

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, 531.10, 531.11, 531.12, 531.13, 531.14, and  
7 531.19 and 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 subsection (b) paragraph (3), if the insureds,  
5           enrollees, or annuitants had a right under law or  
6           the terminated policy, contract, or annuity to  
7           convert coverage to individual coverage or to  
8           continue an individual policy, contract, or  
9           annuity in force until a specified age or for a  
10          specified time, during which the insurer or health  
11          maintenance organization had no right unilaterally  
12          to make changes in any provision of the policy,  
13          contract, or annuity or had a right only to make  
14          changes in 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 (m) ~~(l)~~  
19 are invalid or ineffective with respect to any person or claim  
20 for 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 (p) ~~(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 5/531.10) (from Ch. 73, par. 1065.80-10)

16 Sec. 531.10. Plan of Operation.†

17 (1)(a) The Association must submit to the Director a plan  
18 of operation and any amendments thereto necessary or suitable  
19 to assure the fair, reasonable, and equitable administration of  
20 the Association. The plan of operation and any amendments  
21 thereto become effective upon approval in writing by the  
22 Director.

23 (b) If the Association fails to submit a suitable plan of  
24 operation within 180 days following the effective date of this  
25 Article or if at any time thereafter the Association fails to

1 submit suitable amendments to the plan, the Director may, after  
2 notice and hearing, adopt and promulgate such reasonable rules  
3 as are necessary or advisable to effectuate the provisions of  
4 this Article. Such rules are in force until modified by the  
5 Director or superseded by a plan submitted by the Association  
6 and approved by the Director.

7 (2) All member insurers must comply with the plan of  
8 operation.

9 (3) The plan of operation must, in addition to requirements  
10 enumerated elsewhere in this Article:

11 (a) Establish procedures for handling the assets of the  
12 Association;

13 (b) Establish the amount and method of reimbursing  
14 members of the board of directors under Section 531.07;

15 (c) Establish regular places and times for meetings of  
16 the board of directors;

17 (d) Establish procedures for records to be kept of all  
18 financial transactions of the Association, its agents, and  
19 the board of directors;

20 (e) Establish the procedures whereby selections for  
21 the board of directors will be made and submitted to the  
22 Director;

23 (f) Establish any additional procedures for  
24 assessments under Section 531.09; and

25 (g) Contain additional provisions necessary or proper  
26 for the execution of the powers and duties of the

1 Association.

2 (4) The plan of operation shall establish a procedure for  
3 protest by any member insurer of assessments made by the  
4 Association pursuant to Section 531.09. Such procedures shall  
5 require that:

6 (a) a member insurer that wishes to protest all or part  
7 of an assessment shall pay when due the full amount of the  
8 assessment as set forth in the notice provided by the  
9 Association. The payment shall be available to meet  
10 Association obligations during the pendency of the protest  
11 or any subsequent appeal. Payment shall be accompanied by a  
12 statement in writing that the payment is made under protest  
13 and setting forth a brief statement of the grounds for the  
14 protest;

15 (b) within 30 days following the payment of an  
16 assessment under protest by any protesting member insurer,  
17 the Association must notify the member insurer in writing  
18 of its determination with respect to the protest unless the  
19 Association notifies the member that additional time is  
20 required to resolve the issues raised by the protest;

21 (c) in the event the Association determines that the  
22 protesting member insurer is entitled to a refund, such  
23 refund shall be made within 30 days following the date upon  
24 which the Association makes its determination;

25 (d) the decision of the Association with respect to a  
26 protest may be appealed to the Director pursuant to Section

1 531.11(3);

2 (e) in the alternative to rendering a decision with  
3 respect to any protest based on a question regarding the  
4 assessment base, the Association may refer such protests to  
5 the Director for final decision, with or without a  
6 recommendation from the Association; and

7 (f) interest on any refund due a protesting member  
8 insurer shall be paid at the rate actually earned by the  
9 Association.

10 (5) The plan of operation may provide that any or all  
11 powers and duties of the Association, except those under  
12 paragraph (3) ~~(e)~~ of subsection (n) ~~(10)~~ of Section 531.08 and  
13 Section 531.09 are delegated to a corporation, association or  
14 other organization which performs or will perform functions  
15 similar to those of this Association, or its equivalent, in 2  
16 or more states. Such a corporation, association or organization  
17 shall be reimbursed for any payments made on behalf of the  
18 Association and shall be paid for its performance of any  
19 function of the Association. A delegation under this subsection  
20 shall take effect only with the approval of both the Board of  
21 Directors and the Director, and may be made only to a  
22 corporation, association or organization which extends  
23 protection not substantially less favorable and effective than  
24 that provided by this Act.

