



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB5251

by Rep. Laura Fine

SYNOPSIS AS INTRODUCED:

215 ILCS 5/531.02	from Ch. 73, par. 1065.80-2
215 ILCS 5/531.03	from Ch. 73, par. 1065.80-3
215 ILCS 5/531.05	from Ch. 73, par. 1065.80-5
215 ILCS 5/531.06	from Ch. 73, par. 1065.80-6
215 ILCS 5/531.07	from Ch. 73, par. 1065.80-7
215 ILCS 5/531.08	from Ch. 73, par. 1065.80-8
215 ILCS 5/531.09	from Ch. 73, par. 1065.80-9
215 ILCS 5/531.11	from Ch. 73, par. 1065.80-11
215 ILCS 5/531.12	from Ch. 73, par. 1065.80-12
215 ILCS 5/531.13	from Ch. 73, par. 1065.80-13
215 ILCS 5/531.14	from Ch. 73, par. 1065.80-14
215 ILCS 5/531.19	from Ch. 73, par. 1065.80-19
215 ILCS 5/531.20 new	
215 ILCS 125/Art. VI rep.	

Amends the of the Illinois Insurance Code. Merges the Health Maintenance Organization Guaranty Association Article of the Health Maintenance Organization Act into the Illinois Life and Health Insurance Guaranty Association Law. Makes conforming changes. Provides that the rights, powers, privileges, assets, property, duties, debts, obligations, and liabilities of each association prior to merger shall remain with the members of the respective association. Provides the rights, powers, privileges, assets, property, debts, obligations, and liabilities of each association after the merger. Repeals the Health Maintenance Organization Guaranty Association Article of the Health Maintenance Organization Act. Makes other changes. Effective immediately.

LRB100 18859 SMS 34101 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning regulation.

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

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 531.02, 531.03, 531.05, 531.06, 531.07,
6 531.08, 531.09, 531.11, 531.12, 531.13, 531.14, and 531.19 and
7 by adding Section 531.20 as follows:

8 (215 ILCS 5/531.02) (from Ch. 73, par. 1065.80-2)

9 Sec. 531.02. Purpose. The purpose of this Article is to
10 protect, subject to certain limitations, the persons specified
11 in paragraph (1) of Section 531.03 against failure in the
12 performance of contractual obligations, under life, ~~or~~ health
13 ~~insurance policies~~, and annuity policies, plans, or contracts
14 and health or medical care service contracts specified in
15 paragraph (2) of Section 531.03, due to the impairment or
16 insolvency of the member insurer issuing such policies, plans,
17 or contracts. To provide this protection, (1) an association of
18 member insurers is created to enable the guaranty of payment of
19 benefits and of continuation of coverages, (2) members of the
20 Association are subject to assessment to provide funds to carry
21 out the purpose of this Article, and (3) the Association is
22 authorized to assist the Director, in the prescribed manner, in
23 the detection and prevention of member insurer impairments or

1 insolvencies.

2 (Source: P.A. 86-753.)

3 (215 ILCS 5/531.03) (from Ch. 73, par. 1065.80-3)

4 Sec. 531.03. Coverage and limitations.

5 (1) This Article shall provide coverage for the policies
6 and contracts specified in subsection ~~paragraph~~ (2) of this
7 Section:

8 (a) to persons who, regardless of where they reside
9 (except for non-resident certificate holders under group
10 policies or contracts), are the beneficiaries, assignees
11 or payees, including health care providers rendering
12 services covered under a health insurance policy or
13 certificate, of the persons covered under paragraph (b) of
14 this subsection ~~subparagraph (1)(b)~~, and

15 (b) to persons who are owners of or certificate holders
16 or enrollees under the policies or contracts (other than
17 unallocated annuity contracts and structured settlement
18 annuities) and in each case who:

19 (i) are residents; or

20 (ii) are not residents, but only under all of the
21 following conditions:

22 (A) the member insurer that issued the
23 policies or contracts is domiciled in this State;

24 (B) the states in which the persons reside have
25 associations similar to the Association created by

1 this Article;

2 (C) the persons are not eligible for coverage
3 by an association in any other state due to the
4 fact that the insurer or health maintenance
5 organization was not licensed in that state at the
6 time specified in that state's guaranty
7 association law.

8 (c) For unallocated annuity contracts specified in
9 subsection (2), paragraphs (a) and (b) of this subsection
10 (1) shall not apply and this Article shall (except as
11 provided in paragraphs (e) and (f) of this subsection)
12 provide coverage to:

13 (i) persons who are the owners of the unallocated
14 annuity contracts if the contracts are issued to or in
15 connection with a specific benefit plan whose plan
16 sponsor has its principal place of business in this
17 State; and

18 (ii) persons who are owners of unallocated annuity
19 contracts issued to or in connection with government
20 lotteries if the owners are residents.

21 (d) For structured settlement annuities specified in
22 subsection (2), paragraphs (a) and (b) of this subsection
23 (1) shall not apply and this Article shall (except as
24 provided in paragraphs (e) and (f) of this subsection)
25 provide coverage to a person who is a payee under a
26 structured settlement annuity (or beneficiary of a payee if

1 the payee is deceased), if the payee:

2 (i) is a resident, regardless of where the contract
3 owner resides; or

4 (ii) is not a resident, but only under both of the
5 following conditions:

6 (A) with regard to residency:

7 (I) the contract owner of the structured
8 settlement annuity is a resident; or

9 (II) the contract owner of the structured
10 settlement annuity is not a resident but the
11 insurer that issued the structured settlement
12 annuity is domiciled in this State and the
13 state in which the contract owner resides has
14 an association similar to the Association
15 created by this Article; and

16 (B) neither the payee or beneficiary nor the
17 contract owner is eligible for coverage by the
18 association of the state in which the payee or
19 contract owner resides.

20 (e) This Article shall not provide coverage to:

21 (i) a person who is a payee or beneficiary of a
22 contract owner resident of this State if the payee or
23 beneficiary is afforded any coverage by the
24 association of another state; or

25 (ii) a person covered under paragraph (c) of this
26 subsection (1), if any coverage is provided by the

1 association of another state to that person.

2 (f) This Article is intended to provide coverage to a
3 person who is a resident of this State and, in special
4 circumstances, to a nonresident. In order to avoid
5 duplicate coverage, if a person who would otherwise receive
6 coverage under this Article is provided coverage under the
7 laws of any other state, then the person shall not be
8 provided coverage under this Article. In determining the
9 application of the provisions of this paragraph in
10 situations where a person could be covered by the
11 association of more than one state, whether as an owner,
12 payee, enrollee, beneficiary, or assignee, this Article
13 shall be construed in conjunction with other state laws to
14 result in coverage by only one association.

15 (2) (a) This Article shall provide coverage to the persons
16 specified in subsection paragraph (1) of this Section for
17 policies or contracts of direct, (i) nongroup life insurance,
18 health insurance (that, for the purposes of this Article,
19 includes health maintenance organization subscriber contracts
20 and certificates), annuities annuity and supplemental
21 policies, or contracts to any of these, (ii) for certificates
22 under direct group policies or contracts, (iii) for unallocated
23 annuity contracts and (iv) for contracts to furnish health care
24 services and subscription certificates for medical or health
25 care services issued by persons licensed to transact insurance
26 business in this State under this ~~the Illinois Insurance Code.~~

1 Annuity contracts and certificates under group annuity
2 contracts include but are not limited to guaranteed investment
3 contracts, deposit administration contracts, unallocated
4 funding agreements, allocated funding agreements, structured
5 settlement agreements, lottery contracts and any immediate or
6 deferred annuity contracts.

7 (b) Except as otherwise provided in paragraph (c) of this
8 subsection, this ~~This~~ Article shall not provide coverage for:

9 (i) that portion of a policy or contract not guaranteed
10 by the member insurer, or under which the risk is borne by
11 the policy or contract owner;

12 (ii) any such policy or contract or part thereof
13 assumed by the impaired or insolvent insurer under a
14 contract of reinsurance, other than reinsurance for which
15 assumption certificates have been issued;

16 (iii) any portion of a policy or contract to the extent
17 that the rate of interest on which it is based or the
18 interest rate, crediting rate, or similar factor is
19 determined by use of an index or other external reference
20 stated in the policy or contract employed in calculating
21 returns or changes in value:

22 (A) averaged over the period of 4 years prior to
23 the date on which the member insurer becomes an
24 impaired or insolvent insurer under this Article,
25 whichever is earlier, exceeds the rate of interest
26 determined by subtracting 2 percentage points from

1 Moody's Corporate Bond Yield Average averaged for that
2 same 4-year period or for such lesser period if the
3 policy or contract was issued less than 4 years before
4 the member insurer becomes an impaired or insolvent
5 insurer under this Article, whichever is earlier; and

6 (B) on and after the date on which the member
7 insurer becomes an impaired or insolvent insurer under
8 this Article, whichever is earlier, exceeds the rate of
9 interest determined by subtracting 3 percentage points
10 from Moody's Corporate Bond Yield Average as most
11 recently available;

12 (iv) any unallocated annuity contract issued to or in
13 connection with a benefit plan protected under the federal
14 Pension Benefit Guaranty Corporation, regardless of
15 whether the federal Pension Benefit Guaranty Corporation
16 has yet become liable to make any payments with respect to
17 the benefit plan;

