**Section 201.20 Approval of Debenture Form by Director Prior to Shareholder Approval**

The subordinated indebtedness agreement (debenture) shall be submitted for the approval of the Illinois Director of Insurance (Director) as required by Section 34.1 of the Illinois Insurance Code [215 ILCS 5/34.1].

a) The agreement must state that:

1) All payments of principal and/or interest must be approved by the Director, and

2) The obligation of the company under such debenture may not be offset or be subject to recoupment with respect to any liability or obligation owed to the company, and

3) No agreement or interest securing such debentures, whether existing on the date of such debenture or subsequently entered into, applies to the obligation under such debenture.

b) The following shall be submitted for the Director's approval prior to submission to the shareholders of the company:

1) Duplicate copies of the entire debenture.

2) Certified copy of the resolution of the board of directors or proper company body or committee which is empowered to authorize such agreements. This resolution shall stipulate the maximum amount of subordinated indebtedness authorized.

(Source: Amended at 23 Ill. Reg. 3782, effective March 10, 1999)