

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 26 and 53 as follows:

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

7 (Section scheduled to be repealed on January 1, 2017)

8 Sec. 26. Deposit.

9 (a) A company subject to the provisions of this Article
10 shall make and maintain with the Director for the protection of
11 all creditors, policyholders and policy obligations of the
12 company, a deposit of securities which are authorized
13 investments under Section 126.11A(1), 126.11A(2), 126.24A(1),
14 or 126.24A(2) having a fair market value equal to the minimum
15 capital and surplus required to be maintained under Section 13.
16 The Director may release the required deposit of securities
17 upon receipt of an order of a court having proper jurisdiction
18 or upon: (i) certification by the company that it has no
19 outstanding creditors, policyholders, or policy obligations in
20 effect and no plans to engage in the business of insurance;
21 (ii) receipt of a lawful resolution of the company's board of
22 directors effecting the surrender of its articles of
23 incorporation for administrative dissolution by the Director;

1 and (iii) receipt of the name and forwarding address for each
2 of the final officers and directors of the company, together
3 with a plan of dissolution approved by the Director.

4 (b) All deposits by insurers subject to this Article must
5 be limited to the following types:

6 (1) United States government bonds, notes, and bills
7 for which the full faith and credit of the government of
8 the United States is pledged for the payment of principal
9 and interest.

10 (2) United States public bonds and notes of any state
11 or of the District of Columbia, or Canadian public bonds
12 and notes of any province thereof, for which the full faith
13 and credit of the issuer has been pledged for the payment
14 of principal and interest.

15 (3) United States and Canadian county, provincial,
16 municipal, and district bonds and notes for which the
17 issuer has lawful authority to levy taxes or make
18 assessments for the payment of principal and interest.

19 (4) Bonds and notes of any federal agency that are
20 guaranteed as to payment of principal and interest by the
21 United States.

22 (5) International development bank bonds, bonds issued
23 by the State of Israel and sold through the Development
24 Corporation for Israel or its successor entities, and notes
25 issued, assumed, and guaranteed by the International Bank
26 for Reconstruction and Development, the Inter-American

1 Development Bank, the Asian Development Bank, the African
2 Development Bank, or the International Finance
3 Corporation.

4 (6) Corporate bonds and notes of any private
5 corporations that are not affiliates or subsidiaries of the
6 insurer, which corporations are organized under the laws of
7 the United States, Canada, any state, the District of
8 Columbia, any territory or possession of the United States,
9 or any province of Canada.

10 (7) Certificates of deposit.

11 (c) To be eligible for deposit under subsection (b), any
12 bond or note must have the following characteristics:

13 (1) The bond or note must be interest-bearing or
14 interest-accruing, and the insurer must be the exclusive
15 owner of the interest accruing thereon and entitled to
16 receive the interest for its account.

17 (2) The issuer must be in a solvent financial condition
18 and the bond or note must not be in default.

19 (3) The bond, note, or debt of the issuing country must
20 be rated in one of the 4 highest classifications by an
21 established, nationally recognized investment rating
22 service or must have been given a rating of 1 by the
23 Securities Valuation Office of the National Association of
24 Insurance Commissioners.

25 (4) The market value of the bond or note must be
26 readily ascertainable or the value of the bond or note must

1 be obtainable by the insurer or its custodian from the
2 issuer's fiscal agent.

3 (5) The bond or note must be the direct obligation of
4 the issuer.

5 (6) The bond or note must be stated in United States
6 dollar denominations.

7 (7) The bond or note must be eligible for book-entry
8 form on the books of the Federal Reserve's book-entry
9 system or in a depository trust clearing system or on the
10 books of the issuer's transfer agent or evidenced by a
11 certificate delivered to the insurer or its custodian.

12 (d) To be eligible for deposit under item (7) of subsection
13 (b), a certificate of deposit must have the following
14 characteristics:

15 (1) The certificate of deposit must be issued by a
16 bank, savings bank, or savings association that is
17 organized under the laws of the United States, of this
18 State, or of any other state and that has a principal
19 office or branch office in this State that is authorized to
20 receive deposits in this State.

21 (2) The certificate of deposit must be
22 interest-bearing and may not be issued in discounted form.