18 (v) any portion of any unallocated annuity contract
19 which is not issued to or in connection with a specific
20 employee, union or association of natural persons benefit
21 plan or a government lottery;

22 (vi) an obligation that does not arise under the
23 express written terms of the policy or contract issued by
24 the member insurer to the enrollee, certificate holder,
25 contract owner, or policy owner, including without
26 limitation:

- 1 (A) a claim based on marketing materials;
- 2 (B) a claim based on side letters, riders, or other
3 documents that were issued by the member insurer
4 without meeting applicable policy or contract form
5 filing or approval requirements;
- 6 (C) a misrepresentation of or regarding policy or
7 contract benefits;
- 8 (D) an extra-contractual claim; or
- 9 (E) a claim for penalties or consequential or
10 incidental damages;
- 11 (vii) any stop-loss insurance, as defined in clause (b)
12 of Class 1 or clause (a) of Class 2 of Section 4, and
13 further defined in subsection (d) of Section 352;
- 14 (viii) any policy or contract providing any hospital,
15 medical, prescription drug, or other health care benefits
16 pursuant to Part C or Part D of Subchapter XVIII, Chapter 7
17 of Title 42 of the United States Code (commonly known as
18 Medicare Part C & D), Subchapter XIX, Chapter 7 of Title 42
19 of the United States Code (commonly known as Medicaid), or
20 any regulations issued pursuant thereto;
- 21 (ix) any portion of a policy or contract to the extent
22 that the assessments required by Section 531.09 of this
23 Code with respect to the policy or contract are preempted
24 or otherwise not permitted by federal or State law;
- 25 (x) any portion of a policy or contract issued to a
26 plan or program of an employer, association, or other

1 person to provide life, health, or annuity benefits to its
2 employees, members, or others to the extent that the plan
3 or program is self-funded or uninsured, including, but not
4 limited to, benefits payable by an employer, association,
5 or other person under:

6 (A) a multiple employer welfare arrangement as
7 defined in 29 U.S.C. Section 1002 ~~1144~~;

8 (B) a minimum premium group insurance plan;

9 (C) a stop-loss group insurance plan; or

10 (D) an administrative services only contract;

11 (xi) any portion of a policy or contract to the extent
12 that it provides for:

13 (A) dividends or experience rating credits;

14 (B) voting rights; or

15 (C) payment of any fees or allowances to any
16 person, including the policy or contract owner, in
17 connection with the service to or administration of the
18 policy or contract;

19 (xii) any policy or contract issued in this State by a
20 member insurer at a time when it was not licensed or did
21 not have a certificate of authority to issue the policy or
22 contract in this State;

23 (xiii) any contractual agreement that establishes the
24 member insurer's obligations to provide a book value
25 accounting guaranty for defined contribution benefit plan
26 participants by reference to a portfolio of assets that is

1 owned by the benefit plan or its trustee, which in each
2 case is not an affiliate of the member insurer;

3 (xiv) any portion of a policy or contract to the extent
4 that it provides for interest or other changes in value to
5 be determined by the use of an index or other external
6 reference stated in the policy or contract, but which have
7 not been credited to the policy or contract, or as to which
8 the policy or contract owner's rights are subject to
9 forfeiture, as of the date the member insurer becomes an
10 impaired or insolvent insurer under this Code, whichever is
11 earlier. If a policy's or contract's interest or changes in
12 value are credited less frequently than annually, then for
13 purposes of determining the values that have been credited
14 and are not subject to forfeiture under this Section, the
15 interest or change in value determined by using the
16 procedures defined in the policy or contract will be
17 credited as if the contractual date of crediting interest
18 or changing values was the date of impairment or
19 insolvency, whichever is earlier, and will not be subject
20 to forfeiture; or

21 (xv) that portion or part of a variable life insurance
22 or variable annuity contract not guaranteed by a member ~~an~~
23 insurer.

24 (c) The exclusion from coverage referenced in subdivision
25 (iii) of paragraph (b) of this subsection shall not apply to
26 any portion of a policy or contract, including a rider, that

1 provides long-term care or other health insurance benefits.

2 (3) The benefits for which the Association may become
3 liable shall in no event exceed the lesser of:

4 (a) the contractual obligations for which the member
5 insurer is liable or would have been liable if it were not
6 an impaired or insolvent insurer, or

7 (b) (i) with respect to any one life, regardless of the
8 number of policies or contracts:

9 (A) \$300,000 in life insurance death benefits, but
10 not more than \$100,000 in net cash surrender and net
11 cash withdrawal values for life insurance;

12 (B) for ~~in~~ health insurance benefits:

13 (I) \$100,000 for coverages not defined as
14 disability income insurance or health benefit
15 plans ~~basic hospital, medical, and surgical~~
16 ~~insurance or major medical insurance~~ or long-term
17 care insurance, including any net cash surrender
18 and net cash withdrawal values;

19 (II) \$300,000 for disability income insurance
20 and \$300,000 for long-term care insurance ~~as~~
21 ~~defined in Section 351A-1 of this Code;~~ and

22 (III) \$500,000 for health benefit plans ~~basic~~
23 ~~hospital medical and surgical insurance or major~~
24 ~~medical insurance;~~

25 (C) \$250,000 in the present value of annuity
26 benefits, including net cash surrender and net cash

1 withdrawal values;

2 (ii) with respect to each individual participating in a
3 governmental retirement benefit plan established under
4 Section ~~Sections~~ 401, 403(b), or 457 of the U.S. Internal
5 Revenue Code covered by an unallocated annuity contract or
6 the beneficiaries of each such individual if deceased, in
7 the aggregate, \$250,000 in present value annuity benefits,
8 including net cash surrender and net cash withdrawal
9 values;

10 (iii) with respect to each payee of a structured
11 settlement annuity or beneficiary or beneficiaries of the
12 payee if deceased, \$250,000 in present value annuity
13 benefits, in the aggregate, including net cash surrender
14 and net cash withdrawal values, if any; or

15 (iv) with respect to either (1) one contract owner
16 provided coverage under subparagraph (ii) of paragraph (c)
17 of subsection (1) of this Section or (2) one plan sponsor
18 whose plans own directly or in trust one or more
19 unallocated annuity contracts not included in subparagraph
20 (ii) of paragraph (b) of this subsection, \$5,000,000 in
21 benefits, irrespective of the number of contracts with
22 respect to the contract owner or plan sponsor. However, in
23 the case where one or more unallocated annuity contracts
24 are covered contracts under this Article and are owned by a
25 trust or other entity for the benefit of 2 or more plan
26 sponsors, coverage shall be afforded by the Association if

1 the largest interest in the trust or entity owning the
2 contract or contracts is held by a plan sponsor whose
3 principal place of business is in this State. In no event
4 shall the Association be obligated to cover more than
5 \$5,000,000 in benefits with respect to all these
6 unallocated contracts.

7 In no event shall the Association be obligated to cover
8 more than (1) an aggregate of \$300,000 in benefits with respect
9 to any one life under subparagraphs (i), (ii), and (iii) of
10 this paragraph (b) except with respect to benefits for health
11 benefit plans ~~basic hospital, medical, and surgical insurance~~
12 ~~and major medical insurance~~ under item (B) of subparagraph (i)
13 of this paragraph (b), in which case the aggregate liability of
14 the Association shall not exceed \$500,000 with respect to any
15 one individual or (2) with respect to one owner of multiple
16 nongroup policies of life insurance, whether the policy or
17 contract owner is an individual, firm, corporation, or other
18 person and whether the persons insured are officers, managers,
19 employees, or other persons, \$5,000,000 in benefits,
20 regardless of the number of policies and contracts held by the
21 owner.

22 The limitations set forth in this subsection are
23 limitations on the benefits for which the Association is
24 obligated before taking into account either its subrogation and
25 assignment rights or the extent to which those benefits could
26 be provided out of the assets of the impaired or insolvent

1 insurer attributable to covered policies. The costs of the
2 Association's obligations under this Article may be met by the
3 use of assets attributable to covered policies or reimbursed to
4 the Association pursuant to its subrogation and assignment
5 rights.

6 For purposes of this Article, benefits provided by a
7 long-term care rider to a life insurance policy or annuity
8 contract shall be considered the same type of benefits as the
9 base life insurance policy or annuity contract to which it
10 relates.

11 (4) In performing its obligations to provide coverage under
12 Section 531.08 of this Code, the Association shall not be
13 required to guarantee, assume, reinsure, reissue, or perform or
14 cause to be guaranteed, assumed, reinsured, reissued, or
15 performed the contractual obligations of the insolvent or
16 impaired insurer under a covered policy or contract that do not
17 materially affect the economic values or economic benefits of
18 the covered policy or contract.

19 (Source: P.A. 96-1450, eff. 8-20-10; revised 10-5-17.)

20 (215 ILCS 5/531.05) (from Ch. 73, par. 1065.80-5)

21 Sec. 531.05. Definitions. As used in this Act:

22 "Account" means either of the 2 ~~3~~ accounts created under
23 Section 531.06.

24 "Association" means the Illinois Life and Health Insurance
25 Guaranty Association created under Section 531.06.

1 "Authorized assessment" or the term "authorized" when used
2 in the context of assessments means a resolution by the Board
3 of Directors has been passed whereby an assessment shall be
4 called immediately or in the future from member insurers for a
5 specified amount. An assessment is authorized when the
6 resolution is passed.