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



1 (215 ILCS 5/531.11) (from Ch. 73, par. 1065.80-11)

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

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

5 (a) Upon request of the board of directors, provide the  
6 Association with a statement of the premiums in the  
7 appropriate accounts for each member insurer.

8 (b) Notify the board of directors of the existence of  
9 an impaired or insolvent insurer not later than 3 days  
10 after a determination of impairment or insolvency is made  
11 or when the Director receives notice of impairment or  
12 insolvency.

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

16 (d) In any liquidation or rehabilitation proceeding  
17 involving a domestic member insurer, be appointed as the  
18 liquidator or rehabilitator. If a foreign or alien member  
19 insurer is subject to a liquidation proceeding in its  
20 domiciliary jurisdiction or state of entry, the Director  
21 shall be appointed conservator.

22 (2) The Director may suspend or revoke, after notice and  
23 hearing, the certificate of authority to transact business  
24 ~~insurance~~ in this State of any member insurer which fails to  
25 pay an assessment when due or fails to comply with the plan of  
26 operation. As an alternative the Director may levy a forfeiture

1 on any member insurer which fails to pay an assessment when  
2 due. Such forfeiture may not exceed 5% of the unpaid assessment  
3 per month, but no forfeiture may be less than \$100 per month.

4 (3) Any action of the board of directors or the Association  
5 may be appealed to the Director by any member insurer or any  
6 other person adversely affected by such action if such appeal  
7 is taken within 30 days of the action being appealed. Any final  
8 action or order of the Director is subject to judicial review  
9 in a court of competent jurisdiction.

10 (4) The liquidator, rehabilitator, or conservator of any  
11 impaired insurer may notify all interested persons of the  
12 effect of this Article.

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

14 (215 ILCS 5/531.12) (from Ch. 73, par. 1065.80-12)

15 Sec. 531.12. Prevention of Insolvencies. To aid in the  
16 detection and prevention of member insurer insolvencies or  
17 impairments:

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

19 (a) To notify the Commissioners of all other states,  
20 territories of the United States, and the District of  
21 Columbia when he takes any of the following actions against  
22 a member insurer:

23 (i) revocation of license;

24 (ii) suspension of license;

25 (iii) makes any formal order except for an order

1           issued pursuant to Article XII 1/2 of this Code that  
2           such member insurer ~~company~~ restrict its premium  
3           writing, obtain additional contributions to surplus,  
4           withdraw from the State, reinsure all or any part of  
5           its business, or increase capital, surplus or any other  
6           account for the security of policy owners, contract  
7           owners, certificate holders, ~~policyholders~~ or  
8           creditors.

9           Such notice shall be transmitted to all commissioners  
10          within 30 days following the action taken or the date on  
11          which the action occurs.

12          (b) To report to the board of directors when he has  
13          taken any of the actions set forth in subparagraph (a) of  
14          this paragraph or has received a report from any other  
15          commissioner indicating that any such action has been taken  
16          in another state. Such report to the board of directors  
17          shall contain all significant details of the action taken  
18          or the report received from another commissioner.

19          (c) To report to the board of directors when the  
20          Director has reasonable cause to believe from an  
21          examination, whether completed or in process, of any member  
22          insurer that the member insurer may be an impaired or  
23          insolvent insurer.

24          (d) To furnish to the board of directors the National  
25          Association of Insurance Commissioners Insurance  
26          Regulatory Information System ratios and listings of

1 companies not included in the ratios developed by the  
2 National Association of Insurance Commissioners. The board  
3 may use the information contained therein in carrying out  
4 its duties and responsibilities under this Section. The  
5 report and the information contained therein shall be kept  
6 confidential by the board of directors until such time as  
7 made public by the Director or other lawful authority.

8 (2) The Director may seek the advice and recommendations of  
9 the board of directors concerning any matter affecting his or  
10 her duties and responsibilities regarding the financial  
11 condition of member insurers ~~companies~~ and insurers or health  
12 maintenance organizations ~~companies~~ seeking admission to  
13 transact ~~insurance~~ business in this State.

14 (3) The board of directors may, upon majority vote, make  
15 reports and recommendations to the Director upon any matter  
16 germane to the liquidation, rehabilitation or conservation of  
17 any member insurer and insurers or health maintenance  
18 organizations seeking admission to transact business in this  
19 State. Such reports and recommendations shall not be considered  
20 public documents.