23 (3) The certificate of deposit must be issued for a
24 period of not less than one year.

25 (4) The issuing bank, savings bank, or savings
26 association must agree to the terms and conditions of the

1 Director regarding the rights to the certificate of deposit
2 and must have executed a written certificate of deposit
3 agreement with the Director. The terms and conditions of
4 the agreement shall include, but need not be limited to:

5 (A) Exclusive authorized signature authority for
6 the chief financial officer.

7 (B) An agreement to pay, without protest, the
8 proceeds of its certificate of deposit to the Director
9 within 30 business days after presentation.

10 (C) A prohibition against levies, setoffs,
11 survivorship, or other conditions that might hinder
12 the Director's ability to recover the full face value
13 of a certificate of deposit.

14 (D) Instructions regarding interest payments,
15 renewals, taxpayer identification, and early
16 withdrawal penalties.

17 (E) An agreement to be subject to the jurisdiction
18 of the courts of this State, or those of the United
19 States that are located in this State, for the purposes
20 of any litigation arising out of this Section.

21 (F) Such other conditions as the Director
22 requires.

23 (e) The Director may refuse to accept certain securities or
24 refuse to accept the reported market value of certain
25 securities offered pursuant to this Section in order to ensure
26 that sufficient cash and securities are on hand to meet the

1 purposes of the deposit. In making a refusal under this
2 subsection (e), the guidelines for use of the Director may
3 include, but need not be limited to, whether the market value
4 of the securities cannot be readily ascertained and the lack of
5 liquidity of the securities. Securities refused under this
6 subsection (e) are not acceptable as deposits.

7 (f) All deposits required of a domestic insurer pursuant to
8 the laws of another state, province, or country must be
9 comprised of securities of the kinds required under subsection
10 (b), having the characteristics required under subsections (c)
11 and (d), and permitted by the laws of the other state,
12 province, or country, except common stocks, mortgages or loans
13 of any kind, real estate investment trust funds or programs,
14 commercial paper, and letters of credit.

15 (Source: P.A. 92-75, eff. 7-12-01.)

16 (215 ILCS 5/53) (from Ch. 73, par. 665)

17 (Section scheduled to be repealed on January 1, 2017)

18 Sec. 53. Deposit.

19 (a) A company subject to the provisions of this Article
20 shall make and maintain with the Director for the protection of
21 all creditors, policyholders and policy obligations of the
22 company, a deposit of securities which are authorized
23 investments under Section 126.11A(1), 126.11A(2), 126.24A(1),
24 or 126.24A(2) having a fair market value equal to the minimum
25 surplus required to be maintained under Section 43. The

1 Director may release the required deposit of securities upon
2 receipt of an order of a court having proper jurisdiction or
3 upon: (i) certification by the company that it has no
4 outstanding creditors, policyholders, or policy obligations in
5 effect and no plans to engage in the business of insurance;
6 (ii) receipt of a lawful resolution of the company's board of
7 directors effecting the surrender of its articles of
8 incorporation for administrative dissolution by the Director;
9 and (iii) receipt of the name and forwarding address for each
10 of the final officers and directors of the company, together
11 with a plan of dissolution approved by the Director.

12 (b) All deposits by insurers subject to this Article must
13 be limited to the following types:

14 (1) United States government bonds, notes, and bills
15 for which the full faith and credit of the government of
16 the United States is pledged for the payment of principal
17 and interest.

18 (2) United States public bonds and notes of any state
19 or of the District of Columbia, or Canadian public bonds
20 and notes of any province thereof, for which the full faith
21 and credit of the issuer has been pledged for the payment
22 of principal and interest.

23 (3) United States and Canadian county, provincial,
24 municipal, and district bonds and notes for which the
25 issuer has lawful authority to levy taxes or make
26 assessments for the payment of principal and interest.

1 (4) Bonds and notes of any federal agency that are
2 guaranteed as to payment of principal and interest by the
3 United States.

4 (5) International development bank bonds, bonds issued
5 by the State of Israel and sold through the Development
6 Corporation for Israel or its successor entities, and notes
7 issued, assumed, and guaranteed by the International Bank
8 for Reconstruction and Development, the Inter-American
9 Development Bank, the Asian Development Bank, the African
10 Development Bank, or the International Finance
11 Corporation.