7 "Benefit plan" means a specific employee, union, or
8 association of natural persons benefit plan.

9 "Called assessment" or the term "called" when used in the
10 context of assessments means that a notice has been issued by
11 the Association to member insurers requiring that an authorized
12 assessment be paid within the time frame set forth within the
13 notice. An authorized assessment becomes a called assessment
14 when notice is mailed by the Association to member insurers.

15 "Director" means the Director of Insurance of this State.

16 "Contractual obligation" means any obligation under a
17 policy or contract or certificate under a group policy or
18 contract, or portion thereof for which coverage is provided
19 under Section 531.03.

20 "Covered person" means any person who is entitled to the
21 protection of the Association as described in Section 531.02.

22 "Covered contract" or "covered policy" means any policy or
23 contract within the scope of this Article under Section 531.03.

24 "Extra-contractual claims" shall include, but are not
25 limited to, claims relating to bad faith in the payment of
26 claims, punitive or exemplary damages, or attorneys' fees and

1 costs.

2 "Health benefit plan" means any hospital or medical expense
3 policy or certificate or health maintenance organization
4 subscriber contract or any other similar health contract.

5 "Health benefit plan" does not include:

6 (1) accident only insurance;

7 (2) credit insurance;

8 (3) dental only insurance;

9 (4) vision only insurance;

10 (5) Medicare supplement insurance;

11 (6) benefits for long-term care, home health care,
12 community-based care, or any combination thereof;

13 (7) disability income insurance;

14 (8) coverage for on-site medical clinics; or

15 (9) specified disease, hospital confinement indemnity,
16 or limited benefit health insurance if the types of
17 coverage do not provide coordination of benefits and are
18 provided under separate policies or certificates.

19 "Impaired insurer" means (A) a member insurer which, after
20 the effective date of this amendatory Act of the 96th General
21 Assembly, is not an insolvent insurer, and is placed under an
22 order of rehabilitation or conservation by a court of competent
23 jurisdiction or (B) a member insurer deemed by the Director
24 after the effective date of this amendatory Act of the 96th
25 General Assembly to be potentially unable to fulfill its
26 contractual obligations and not an insolvent insurer.

1 "Insolvent insurer" means a member insurer that, after the
2 effective date of this amendatory Act of the 96th General
3 Assembly, is placed under a final order of liquidation by a
4 court of competent jurisdiction with a finding of insolvency.

5 "Member insurer" means an insurer or health maintenance
6 organization licensed or holding a certificate of authority to
7 transact in this State any kind of insurance or health
8 maintenance organization business for which coverage is
9 provided under Section 531.03 of this Code and includes an
10 insurer or health maintenance organization whose license or
11 certificate of authority in this State may have been suspended,
12 revoked, not renewed, or voluntarily withdrawn or whose
13 certificate of authority may have been suspended pursuant to
14 Section 119 of this Code, but does not include:

15 (1) a hospital or medical service organization,
16 whether profit or nonprofit;

17 (2) (blank); ~~a health maintenance organization;~~

18 (3) any burial society organized under Article XIX of
19 this Code, any fraternal benefit society organized under
20 Article XVII of this Code, any mutual benefit association
21 organized under Article XVIII of this Code, and any foreign
22 fraternal benefit society licensed under Article VI of this
23 Code ~~or a fraternal benefit society;~~

24 (4) a mandatory State pooling plan;

25 (5) a mutual assessment company or other person that
26 operates on an assessment basis;

- 1 (6) an insurance exchange;
- 2 (7) an organization that is permitted to issue
3 charitable gift annuities pursuant to Section 121-2.10 of
4 this Code;
- 5 (8) any health services plan corporation established
6 pursuant to the Voluntary Health Services Plans Act;
- 7 (9) any dental service plan corporation established
8 pursuant to the Dental Service Plan Act; or
- 9 (10) an entity similar to any of the above.

10 "Moody's Corporate Bond Yield Average" means the Monthly
11 Average Corporates as published by Moody's Investors Service,
12 Inc., or any successor thereto.

13 "Owner" of a policy or contract and "policyholder", "policy
14 owner", and "contract owner" mean the person who is identified
15 as the legal owner under the terms of the policy or contract or
16 who is otherwise vested with legal title to the policy or
17 contract through a valid assignment completed in accordance
18 with the terms of the policy or contract and properly recorded
19 as the owner on the books of the member insurer. The terms
20 owner, contract owner, policyholder, and policy owner do not
21 include persons with a mere beneficial interest in a policy or
22 contract.

23 "Person" means an individual, corporation, limited
24 liability company, partnership, association, governmental body
25 or entity, or voluntary organization.

26 "Plan sponsor" means:

1 (1) the employer in the case of a benefit plan
2 established or maintained by a single employer;

3 (2) the employee organization in the case of a benefit
4 plan established or maintained by an employee
5 organization; or

6 (3) in a case of a benefit plan established or
7 maintained by 2 or more employers or jointly by one or more
8 employers and one or more employee organizations, the
9 association, committee, joint board of trustees, or other
10 similar group of representatives of the parties who
11 establish or maintain the benefit plan.

12 "Premiums" mean amounts or considerations, by whatever
13 name called, received on covered policies or contracts less
14 returned premiums, considerations, and deposits and less
15 dividends and experience credits.

16 "Premiums" does not include:

17 (A) amounts or considerations received for policies or
18 contracts or for the portions of policies or contracts for
19 which coverage is not provided under Section 531.03 of this
20 Code except that assessable premium shall not be reduced on
21 account of the provisions of subparagraph (iii) of
22 paragraph (b) of subsection (2) ~~(a)~~ of Section 531.03 of
23 this Code relating to interest limitations and the
24 provisions of paragraph (b) of subsection (3) of Section
25 531.03 relating to limitations with respect to one
26 individual, one participant, and one policy owner or

1 contract owner;

2 (B) premiums in excess of \$5,000,000 on an unallocated
3 annuity contract not issued under a governmental
4 retirement benefit plan (or its trustee) established under
5 Section 401, 403(b) or 457 of the United States Internal
6 Revenue Code; or

7 (C) with respect to multiple nongroup policies of life
8 insurance owned by one owner, whether the policy owner or
9 contract owner is an individual, firm, corporation, or
10 other person, and whether the persons insured are officers,
11 managers, employees, or other persons, premiums in excess
12 of \$5,000,000 with respect to these policies or contracts,
13 regardless of the number of policies or contracts held by
14 the owner.

15 "Principal place of business" of a plan sponsor or a person
16 other than a natural person means the single state in which the
17 natural persons who establish policy for the direction,
18 control, and coordination of the operations of the entity as a
19 whole primarily exercise that function, determined by the
20 Association in its reasonable judgment by considering the
21 following factors:

22 (A) the state in which the primary executive and
23 administrative headquarters of the entity is located;

24 (B) the state in which the principal office of the
25 chief executive officer of the entity is located;

26 (C) the state in which the board of directors (or

1 similar governing person or persons) of the entity conducts
2 the majority of its meetings;

3 (D) the state in which the executive or management
4 committee of the board of directors (or similar governing
5 person or persons) of the entity conducts the majority of
6 its meetings;

7 (E) the state from which the management of the overall
8 operations of the entity is directed; and

9 (F) in the case of a benefit plan sponsored by
10 affiliated companies comprising a consolidated
11 corporation, the state in which the holding company or
12 controlling affiliate has its principal place of business
13 as determined using the above factors. However, in the case
14 of a plan sponsor, if more than 50% of the participants in
15 the benefit plan are employed in a single state, that state
16 shall be deemed to be the principal place of business of
17 the plan sponsor.

18 The principal place of business of a plan sponsor of a
19 benefit plan described in paragraph (3) of the definition of
20 "plan sponsor" ~~this Section~~ shall be deemed to be the principal
21 place of business of the association, committee, joint board of
22 trustees, or other similar group of representatives of the
23 parties who establish or maintain the benefit plan that, in
24 lieu of a specific or clear designation of a principal place of
25 business, shall be deemed to be the principal place of business
26 of the employer or employee organization that has the largest

1 investment in the benefit plan in question.

2 "Receivership court" means the court in the insolvent or
3 impaired insurer's state having jurisdiction over the
4 conservation, rehabilitation, or liquidation of the member
5 insurer.

6 "Resident" means a person to whom a contractual obligation
7 is owed and who resides in this State on the date of entry of a
8 court order that determines a member insurer to be an impaired
9 insurer or a court order that determines a member insurer to be
10 an insolvent insurer. A person may be a resident of only one
11 state, which in the case of a person other than a natural
12 person shall be its principal place of business. Citizens of
13 the United States that are either (i) residents of foreign
14 countries or (ii) residents of United States possessions,
15 territories, or protectorates that do not have an association
16 similar to the Association created by this Article, shall be
17 deemed residents of the state of domicile of the member insurer
18 that issued the policies or contracts.

19 "Structured settlement annuity" means an annuity purchased
20 in order to fund periodic payments for a plaintiff or other
21 claimant in payment for or with respect to personal injury
22 suffered by the plaintiff or other claimant.

23 "State" means a state, the District of Columbia, Puerto
24 Rico, and a United States possession, territory, or
25 protectorate.