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

24 (5) The board of directors shall, at the conclusion of any  
25 member insurer insolvency in which the Association was  
26 obligated to pay covered claims prepare a report to the

1 Director containing such information as it may have in its  
2 possession bearing on the history and causes of such  
3 insolvency. The board shall cooperate with the boards of  
4 directors of guaranty associations in other states in preparing  
5 a report on the history and causes for insolvency of a  
6 particular member insurer, and may adopt by reference any  
7 report prepared by such other associations.

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

9 (215 ILCS 5/531.13) (from Ch. 73, par. 1065.80-13)

10 Sec. 531.13. Tax offset. In the event the aggregate Class  
11 A, B and C assessments for all member insurers do not exceed  
12 \$3,000,000 in any one calendar year, no member insurer shall  
13 receive a tax offset. However, for any one calendar year before  
14 1998 in which the total of such assessments exceeds \$3,000,000,  
15 the amount in excess of \$3,000,000 shall be subject to a tax  
16 offset to the extent of 20% of the amount of such assessment  
17 for each of the 5 calendar years following the year in which  
18 such assessment was paid, and ending prior to January 1, 2003,  
19 and each member insurer may offset the proportionate amount of  
20 such excess paid by the member insurer against its liabilities  
21 for the tax imposed by subsections (a) and (b) of Section 201  
22 of the Illinois Income Tax Act. The provisions of this Section  
23 shall expire and be given no effect for any tax period  
24 commencing on and after January 1, 2003.

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

1 (215 ILCS 5/531.14) (from Ch. 73, par. 1065.80-14)

2 Sec. 531.14. Miscellaneous Provisions.

3 (1) Nothing in this Article may be construed to reduce the  
4 liability for unpaid assessments of the insured of an impaired  
5 or insolvent insurer operating under a plan with assessment  
6 liability.

7 (2) Records must be kept of all negotiations and meetings  
8 in which the Association or its representatives are involved to  
9 discuss the activities of the Association in carrying out its  
10 powers and duties under Section 531.08. Records of such  
11 negotiations or meetings may be made public only upon the  
12 termination of a liquidation, rehabilitation, or conservation  
13 proceeding involving the impaired or insolvent insurer, upon  
14 the termination of the impairment or insolvency of the insurer,  
15 or upon the order of a court of competent jurisdiction. Nothing  
16 in this paragraph (2) limits the duty of the Association to  
17 render a report of its activities under Section 531.15.

18 (3) For the purpose of carrying out its obligations under  
19 this Article, the Association is deemed to be a creditor of the  
20 impaired or insolvent insurer to the extent of assets  
21 attributable to covered policies or contracts reduced by any  
22 amounts to which the Association is entitled as subrogee (under  
23 subsection (m) ~~paragraph (8)~~ of Section 531.08). All assets of  
24 the impaired or insolvent insurer attributable to covered  
25 policies or contracts must be used to continue all covered

1 policies and pay all contractual obligations of the impaired  
2 insurer as required by this Article. "Assets attributable to  
3 covered policies or contracts", as used in this paragraph (3),  
4 is that proportion of the assets which the reserves that should  
5 have been established for such policies or contracts bear to  
6 the reserve that should have been established for all policies  
7 of insurance or health benefit plans written by the impaired or  
8 insolvent insurer.

9 (4) (a) Prior to the termination of any liquidation,  
10 rehabilitation, or conservation proceeding, the court may take  
11 into consideration the contributions of the respective  
12 parties, including the Association, the shareholders, contract  
13 owners, certificate holders, enrollees, and policy owners  
14 ~~policyowners~~ of the impaired or insolvent insurer, and any  
15 other party with a bona fide interest, in making an equitable  
16 distribution of the ownership rights of such impaired or  
17 insolvent insurer. In such a determination, consideration must  
18 be given to the welfare of the policy owners, contract owners,  
19 certificate holders, and enrollees ~~policyholders~~ of the  
20 continuing or successor insurer.

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

1           (5) (a) If an order for liquidation or rehabilitation of a  
2 member ~~an~~ insurer domiciled in this State has been entered, the  
3 receiver appointed under such order has a right to recover on  
4 behalf of the member insurer, from any affiliate that  
5 controlled it, the amount of distributions, other than stock  
6 dividends paid by the member insurer on its capital stock, made  
7 at any time during the 5 years preceding the petition for  
8 liquidation or rehabilitation subject to the limitations of  
9 paragraphs (b) to (d).

10           (b) No such dividend is recoverable if the member insurer  
11 shows that when paid the distribution was lawful and  
12 reasonable, and that the member insurer did not know and could  
13 not reasonably have known that the distribution might adversely  
14 affect the ability of the member insurer to fulfill its  
15 contractual obligations.

