate 346
25 holders, or enrollee obligations in effect and no plans to 347
26 engage in the business of insurance as a limited health 348
27 service organization; (ii) receipt of a lawful resolution of 349
28 the organization's governing body effecting the surrender of 350
29 its certificate of authority, articles of incorporation, or 351
30 other organizational documents to their issuing governmental 352
31 officer for voluntary or administrative dissolution; and 353
32 (iii) receipt of the name and forwarding address for each of 354

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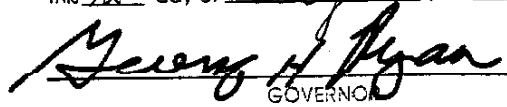

1 the final officers and directors of the organization, 355
 2 together with a plan of dissolution approved by the Director. 356
 3 (b) An LHSO that offers a POS contract shall, in 358
 4 addition to the deposit required by subsection (a), deposit 359
 5 and maintain with the Director cash or securities that are 360
 6 authorized investments under Section 1003 having a fair 361
 7 market value equal to the greater of:
 8 (1) \$50,000 if the LHSO's expenditures for 363
 9 out-of-plan covered services do not exceed 10% of its 364
 10 total limited health expenditures in any calendar
 11 quarter; or 365
 12 (2) \$100,000 if the LHSO's expenditures for 367
 13 out-of-plan covered services exceeds 10% but are less 368
 14 than 20% of its total limited health services expenditure 369
 15 in any calendar quarter; or
 16 (3) 120% of its current actual monthly out-of-plan 371
 17 covered service claims expense plus incurred but not 372
 18 reported balances for out-of-plan covered services. 373
 19 (c) The combined deposit amount required in subsections 375
 20 (a) and (b) shall not exceed \$200,000. 376
 21 (Source: P.A. 87-1079; 88-364; 88-667, eff. 9-16-94.) 370
 22 Section 99. Effective date. This Act takes effect upon 381
 23 becoming law. 393


 President of the Senate 387
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 Speaker, House of Representatives 392
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APPROVED

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


 GOVERNOR