26 "Supplemental contract" means a written agreement entered

1 into for the distribution of proceeds under a life, health, or
2 annuity policy or a life, health, or annuity contract.

3 "Unallocated annuity contract" means any annuity contract
4 or group annuity certificate which is not issued to and owned
5 by an individual, except to the extent of any annuity benefits
6 guaranteed to an individual by an insurer under such contract
7 or certificate.

8 (Source: P.A. 96-1450, eff. 8-20-10.)

9 (215 ILCS 5/531.06) (from Ch. 73, par. 1065.80-6)

10 Sec. 531.06. Creation of the Association. There is created
11 a non-profit legal entity to be known as the Illinois Life and
12 Health Insurance Guaranty Association. All member insurers are
13 and must remain members of the Association as a condition of
14 their authority to transact insurance or a health maintenance
15 organization business in this State. The Association must
16 perform its functions under the plan of operation established
17 and approved under Section 531.10 and must exercise its powers
18 through a board of directors established under Section 531.07.
19 For purposes of administration and assessment, the Association
20 must maintain 2 accounts:

21 (1) The life insurance and annuity account, which
22 includes the following subaccounts:

23 (a) Life Insurance Account;

24 (b) Annuity account, which shall include annuity
25 contracts owned by a governmental retirement plan (or

1 its trustee) established under Section 401, 403(b), or
2 457 of the United States Internal Revenue Code, but
3 shall otherwise exclude unallocated annuities; and

4 (c) Unallocated annuity account, which shall
5 exclude contracts owned by a governmental retirement
6 benefit plan (or its trustee) established under
7 Section 401, 403(b), or 457 of the United States
8 Internal Revenue Code.

9 (2) The health ~~insurance~~ account.

10 The Association shall be supervised by the Director and is
11 subject to the applicable provisions of the Illinois Insurance
12 Code. Meetings or records of the Association may be opened to
13 the public upon majority vote of the board of directors of the
14 Association.

15 (Source: P.A. 95-331, eff. 8-21-07; 96-1450, eff. 8-20-10.)

16 (215 ILCS 5/531.07) (from Ch. 73, par. 1065.80-7)

17 Sec. 531.07. Board of Directors.) The board of directors
18 of the Association consists of not less than 7 nor more than 11
19 members serving terms as established in the plan of operation.
20 The insurer members ~~insurers~~ of the board are to be selected by
21 member insurers subject to the approval of the Director. In
22 addition, 2 persons who must be public representatives may be
23 appointed by the Director to the board of directors. A public
24 representative may not be an officer, director, or employee of
25 an insurance company or a health maintenance organization or

1 any person engaged in the business of insurance. Vacancies on
2 the board must be filled for the remaining period of the term
3 in the manner described in the plan of operation.

4 In approving selections or in appointing members to the
5 board, the Director must consider, whether all member insurers
6 are fairly represented.

7 Members of the board may be reimbursed from the assets of
8 the Association for expenses incurred by them as members of the
9 board of directors but members of the board may not otherwise
10 be compensated by the Association for their services.

11 (Source: P.A. 96-1450, eff. 8-20-10.)

12 (215 ILCS 5/531.08) (from Ch. 73, par. 1065.80-8)

13 Sec. 531.08. Powers and duties of the Association.

14 (a) In addition to the powers and duties enumerated in
15 other Sections of this Article:

16 (1) If a member insurer is an impaired insurer, then
17 the Association may, in its discretion and subject to any
18 conditions imposed by the Association that do not impair
19 the contractual obligations of the impaired insurer and
20 that are approved by the Director:

21 (A) guarantee, assume, reissue, or reinsure or
22 cause to be guaranteed, assumed, reissued, or
23 reinsured, any or all of the policies or contracts of
24 the impaired insurer; or

25 (B) provide such money, pledges, loans, notes,

1 guarantees, or other means as are proper to effectuate
2 paragraph (A) and assure payment of the contractual
3 obligations of the impaired insurer pending action
4 under paragraph (A).

5 (2) If a member insurer is an insolvent insurer, then
6 the Association shall, in its discretion, either:

7 (A) guaranty, assume, reissue, or reinsure or
8 cause to be guaranteed, assumed, reissued, or
9 reinsured the policies or contracts of the insolvent
10 insurer or assure payment of the contractual
11 obligations of the insolvent insurer and provide
12 money, pledges, loans, notes, guarantees, or other
13 means reasonably necessary to discharge the
14 Association's duties; or

15 (B) provide benefits and coverages in accordance
16 with the following provisions:

17 (i) with respect to policies and contracts
18 ~~life and health insurance policies and annuities,~~
19 ensure payment of benefits ~~for premiums identical~~
20 ~~to the premiums and benefits (except for terms of~~
21 ~~conversion and renewability)~~ that would have been
22 payable under the policies or contracts of the
23 insolvent insurer for claims incurred:

24 (a) with respect to group policies and
25 contracts, not later than the earlier of the
26 next renewal date under those policies or

1 contracts or 45 days, but in no event less than
2 30 days, after the date on which the
3 Association becomes obligated with respect to
4 the policies and contracts;

5 (b) with respect to nongroup policies,
6 contracts, and annuities not later than the
7 earlier of the next renewal date (if any) under
8 the policies or contracts or one year, but in
9 no event less than 30 days, from the date on
10 which the Association becomes obligated with
11 respect to the policies or contracts;

12 (ii) make diligent efforts to provide all
13 known insureds, enrollees, or annuitants (for
14 nongroup policies and contracts), or group policy
15 owners or contract owners with respect to group
16 policies and contracts, 30 days notice of the
17 termination (pursuant to subparagraph (i) of this
18 paragraph (B)) of the benefits provided;

19 (iii) with respect to nongroup policies and
20 contracts ~~life and health insurance policies and~~
21 ~~annuities~~ covered by the Association, make
22 available to each known insured, enrollee, or
23 annuitant, or owner if other than the insured,
24 enrollee, or annuitant, and with respect to an
25 individual formerly an insured, enrollee, or
26 ~~formerly an~~ annuitant under a group policy or

1 contract who is not eligible for replacement group
2 coverage, make available substitute coverage on an
3 individual basis in accordance with the provisions
4 of paragraph (3), if the insureds, enrollees, or
5 annuitants had a right under law or the terminated
6 policy, contract, or annuity to convert coverage
7 to individual coverage or to continue an
8 individual policy, contract, or annuity in force
9 until a specified age or for a specified time,
10 during which the insurer or health maintenance
11 organization had no right unilaterally to make
12 changes in any provision of the policy, contract,
13 or annuity or had a right only to make changes in
14 premium by class.

15 (b) In providing the substitute coverage required under
16 subparagraph (iii) of paragraph (B) of item (2) of subsection
17 (a) of this Section, the Association may offer either to
18 reissue the terminated coverage or to issue an alternative
19 policy or contract at actuarially justified rates, subject to
20 the prior approval of the Director.

21 Alternative or reissued policies or contracts shall be
22 offered without requiring evidence of insurability, and shall
23 not provide for any waiting period or exclusion that would not
24 have applied under the terminated policy or contract.

25 The Association may reinsure any alternative or reissued
26 policy or contract.

1 Alternative policies or contracts adopted by the
2 Association shall be subject to the approval of the Director.
3 The Association may adopt alternative policies or contracts of
4 various types for future issuance ~~insurance~~ without regard to
5 any particular impairment or insolvency.

6 Alternative policies or contracts shall contain at least
7 the minimum statutory provisions required in this State and
8 provide benefits that shall not be unreasonable in relation to
9 the premium charged. The Association shall set the premium in
10 accordance with a table of rates which it shall adopt. The
11 premium shall reflect the amount of insurance to be provided
12 and the age and class of risk of each insured, but shall not
13 reflect any changes in the health of the insured after the
14 original policy or contract was last underwritten.

15 Any alternative policy or contract issued by the
16 Association shall provide coverage of a type similar to that of
17 the policy or contract issued by the impaired or insolvent
18 insurer, as determined by the Association.

19 (c) If the Association elects to reissue terminated
20 coverage at a premium rate different from that charged under
21 the terminated policy or contract, the premium shall be
22 actuarially justified and set by the Association in accordance
23 with the amount of insurance or coverage provided and the age
24 and class of risk, subject to approval of the Director ~~or by a~~
25 ~~court of competent jurisdiction.~~

26 (d) The Association's obligations with respect to coverage

1 under any policy or contract of the impaired or insolvent
2 insurer or under any reissued or alternative policy or contract
3 shall cease on the date such coverage or policy or contract is
4 replaced by another similar policy or contract by the
5 policyholder, the insured, the enrollee, or the Association.

6 (e) When proceeding under this Section with respect to any
7 policy or contract carrying guaranteed minimum interest rates,
8 the Association shall assure the payment or crediting of a rate
9 of interest consistent with subparagraph (2)(b)(iii)(B) of
10 Section 531.03.

11 (f) Nonpayment of premiums thirty-one days after the date
12 required under the terms of any guaranteed, assumed,
13 alternative or reissued policy or contract or substitute
14 coverage shall terminate the Association's obligations under
15 such policy, contract, or coverage under this Act with respect
16 to such policy, contract, or coverage, except with respect to
17 any claims incurred or any net cash surrender value which may
18 be due in accordance with the provisions of this Act.