16           (c) Any person who as an affiliate that controlled the  
17 member insurer at the time the distributions were paid is  
18 liable up to the amount of distributions he received. Any  
19 person who was an affiliate that controlled the member insurer  
20 at the time the distributions were declared, is liable up to  
21 the amount of distributions he would have received if they had  
22 been paid immediately. If 2 persons are liable with respect to  
23 the same distributions, they are jointly and severally liable.

24           (d) The maximum amount recoverable under subsection (5) of  
25 this Section is the amount needed in excess of all other  
26 available assets of the insolvent insurer to pay the



1 contractual obligations of the insolvent insurer.

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

7 (6) As a creditor of the impaired or insolvent insurer as  
8 established in subsection (3) of this Section and consistent  
9 with subsection (2) of Section 205 of this Code, the  
10 Association and other similar associations shall be entitled to  
11 receive a disbursement of assets out of the marshaled assets,  
12 from time to time as the assets become available to reimburse  
13 it, as a credit against contractual obligations under this  
14 Article. If the liquidator has not, within 120 days after a  
15 final determination of insolvency of a member ~~an~~ insurer by the  
16 receivership court, made an application to the court for the  
17 approval of a proposal to disburse assets out of marshaled  
18 assets to guaranty associations having obligations because of  
19 the insolvency, then the Association shall be entitled to make  
20 application to the receivership court for approval of its own  
21 proposal to disburse these assets.

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

23 (215 ILCS 5/531.19) (from Ch. 73, par. 1065.80-19)

24 Sec. 531.19. Prohibited advertisement of action of the  
25 Insurance Guaranty Association in sale of insurance.

1 (a) No person, including a member ~~an~~ insurer, agent or  
2 affiliate of a member ~~an~~ insurer shall make, publish,  
3 disseminate, circulate, or place before the public, or cause  
4 directly or indirectly, to be made, published, disseminated,  
5 circulated or placed before the public, in any newspaper,  
6 magazine or other publication, or in the form of a notice,  
7 circular, pamphlet, letter or poster, or over any radio station  
8 or television station, or in any other way, any advertisement,  
9 announcement or statement, written or oral, which uses the  
10 existence of the Insurance Guaranty Association of this State  
11 for the purpose of sales, solicitation or inducement to  
12 purchase any form of insurance or other coverage covered by  
13 this Article; provided, however, that this Section shall not  
14 apply to the Illinois Life and Health Guaranty Association or  
15 any other entity which does not sell or solicit insurance or  
16 coverage by a health maintenance organization.

17 (b) Within 180 days of August 16, 1993, the Association  
18 shall prepare a summary document describing the general  
19 purposes and current limitations of this Article and complying  
20 with subsection (c). This document shall be submitted to the  
21 Director for approval. Sixty days after receiving approval, no  
22 member insurer may deliver a policy or contract described in  
23 subparagraph (a) of paragraph (2) of Section 531.03 and not  
24 excluded under subparagraph (b) of that Section to a policy  
25 owner, or contract owner, certificate holder, or enrollee  
26 unless the document is delivered to the policy owner, or

1 contract owner, certificate holder, or enrollee prior to or at  
2 the time of delivery of the policy or contract. The document  
3 should also be available upon request by a policy owner,  
4 contract owner, certificate holder, or enrollee ~~policyholder~~.  
5 The distribution, delivery, or contents or interpretation of  
6 this document shall not mean that either the policy or the  
7 contract or the policy owner, contract owner, certificate  
8 holder, or enrollee thereof would be covered in the event of  
9 the impairment or insolvency of a member insurer. The  
10 description document shall be revised by the Association as  
11 amendments to this Article may require. Failure to receive this  
12 document does not give the policy owner ~~policyholder~~, contract  
13 owner ~~holder~~, certificate holder, enrollee, or insured any  
14 greater rights than those stated in this Article.

15 (c) The document prepared under subsection (b) shall  
16 contain a clear and conspicuous disclaimer on its face. The  
17 Director shall promulgate a rule establishing the form and  
18 content of the disclaimer. The disclaimer shall:

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

21 (2) Prominently warn the policy owner, ~~or~~ contract  
22 owner, certificate holder, or enrollee that the Life and  
23 Health Insurance Guaranty Association may not cover the  
24 policy or contract or, if coverage is available, it will be  
25 subject to substantial limitations and exclusions and  
26 conditioned on continued residence in the State.

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

6 (4) Emphasize that the policy owner, ~~or~~ contract owner,  
7 certificate holder, or enrollee should not rely on coverage  
8 under the Life and Health Insurance Guaranty Association  
9 when selecting an insurer or health maintenance  
10 organization.

11 (5) Provide other information as directed by the  
12 Director.

13 (d) (Blank).