12 (6) Corporate bonds and notes of any private
13 corporations that are not affiliates or subsidiaries of the
14 insurer, which corporations are organized under the laws of
15 the United States, Canada, any state, the District of
16 Columbia, any territory or possession of the United States,
17 or any province of Canada.

18 (7) Certificates of deposit.

19 (c) To be eligible for deposit under subsection (b), any
20 bond or note must have the following characteristics:

21 (1) The bond or note must be interest-bearing or
22 interest-accruing, and the insurer must be the exclusive
23 owner of the interest accruing thereon and entitled to
24 receive the interest for its account.

25 (2) The issuer must be in a solvent financial condition
26 and the bond or note must not be in default.

1 (3) The bond, note, or debt of the issuing country must
2 be rated in one of the 4 highest classifications by an
3 established, nationally recognized investment rating
4 service or must have been given a rating of 1 by the
5 Securities Valuation Office of the National Association of
6 Insurance Commissioners.

7 (4) The market value of the bond or note must be
8 readily ascertainable or the value of the bond or note must
9 be obtainable by the insurer or its custodian from the
10 issuer's fiscal agent.

11 (5) The bond or note must be the direct obligation of
12 the issuer.

13 (6) The bond or note must be stated in United States
14 dollar denominations.

15 (7) The bond or note must be eligible for book-entry
16 form on the books of the Federal Reserve's book-entry
17 system or in a depository trust clearing system or on the
18 books of the issuer's transfer agent or evidenced by a
19 certificate delivered to the insurer or its custodian.

20 (d) To be eligible for deposit under item (7) of subsection
21 (b), a certificate of deposit must have the following
22 characteristics:

23 (1) The certificate of deposit must be issued by a
24 bank, savings bank, or savings association that is
25 organized under the laws of the United States, of this
26 State, or of any other state and that has a principal

1 office or branch office in this State that is authorized to
2 receive deposits in this State.

3 (2) The certificate of deposit must be
4 interest-bearing and may not be issued in discounted form.

5 (3) The certificate of deposit must be issued for a
6 period of not less than one year.

7 (4) The issuing bank, savings bank, or savings
8 association must agree to the terms and conditions of the
9 Director regarding the rights to the certificate of deposit
10 and must have executed a written certificate of deposit
11 agreement with the Director. The terms and conditions of
12 the agreement shall include, but need not be limited to:

13 (A) Exclusive authorized signature authority for
14 the chief financial officer.

15 (B) An agreement to pay, without protest, the
16 proceeds of its certificate of deposit to the Director
17 within 30 business days after presentation.

18 (C) A prohibition against levies, setoffs,
19 survivorship, or other conditions that might hinder
20 the Director's ability to recover the full face value
21 of a certificate of deposit.

22 (D) Instructions regarding interest payments,
23 renewals, taxpayer identification, and early
24 withdrawal penalties.

25 (E) An agreement to be subject to the jurisdiction
26 of the courts of this State, or those of the United

1 States that are located in this State, for the purposes
2 of any litigation arising out of this Section.

3 (F) Such other conditions as the Director
4 requires.

5 (e) The Director may refuse to accept certain securities or
6 refuse to accept the reported market value of certain
7 securities offered pursuant to this Section in order to ensure
8 that sufficient cash and securities are on hand to meet the
9 purposes of the deposit. In making a refusal under this
10 subsection (e), the guidelines for use of the Director may
11 include, but need not be limited to, whether the market value
12 of the securities cannot be readily ascertained and the lack of
13 liquidity of the securities. Securities refused under this
14 subsection (e) are not acceptable as deposits.

15 (f) All deposits required of a domestic insurer pursuant to
16 the laws of another state, province, or country must be
17 comprised of securities of the kinds required under subsection
18 (b), having the characteristics required under subsections (c)
19 and (d), and permitted by the laws of the other state,
20 province, or country, except common stocks, mortgages or loans
21 of any kind, real estate investment trust funds or programs,
22 commercial paper, and letters of credit.

23 (Source: P.A. 92-75, eff. 7-12-01.)