19 (g) Premiums due for coverage after entry of an order of
20 liquidation of an insolvent insurer shall belong to and be
21 payable at the direction of the Association, and the
22 Association shall be liable for unearned premiums due to policy
23 or contract owners arising after the entry of such order.

24 (h) In carrying out its duties under paragraph (2) of
25 subsection (a) of this Section, the Association may:

26 (1) subject to approval by a court in this State,

1 impose permanent policy or contract liens in connection
2 with a guarantee, assumption, or reinsurance agreement if
3 the Association finds that the amounts which can be
4 assessed under this Article are less than the amounts
5 needed to assure full and prompt performance of the
6 Association's duties under this Article or that the
7 economic or financial conditions as they affect member
8 insurers are sufficiently adverse to render the imposition
9 of such permanent policy or contract liens to be in the
10 public interest; or

11 (2) subject to approval by a court in this State,
12 impose temporary moratoriums or liens on payments of cash
13 values and policy loans or any other right to withdraw
14 funds held in conjunction with policies or contracts in
15 addition to any contractual provisions for deferral of cash
16 or policy loan value. In addition, in the event of a
17 temporary moratorium or moratorium charge imposed by the
18 receivership court on payment of cash values or policy
19 loans or on any other right to withdraw funds held in
20 conjunction with policies or contracts, out of the assets
21 of the impaired or insolvent insurer, the Association may
22 defer the payment of cash values, policy loans, or other
23 rights by the Association for the period of the moratorium
24 or moratorium charge imposed by the receivership court,
25 except for claims covered by the Association to be paid in
26 accordance with a hardship procedure established by the

1 liquidator or rehabilitator and approved by the
2 receivership court.

3 (i) There shall be no liability on the part of and no cause
4 of action shall arise against the Association or against any
5 transferee from the Association in connection with the transfer
6 by reinsurance or otherwise of all or any part of an impaired
7 or insolvent insurer's business by reason of any action taken
8 or any failure to take any action by the impaired or insolvent
9 insurer at any time.

10 (j) If the Association fails to act within a reasonable
11 period of time as provided in subsection (2) of this Section
12 with respect to an insolvent insurer, the Director shall have
13 the powers and duties of the Association under this Act with
14 regard to such insolvent insurers.

15 (k) The Association or its designated representatives may
16 render assistance and advice to the Director, upon his request,
17 concerning rehabilitation, payment of claims, continuations of
18 coverage, or the performance of other contractual obligations
19 of any impaired or insolvent insurer.

20 (l) The Association shall have standing to appear or
21 intervene before a court or agency in this State with
22 jurisdiction over an impaired or insolvent insurer concerning
23 which the Association is or may become obligated under this
24 Article or with jurisdiction over any person or property
25 against which the Association may have rights through
26 subrogation or otherwise. Standing shall extend to all matters

1 germane to the powers and duties of the Association, including,
2 but not limited to, proposals for reinsuring, reissuing,
3 modifying, or guaranteeing the policies or contracts of the
4 impaired or insolvent insurer and the determination of the
5 policies or contracts and contractual obligations. The
6 Association shall also have the right to appear or intervene
7 before a court or agency in another state with jurisdiction
8 over an impaired or insolvent insurer for which the Association
9 is or may become obligated or with jurisdiction over any person
10 or property against whom the Association may have rights
11 through subrogation or otherwise.

12 (m) (1) A person receiving benefits under this Article shall
13 be deemed to have assigned the rights under and any causes of
14 action against any person for losses arising under, resulting
15 from, or otherwise relating to the covered policy or contract
16 to the Association to the extent of the benefits received
17 because of this Article, whether the benefits are payments of
18 or on account of contractual obligations, continuation of
19 coverage, or provision of substitute or alternative policies,
20 contracts, or coverages. The Association may require an
21 assignment to it of such rights and cause of action by any
22 enrollee, payee, policy, or contract owner, beneficiary,
23 insured, or annuitant as a condition precedent to the receipt
24 of any right or benefits conferred by this Article upon the
25 person.

26 (2) The subrogation rights of the Association under this

1 subsection have the same priority against the assets of the
2 impaired or insolvent insurer as that possessed by the person
3 entitled to receive benefits under this Article.

4 (3) In addition to paragraphs (1) and (2), the Association
5 shall have all common law rights of subrogation and any other
6 equitable or legal remedy that would have been available to the
7 impaired or insolvent insurer or owner, beneficiary, enrollee,
8 or payee of a policy or contract with respect to the policy or
9 contracts, including without limitation, in the case of a
10 structured settlement annuity, any rights of the owner,
11 beneficiary, enrollee, or payee of the annuity to the extent of
12 benefits received pursuant to this Article, against a person
13 originally or by succession responsible for the losses arising
14 from the personal injury relating to the annuity or payment
15 therefor, excepting any such person responsible solely by
16 reason of serving as an assignee in respect of a qualified
17 assignment under Internal Revenue Code Section 130.

18 (4) If the preceding provisions of this subsection (1) are
19 invalid or ineffective with respect to any person or claim for
20 any reason, then the amount payable by the Association with
21 respect to the related covered obligations shall be reduced by
22 the amount realized by any other person with respect to the
23 person or claim that is attributable to the policies or
24 contracts, or portion thereof, covered by the Association.

25 (5) If the Association has provided benefits with respect
26 to a covered obligation and a person recovers amounts as to

1 which the Association has rights as described in the preceding
2 paragraphs of this subsection (10), then the person shall pay
3 to the Association the portion of the recovery attributable to
4 the policies or contracts, or portion thereof, covered by the
5 Association.

6 (n) The Association may:

7 (1) Enter into such contracts as are necessary or
8 proper to carry out the provisions and purposes of this
9 Article.

10 (2) Sue or be sued, including taking any legal actions
11 necessary or proper for recovery of any unpaid assessments
12 under Section 531.09. The Association shall not be liable
13 for punitive or exemplary damages.

14 (3) Borrow money to effect the purposes of this
15 Article. Any notes or other evidence of indebtedness of the
16 Association not in default are legal investments for
17 domestic member insurers and may be carried as admitted
18 assets.

19 (4) Employ or retain such persons as are necessary to
20 handle the financial transactions of the Association, and
21 to perform such other functions as become necessary or
22 proper under this Article.

23 (5) Negotiate and contract with any liquidator,
24 rehabilitator, conservator, or ancillary receiver to carry
25 out the powers and duties of the Association.

26 (6) Take such legal action as may be necessary to

1 avoid payment of improper claims.

2 (7) Exercise, for the purposes of this Article and to
3 the extent approved by the Director, the powers of a
4 domestic life insurer, ~~or~~ health insurer, or health
5 maintenance organization, but in no case may the
6 Association issue ~~insurance~~ policies or ~~annuity~~ contracts
7 other than those issued to perform the contractual
8 obligations of the impaired or insolvent insurer.

9 (8) Exercise all the rights of the Director under
10 Section 193(4) of this Code with respect to covered
11 policies after the association becomes obligated by
12 statute.

13 (9) Request information from a person seeking coverage
14 from the Association in order to aid the Association in
15 determining its obligations under this Article with
16 respect to the person, and the person shall promptly comply
17 with the request.

18 (9.5) Unless prohibited by law, in accordance with the
19 terms and conditions of the policy or contract, file for
20 actuarially justified rate or premium increases for any
21 policy or contract for which it provides coverage under
22 this Article.

23 (10) Take other necessary or appropriate action to
24 discharge its duties and obligations under this Article or
25 to exercise its powers under this Article.

26 (o) With respect to covered policies for which the

1 Association becomes obligated after an entry of an order of
2 liquidation or rehabilitation, the Association may elect to
3 succeed to the rights of the insolvent insurer arising after
4 the date of the order of liquidation or rehabilitation under
5 any contract of reinsurance to which the insolvent insurer was
6 a party, to the extent that such contract provides coverage for
7 losses occurring after the date of the order of liquidation or
8 rehabilitation. As a condition to making this election, the
9 Association must pay all unpaid premiums due under the contract
10 for coverage relating to periods before and after the date of
11 the order of liquidation or rehabilitation.

12 (p) A deposit in this State, held pursuant to law or
13 required by the Director for the benefit of creditors,
14 including policy owners or contract owners, not turned over to
15 the domiciliary liquidator upon the entry of a final order of
16 liquidation or order approving a rehabilitation plan of a
17 member ~~an~~ insurer domiciled in this State or in a reciprocal
18 state, pursuant to Article XIII 1/2 of this Code, shall be
19 promptly paid to the Association. The Association shall be
20 entitled to retain a portion of any amount so paid to it equal
21 to the percentage determined by dividing the aggregate amount
22 of policy owners' or contract owners' claims related to that
23 insolvency for which the Association has provided statutory
24 benefits by the aggregate amount of all policy owners' or
25 contract owners' claims in this State related to that
26 insolvency and shall remit to the domiciliary receiver the

1 amount so paid to the Association less the amount retained
2 pursuant to this subsection (13). Any amount so paid to the
3 Association and retained by it shall be treated as a
4 distribution of estate assets pursuant to applicable State
5 receivership law dealing with early access disbursements.

6 (q) The Board of Directors of the Association shall have
7 discretion and may exercise reasonable business judgment to
8 determine the means by which the Association is to provide the
9 benefits of this Article in an economical and efficient manner.