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

15 (215 ILCS 5/531.20 new)

16 Sec. 531.20. Merger of Illinois Health Maintenance  
17 Organization Guaranty Association with and into the Illinois  
18 Life and Health Insurance Guaranty Association. In order to  
19 provide for the merger of the Illinois Health Maintenance  
20 Organization Guaranty Association with and into the Illinois  
21 Life and Health Insurance Guaranty Association, the following  
22 shall apply:

23 (1) The Illinois Health Maintenance Organization  
24 Guaranty Association is merged with and into the Illinois  
25 Life and Health Insurance Guaranty Association, which

1       shall then continue to be known as the Illinois Life and  
2       Health Insurance Guaranty Association.

3           (2) All premerger rights, powers, privileges, assets,  
4       property, duties, debts, obligations, and liabilities of  
5       each association related to a liquidated member shall  
6       remain with the members of the respective association prior  
7       to merger and subject to the laws in effect at the time the  
8       order of liquidation was entered with respect to the  
9       liquidated member, but shall be administered by the  
10       Illinois Life and Health Insurance Guaranty Association.  
11       The Illinois Life and Health Insurance Guaranty  
12       Association shall adopt changes to its plan of operation  
13       which reasonably accomplish this.

14           (3) Subject to paragraph (2), the Illinois Life and  
15       Health Insurance Guaranty Association shall succeed,  
16       without other transfer, to all the rights, powers,  
17       privileges, assets, and property of the Illinois Health  
18       Maintenance Organization Guaranty Association and shall be  
19       subject to all duties, debts, obligations, and liabilities  
20       of the Illinois Health Maintenance Organization that exist  
21       as of the date of the merger of the Illinois Health  
22       Maintenance Organization Guaranty Association into the  
23       Illinois Life and Health Insurance Guaranty Association.  
24       Without limiting the generality of the foregoing, the  
25       Illinois Life and Health Insurance Guaranty Association  
26       shall succeed to (A) all collected, uncollected, or

1 unbilled assessments of the Illinois Health Maintenance  
2 Organization Guaranty Association, (B) all cash, bank  
3 accounts, accrued interest, and tangible property of the  
4 Illinois Health Maintenance Organization Guaranty  
5 Association, (C) all rights, powers, privileges, duties,  
6 and obligations of the Illinois Health Maintenance  
7 Organization Guaranty Association under any of its  
8 contracts or commitments, and (D) all subrogations,  
9 assignments, and creditor rights and interests of the  
10 Illinois Health Maintenance Organization Guaranty  
11 Association.

12 (4) All rights of creditors and all liens upon the  
13 property of the Illinois Health Maintenance Organization  
14 Guaranty Association shall be preserved unimpaired,  
15 provided that the liens upon property of the Illinois  
16 Health Maintenance Organization Guaranty Association shall  
17 be limited to the property affected thereby immediately  
18 prior to the effective date of this amendatory Act of the  
19 100th General Assembly.

20 (5) Any action or proceeding pending by or against the  
21 Illinois Health Maintenance Organization Guaranty  
22 Association may be prosecuted to judgment.

23 (6) Notwithstanding any other provision to the  
24 contrary in this Article:

25 (A) It is the intent of this Section to preserve  
26 only the rights, powers, privileges, assets, property,

1 debts, obligations, and liabilities of the Illinois  
2 Health Maintenance Organization Guaranty Association  
3 as they existed on the date of its merger into the  
4 Illinois Life and Health Insurance Guaranty  
5 Association, and not to provide contract owners,  
6 certificate holders, enrollees and policy owners, or  
7 their respective payees, beneficiaries, or assignees,  
8 with duplicative or new rights, powers, privileges,  
9 assets, or property.

10 (B) Accordingly, no contract owner, certificate  
11 holder, enrollee and policy owner, and no contract  
12 owner's, certificate holder's, enrollee's or policy  
13 owner's payee, beneficiary, or assignee, shall be  
14 entitled to (i) a recovery from the Illinois Life and  
15 Health Insurance Guaranty Association that is  
16 duplicative of a previous recovery from the Illinois  
17 Health Maintenance Organization Guaranty Association  
18 or (ii) a recovery from the Illinois Life and Health  
19 Insurance Guaranty Association on account of a claim  
20 against the Illinois Health Maintenance Organization  
21 Guaranty Association where the Illinois Life and  
22 Health Insurance Guaranty Association is liable with  
23 respect to a claim under the same policy or contract  
24 under this Article.

1           Section 10. The Health Maintenance Organization Act is  
2 amended by repealing Article VI.

3           Section 99. Effective date. This Act takes effect upon  
4 becoming law.