

AN ACT concerning regulation.

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

Section 5. The Illinois Insurance Code is amended by changing Sections 26 and 53 as follows:

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

(Section scheduled to be repealed on January 1, 2017)

Sec. 26. Deposit.

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

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

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

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

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

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

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

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

Development Bank, the Asian Development Bank, the African Development Bank, or the International Finance Corporation.

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

(7) Certificates of deposit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(F) Such other conditions as the Director requires.

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

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

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

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

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

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

Sec. 53. Deposit.

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

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

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

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

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

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

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

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

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

(7) Certificates of deposit.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(F) Such other conditions as the Director requires.

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

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

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