10 (r) Where the Association has arranged or offered to
11 provide the benefits of this Article to a covered person under
12 a plan or arrangement that fulfills the Association's
13 obligations under this Article, the person shall not be
14 entitled to benefits from the Association in addition to or
15 other than those provided under the plan or arrangement.

16 (s) Venue in a suit against the Association arising under
17 the Article shall be in Cook County. The Association shall not
18 be required to give any appeal bond in an appeal that relates
19 to a cause of action arising under this Article.

20 (t) The Association may join an organization of one or more
21 other State associations of similar purposes to further the
22 purposes and administer the powers and duties of the
23 Association.

24 (u) In carrying out its duties in connection with
25 guaranteeing, assuming, reissuing, or reinsuring policies or
26 contracts under subsections (1) or (2), the Association may~~7~~

1 ~~subject to approval of the receivership court,~~ issue substitute
2 coverage for a policy or contract that provides an interest
3 rate, crediting rate, or similar factor determined by use of an
4 index or other external reference stated in the policy or
5 contract employed in calculating returns or changes in value by
6 issuing an alternative policy or contract in accordance with
7 the following provisions:

8 (1) in lieu of the index or other external reference
9 provided for in the original policy or contract, the
10 alternative policy or contract provides for (i) a fixed
11 interest rate, or (ii) payment of dividends with minimum
12 guarantees, or (iii) a different method for calculating
13 interest or changes in value;

14 (2) there is no requirement for evidence of
15 insurability, waiting period, or other exclusion that
16 would not have applied under the replaced policy or
17 contract; and

18 (3) the alternative policy or contract is
19 substantially similar to the replaced policy or contract in
20 all other material terms.

21 (Source: P.A. 96-1450, eff. 8-20-10; 97-333, eff. 8-12-11.)

22 (215 ILCS 5/531.09) (from Ch. 73, par. 1065.80-9)

23 Sec. 531.09. Assessments.

24 (1) For the purpose of providing the funds necessary to
25 carry out the powers and duties of the Association, the board

1 of directors shall assess the member insurers, separately for
2 each account, at such times and for such amounts as the board
3 finds necessary. Assessments shall be due not less than 30 days
4 after written notice to the member insurers and shall accrue
5 interest from the due date at such adjusted rate as is
6 established under Section 6621 of Chapter 26 of the United
7 States Code and such interest shall be compounded daily.

8 (2) There shall be 2 classes of assessments, as follows:

9 (a) Class A assessments shall be made for the purpose
10 of meeting administrative costs and other general expenses
11 and examinations conducted under the authority of the
12 Director under subsection (5) of Section 531.12.

13 (b) Class B assessments shall be made to the extent
14 necessary to carry out the powers and duties of the
15 Association under Section 531.08 with regard to an impaired
16 or insolvent domestic insurer or insolvent foreign or alien
17 insurers.

18 (3)(a) The amount of any Class A assessment shall be
19 determined at the discretion of the board of directors and such
20 assessments shall be authorized and called on a non-pro rata
21 basis. The amount of any Class B assessment, except for
22 assessments related to long-term care insurance, shall be
23 allocated for assessment purposes among the accounts and
24 subaccounts pursuant to an allocation formula which may be
25 based on the premiums or reserves of the impaired or insolvent
26 insurer or any other standard deemed by the board in its sole

1 discretion as being fair and reasonable under the
2 circumstances.

3 (b) Class B assessments against member insurers for each
4 account and subaccount shall be in the proportion that the
5 premiums received on business in this State by each assessed
6 member insurer on policies or contracts covered by each account
7 or subaccount for the three most recent calendar years for
8 which information is available preceding the year in which the
9 member insurer became impaired or insolvent, as the case may
10 be, bears to such premiums received on business in this State
11 for such calendar years by all assessed member insurers.

12 (b-5) The amount of the Class B assessment for long-term
13 care insurance written by the impaired or insolvent insurer
14 shall be allocated according to a methodology included in the
15 plan of operation and approved by the Director. The methodology
16 shall provide for 50% of the assessment to be allocated to
17 accident and health member insurers and 50% to be allocated to
18 life and annuity member insurers.

19 (c) Assessments for funds to meet the requirements of the
20 Association with respect to an impaired or insolvent insurer
21 shall not be made until necessary to implement the purposes of
22 this Article. Classification of assessments under subsection
23 (2) and computations of assessments under this subsection shall
24 be made with a reasonable degree of accuracy, recognizing that
25 exact determinations may not always be possible.

26 (4) The Association may abate or defer, in whole or in

1 part, the assessment of a member insurer if, in the opinion of
2 the board, payment of the assessment would endanger the ability
3 of the member insurer to fulfill its contractual obligations.
4 In the event an assessment against a member insurer is abated
5 or deferred in whole or in part the amount by which the
6 assessment is abated or deferred may be assessed against the
7 other member insurers in a manner consistent with the basis for
8 assessments set forth in this Section. Once the conditions that
9 caused a deferral have been removed or rectified, the member
10 insurer shall pay all assessments that were deferred pursuant
11 to a repayment plan approved by the Association.

12 (5) (a) Subject to the provisions of subparagraph (ii) of
13 this paragraph, the total of all assessments authorized by the
14 Association with respect to a member insurer for each
15 subaccount of the life insurance and annuity account and for
16 the health account shall not in one calendar year exceed 2% of
17 that member insurer's average annual premiums received in this
18 State on the policies and contracts covered by the subaccount
19 or account during the 3 calendar years preceding the year in
20 which the member insurer became an impaired or insolvent
21 insurer.

22 If 2 or more assessments are authorized in one calendar
23 year with respect to member insurers that become impaired or
24 insolvent in different calendar years, the average annual
25 premiums for purposes of the aggregate assessment percentage
26 limitation referenced in subparagraph (a) of this paragraph

1 shall be equal and limited to the higher of the 3-year average
2 annual premiums for the applicable subaccount or account as
3 calculated pursuant to this Section.

4 If the maximum assessment, together with the other assets
5 of the Association in an account, does not provide in one year
6 in either account an amount sufficient to carry out the
7 responsibilities of the Association, the necessary additional
8 funds shall be assessed as soon thereafter as permitted by this
9 Article.

10 (b) The board may provide in the plan of operation a method
11 of allocating funds among claims, whether relating to one or
12 more impaired or insolvent insurers, when the maximum
13 assessment will be insufficient to cover anticipated claims.

14 (c) If the maximum assessment for a subaccount of the life
15 insurance and annuity account in one year does not provide an
16 amount sufficient to carry out the responsibilities of the
17 Association, then pursuant to paragraph (b) of subsection (3),
18 the board shall assess the other subaccounts of the life
19 insurance and annuity account for the necessary additional
20 amount, subject to the maximum stated in paragraph (a) of this
21 subsection.

22 (6) The board may, by an equitable method as established in
23 the plan of operation, refund to member insurers, in proportion
24 to the contribution of each member insurer to that account, the
25 amount by which the assets of the account exceed the amount the
26 board finds is necessary to carry out during the coming year

1 the obligations of the Association with regard to that account,
2 including assets accruing from net realized gains and income
3 from investments. A reasonable amount may be retained in any
4 account to provide funds for the continuing expenses of the
5 Association and for future losses.

6 (7) An assessment is deemed to occur on the date upon which
7 the board votes such assessment. The board may defer calling
8 the payment of the assessment or may call for payment in one or
9 more installments.

10 (8) It is proper for any member insurer, in determining its
11 premium rates and policy owner ~~policyowner~~ dividends as to any
12 kind of insurance or health maintenance organization business
13 within the scope of this Article, to consider the amount
14 reasonably necessary to meet its assessment obligations under
15 this Article.

16 (9) The Association must issue to each member insurer
17 paying a Class B assessment under this Article a certificate of
18 contribution, in a form acceptable to the Director, for the
19 amount of the assessment so paid. All outstanding certificates
20 are of equal dignity and priority without reference to amounts
21 or dates of issue. A certificate of contribution may be shown
22 by the member insurer in its financial statement as an asset in
23 such form and for such amount, if any, and period of time as
24 the Director may approve, provided the member insurer shall in
25 any event at its option have the right to show a certificate of
26 contribution as an admitted asset at percentages of the

1 original face amount for calendar years as follows:

2 100% for the calendar year after the year of issuance;

3 80% for the second calendar year after the year of
4 issuance;

5 60% for the third calendar year after the year of issuance;

6 40% for the fourth calendar year after the year of
7 issuance;

8 20% for the fifth calendar year after the year of issuance.

9 (10) The Association may request information of member
10 insurers in order to aid in the exercise of its power under
11 this Section and member insurers shall promptly comply with a
12 request.

13 (Source: P.A. 95-86, eff. 9-25-07 (changed from 1-1-08 by P.A.
14 95-632); 96-1450, eff. 8-20-10.)

15 (215 ILCS 5/531.11) (from Ch. 73, par. 1065.80-11)

16 Sec. 531.11. Duties and powers of the Director. In addition
17 to the duties and powers enumerated elsewhere in this Article:

18 (1) The Director must do all of the following:

19 (a) Upon request of the board of directors, provide the
20 Association with a statement of the premiums in the
21 appropriate accounts for each member insurer.

22 (b) Notify the board of directors of the existence of
23 an impaired or insolvent insurer not later than 3 days
24 after a determination of impairment or insolvency is made
25 or when the Director receives notice of impairment or

1 insolvency.

2 (c) Give notice to an impaired insurer as required by
3 Sections 34 or 60. Notice to the impaired insurer shall
4 constitute notice to its shareholders, if any.

5 (d) In any liquidation or rehabilitation proceeding
6 involving a domestic member insurer, be appointed as the
7 liquidator or rehabilitator. If a foreign or alien member
8 insurer is subject to a liquidation proceeding in its
9 domiciliary jurisdiction or state of entry, the Director
10 shall be appointed conservator.

11 (2) The Director may suspend or revoke, after notice and
12 hearing, the certificate of authority to transact business
13 ~~insurance~~ in this State of any member insurer which fails to
14 pay an assessment when due or fails to comply with the plan of
15 operation. As an alternative the Director may levy a forfeiture
16 on any member insurer which fails to pay an assessment when
17 due. Such forfeiture may not exceed 5% of the unpaid assessment
18 per month, but no forfeiture may be less than \$100 per month.

19 (3) Any action of the board of directors or the Association
20 may be appealed to the Director by any member insurer or any
21 other person adversely affected by such action if such appeal
22 is taken within 30 days of the action being appealed. Any final
23 action or order of the Director is subject to judicial review
24 in a court of competent jurisdiction.

25 (4) The liquidator, rehabilitator, or conservator of any
26 impaired insurer may notify all interested persons of the

1 effect of this Article.

2 (Source: P.A. 96-1450, eff. 8-20-10.)

3 (215 ILCS 5/531.12) (from Ch. 73, par. 1065.80-12)

4 Sec. 531.12. Prevention of Insolvencies. To aid in the
5 detection and prevention of member insurer insolvencies or
6 impairments:

7 (1) It shall be the duty of the Director:

8 (a) To notify the Commissioners of all other states,
9 territories of the United States, and the District of
10 Columbia when he takes any of the following actions against
11 a member insurer:

12 (i) revocation of license;

13 (ii) suspension of license;

14 (iii) makes any formal order except for an order
15 issued pursuant to Article XII 1/2 of this Code that
16 such member insurer ~~company~~ restrict its premium
17 writing, obtain additional contributions to surplus,
18 withdraw from the State, reinsure all or any part of
19 its business, or increase capital, surplus or any other
20 account for the security of policy owners, contract
21 owners, certificate holders, ~~policyholders~~ or
22 creditors.

23 Such notice shall be transmitted to all commissioners
24 within 30 days following the action taken or the date on
25 which the action occurs.

1 (b) To report to the board of directors when he has
2 taken any of the actions set forth in subparagraph (a) of
3 this paragraph or has received a report from any other
4 commissioner indicating that any such action has been taken
5 in another state. Such report to the board of directors
6 shall contain all significant details of the action taken
7 or the report received from another commissioner.

8 (c) To report to the board of directors when the
9 Director has reasonable cause to believe from an
10 examination, whether completed or in process, of any member
11 insurer that the member insurer may be an impaired or
12 insolvent insurer.

13 (d) To furnish to the board of directors the National
14 Association of Insurance Commissioners Insurance
15 Regulatory Information System ratios and listings of
16 companies not included in the ratios developed by the
17 National Association of Insurance Commissioners. The board
18 may use the information contained therein in carrying out
19 its duties and responsibilities under this Section. The
20 report and the information contained therein shall be kept
21 confidential by the board of directors until such time as
22 made public by the Director or other lawful authority.

23 (2) The Director may seek the advice and recommendations of
24 the board of directors concerning any matter affecting his or
25 her duties and responsibilities regarding the financial
26 condition of member insurers ~~companies~~ and insurers or health

1 maintenance organizations ~~companies~~ seeking admission to
2 transact ~~insurance~~ business in this State.

3 (3) The board of directors may, upon majority vote, make
4 reports and recommendations to the Director upon any matter
5 germane to the liquidation, rehabilitation or conservation of
6 any member insurer and insurers or health maintenance
7 organizations seeking admission to transact business in this
8 State. Such reports and recommendations shall not be considered
9 public documents.

10 (4) The board of directors may, upon majority vote, make
11 recommendations to the Director for the detection and
12 prevention of member insurer insolvencies.

13 (5) The board of directors shall, at the conclusion of any
14 member insurer insolvency in which the Association was
15 obligated to pay covered claims prepare a report to the
16 Director containing such information as it may have in its
17 possession bearing on the history and causes of such
18 insolvency. The board shall cooperate with the boards of
19 directors of guaranty associations in other states in preparing
20 a report on the history and causes for insolvency of a
21 particular member insurer, and may adopt by reference any
22 report prepared by such other associations.

23 (Source: P.A. 96-1450, eff. 8-20-10.)

24 (215 ILCS 5/531.13) (from Ch. 73, par. 1065.80-13)

25 Sec. 531.13. Tax offset. In the event the aggregate Class

1 A, B and C assessments for all member insurers do not exceed
2 \$3,000,000 in any one calendar year, no member insurer shall
3 receive a tax offset. However, for any one calendar year before
4 1998 in which the total of such assessments exceeds \$3,000,000,
5 the amount in excess of \$3,000,000 shall be subject to a tax
6 offset to the extent of 20% of the amount of such assessment
7 for each of the 5 calendar years following the year in which
8 such assessment was paid, and ending prior to January 1, 2003,
9 and each member insurer may offset the proportionate amount of
10 such excess paid by the member insurer against its liabilities
11 for the tax imposed by subsections (a) and (b) of Section 201
12 of the Illinois Income Tax Act. The provisions of this Section
13 shall expire and be given no effect for any tax period
14 commencing on and after January 1, 2003.

15 (Source: P.A. 93-29, eff. 6-20-03.)

16 (215 ILCS 5/531.14) (from Ch. 73, par. 1065.80-14)

17 Sec. 531.14. Miscellaneous Provisions.

18 (1) Nothing in this Article may be construed to reduce the
19 liability for unpaid assessments of the insured of an impaired
20 or insolvent insurer operating under a plan with assessment
21 liability.

22 (2) Records must be kept of all negotiations and meetings
23 in which the Association or its representatives are involved to
24 discuss the activities of the Association in carrying out its
25 powers and duties under Section 531.08. Records of such

1 negotiations or meetings may be made public only upon the
2 termination of a liquidation, rehabilitation, or conservation
3 proceeding involving the impaired or insolvent insurer, upon
4 the termination of the impairment or insolvency of the insurer,
5 or upon the order of a court of competent jurisdiction. Nothing
6 in this paragraph (2) limits the duty of the Association to
7 render a report of its activities under Section 531.15.

8 (3) For the purpose of carrying out its obligations under
9 this Article, the Association is deemed to be a creditor of the
10 impaired or insolvent insurer to the extent of assets
11 attributable to covered policies or contracts reduced by any
12 amounts to which the Association is entitled as subrogee (under
13 paragraph (8) of Section 531.08). All assets of the impaired or
14 insolvent insurer attributable to covered policies or
15 contracts must be used to continue all covered policies and pay
16 all contractual obligations of the impaired insurer as required
17 by this Article. "Assets attributable to covered policies or
18 contracts", as used in this paragraph (3), is that proportion
19 of the assets which the reserves that should have been
20 established for such policies or contracts bear to the reserve
21 that should have been established for all policies of insurance
22 or health benefit plans written by the impaired or insolvent
23 insurer.

24 (4) (a) Prior to the termination of any liquidation,
25 rehabilitation, or conservation proceeding, the court may take
26 into consideration the contributions of the respective

1 parties, including the Association, the shareholders, contract
2 owners, certificate holders, enrollees, and policy owners
3 ~~policyowners~~ of the impaired or insolvent insurer, and any
4 other party with a bona fide interest, in making an equitable
5 distribution of the ownership rights of such impaired or
6 insolvent insurer. In such a determination, consideration must
7 be given to the welfare of the policy owners, contract owners,
8 certificate holders, and enrollees ~~policyholders~~ of the
9 continuing or successor insurer.

10 (b) No distribution to stockholders, if any, of an impaired
11 or insolvent insurer may be made until and unless the total
12 amount of valid claims of the Association for funds expended
13 with interest in carrying out its powers and duties under
14 Section 531.08, with respect to such member insurer have been
15 fully recovered by the Association.

16 (5) (a) If an order for liquidation or rehabilitation of a
17 member ~~an~~ insurer domiciled in this State has been entered, the
18 receiver appointed under such order has a right to recover on
19 behalf of the member insurer, from any affiliate that
20 controlled it, the amount of distributions, other than stock
21 dividends paid by the member insurer on its capital stock, made
22 at any time during the 5 years preceding the petition for
23 liquidation or rehabilitation subject to the limitations of
24 paragraphs (b) to (d).

25 (b) No such dividend is recoverable if the member insurer
26 shows that when paid the distribution was lawful and

1 reasonable, and that the member insurer did not know and could
2 not reasonably have known that the distribution might adversely
3 affect the ability of the member insurer to fulfill its
4 contractual obligations.

5 (c) Any person who as an affiliate that controlled the
6 member insurer at the time the distributions were paid is
7 liable up to the amount of distributions he received. Any
8 person who was an affiliate that controlled the member insurer
9 at the time the distributions were declared, is liable up to
10 the amount of distributions he would have received if they had
11 been paid immediately. If 2 persons are liable with respect to
12 the same distributions, they are jointly and severally liable.

13 (d) The maximum amount recoverable under subsection (5) of
14 this Section is the amount needed in excess of all other
15 available assets of the insolvent insurer to pay the
16 contractual obligations of the insolvent insurer.

17 (e) If any person liable under paragraph (c) of subsection
18 (5) of this Section is insolvent, all its affiliates that
19 controlled it at the time the dividend was paid are jointly and
20 severally liable for any resulting deficiency in the amount
21 recovered from the insolvent affiliate.

22 (6) As a creditor of the impaired or insolvent insurer as
23 established in subsection (3) of this Section and consistent
24 with subsection (2) of Section 205 of this Code, the
25 Association and other similar associations shall be entitled to
26 receive a disbursement of assets out of the marshaled assets,

1 from time to time as the assets become available to reimburse
2 it, as a credit against contractual obligations under this
3 Article. If the liquidator has not, within 120 days after a
4 final determination of insolvency of a member ~~an~~ insurer by the
5 receivership court, made an application to the court for the
6 approval of a proposal to disburse assets out of marshaled
7 assets to guaranty associations having obligations because of
8 the insolvency, then the Association shall be entitled to make
9 application to the receivership court for approval of its own
10 proposal to disburse these assets.

11 (Source: P.A. 96-1450, eff. 8-20-10.)

12 (215 ILCS 5/531.19) (from Ch. 73, par. 1065.80-19)

13 Sec. 531.19. Prohibited advertisement of action of the
14 Insurance Guaranty Association in sale of insurance.

15 (a) No person, including a member ~~an~~ insurer, agent or
16 affiliate of a member ~~an~~ insurer shall make, publish,
17 disseminate, circulate, or place before the public, or cause
18 directly or indirectly, to be made, published, disseminated,
19 circulated or placed before the public, in any newspaper,
20 magazine or other publication, or in the form of a notice,
21 circular, pamphlet, letter or poster, or over any radio station
22 or television station, or in any other way, any advertisement,
23 announcement or statement, written or oral, which uses the
24 existence of the Insurance Guaranty Association of this State
25 for the purpose of sales, solicitation or inducement to

1 purchase any form of insurance or other coverage covered by
2 this Article; provided, however, that this Section shall not
3 apply to the Illinois Life and Health Guaranty Association or
4 any other entity which does not sell or solicit insurance or
5 coverage by a health maintenance organization.

6 (b) Within 180 days of August 16, 1993, the Association
7 shall prepare a summary document describing the general
8 purposes and current limitations of this Article and complying
9 with subsection (c). This document shall be submitted to the
10 Director for approval. Sixty days after receiving approval, no
11 member insurer may deliver a policy or contract described in
12 subparagraph (a) of paragraph (2) of Section 531.03 and not
13 excluded under subparagraph (b) of that Section to a policy
14 owner, ~~or~~ contract owner, certificate holder, or enrollee
15 unless the document is delivered to the policy owner, ~~or~~
16 contract owner, certificate holder, or enrollee prior to or at
17 the time of delivery of the policy or contract. The document
18 should also be available upon request by a policy owner,
19 contract owner, certificate holder, or enrollee ~~policyholder~~.
20 The distribution, delivery, or contents or interpretation of
21 this document shall not mean that either the policy or the
22 contract or the policy owner, contract owner, certificate
23 holder, or enrollee thereof would be covered in the event of
24 the impairment or insolvency of a member insurer. The
25 description document shall be revised by the Association as
26 amendments to this Article may require. Failure to receive this

1 document does not give the policy owner ~~policyholder~~, contract
2 owner ~~holder~~, certificate holder, enrollee, or insured any
3 greater rights than those stated in this Article.

4 (c) The document prepared under subsection (b) shall
5 contain a clear and conspicuous disclaimer on its face. The
6 Director shall promulgate a rule establishing the form and
7 content of the disclaimer. The disclaimer shall:

8 (1) State the name and address of the Life and Health
9 Insurance Guaranty Association and of the Department.

10 (2) Prominently warn the policy owner, ~~or~~ contract
11 owner, certificate holder, or enrollee that the Life and
12 Health Insurance Guaranty Association may not cover the
13 policy or contract or, if coverage is available, it will be
14 subject to substantial limitations and exclusions and
15 conditioned on continued residence in the State.

16 (3) State that the member insurer and its agents are
17 prohibited by law from using the existence of the Life and
18 Health Insurance Guaranty Association for the purpose of
19 sales, solicitation, or inducement to purchase any form of
20 insurance or health maintenance organization coverage.

21 (4) Emphasize that the policy owner, ~~or~~ contract owner,
22 certificate holder, or enrollee should not rely on coverage
23 under the Life and Health Insurance Guaranty Association
24 when selecting an insurer or health maintenance
25 organization.

26 (5) Provide other information as directed by the

1 Director.

2 (d) (Blank).

3 (Source: P.A. 88-364; 88-627, eff. 9-9-94; 89-97, eff. 7-7-95.)

4 (215 ILCS 5/531.20 new)

5 Sec. 531.20. Merger of Illinois Health Maintenance
6 Organization Guaranty Association with and into the Illinois
7 Life and Health Insurance Guaranty Association. In order to
8 provide for the merger of the Illinois Health Maintenance
9 Organization Guaranty Association with and into the Illinois
10 Life and Health Insurance Guaranty Association, the following
11 shall apply:

12 (1) The Illinois Health Maintenance Organization
13 Guaranty Association is merged with and into the Illinois
14 Life and Health Insurance Guaranty Association, which
15 shall then continue to be known as the Illinois Life and
16 Health Insurance Guaranty Association.

17 (2) All premerger rights, powers, privileges, assets,
18 property, duties, debts, obligations, and liabilities of
19 each association related to a liquidated member shall
20 remain with the members of the respective association prior
21 to merger and subject to the laws in effect at the time the
22 order of liquidation was entered with respect to the
23 liquidated member, but shall be administered by the
24 Illinois Life and Health Insurance Guaranty Association.
25 The Illinois Life and Health Insurance Guaranty

1 Association shall adopt changes to its plan of operation
2 which reasonably accomplish this.

3 (3) Subject to paragraph (2), the Illinois Life and
4 Health Insurance Guaranty Association shall succeed,
5 without other transfer, to all the rights, powers,
6 privileges, assets, and property of the Illinois Health
7 Maintenance Organization Guaranty Association and shall be
8 subject to all duties, debts, obligations, and liabilities
9 of the Illinois Health Maintenance Organization that exist
10 as of the date of the merger of the Illinois Health
11 Maintenance Organization Guaranty Association into the
12 Illinois Life and Health Insurance Guaranty Association.
13 Without limiting the generality of the foregoing, the
14 Illinois Life and Health Insurance Guaranty Association
15 shall succeed to (A) all collected, uncollected, or
16 unbilled assessments of the Illinois Health Maintenance
17 Organization Guaranty Association, (B) all cash, bank
18 accounts, accrued interest, and tangible property of the
19 Illinois Health Maintenance Organization Guaranty
20 Association, (C) all rights, powers, privileges, duties,
21 and obligations of the Illinois Health Maintenance
22 Organization Guaranty Association under any of its
23 contracts or commitments, and (D) all subrogations,
24 assignments, and creditor rights and interests of the
25 Illinois Health Maintenance Organization Guaranty
26 Association.

1 (4) All rights of creditors and all liens upon the
2 property of the Illinois Health Maintenance Organization
3 Guaranty Association shall be preserved unimpaired,
4 provided that the liens upon property of the Illinois
5 Health Maintenance Organization Guaranty Association shall
6 be limited to the property affected thereby immediately
7 prior to the effective date of this amendatory Act of the
8 100th General Assembly.

9 (5) Any action or proceeding pending by or against the
10 Illinois Health Maintenance Organization Guaranty
11 Association may be prosecuted to judgment.

12 (6) Notwithstanding any other provision to the
13 contrary in this Article:

14 (A) It is the intent of this Section to preserve
15 only the rights, powers, privileges, assets, property,
16 debts, obligations, and liabilities of the Illinois
17 Health Maintenance Organization Guaranty Association
18 as they existed on the date of its merger into the
19 Illinois Life and Health Insurance Guaranty
20 Association, and not to provide contract owners,
21 certificate holders, enrollees and policy owners, or
22 their respective payees, beneficiaries, or assignees,
23 with duplicative or new rights, powers, privileges,
24 assets, or property.

25 (B) Accordingly, no contract owner, certificate
26 holder, enrollee and policy owner, and no contract

1 owner's, certificate holder's, enrollee's or policy
2 owner's payee, beneficiary, or assignee, shall be
3 entitled to (i) a recovery from the Illinois Life and
4 Health Insurance Guaranty Association that is
5 duplicative of a previous recovery from the Illinois
6 Health Maintenance Organization Guaranty Association
7 or (ii) a recovery from the Illinois Life and Health
8 Insurance Guaranty Association on account of a claim
9 against the Illinois Health Maintenance Organization
10 Guaranty Association where the Illinois Life and
11 Health Insurance Guaranty Association is liable with
12 respect to a claim under the same policy or contract
13 under this Article.

14 (215 ILCS 125/Art. VI rep.)

15 Section 10. The Health Maintenance Organization Act is
16 amended by repealing Article VI.

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