



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB2405

Introduced 2/17/2021, by Rep. Jay Hoffman

SYNOPSIS AS INTRODUCED:

215 ILCS 5/532	from Ch. 73, par. 1065.82
215 ILCS 5/537.9	from Ch. 73, par. 1065.87-9
215 ILCS 5/538	from Ch. 73, par. 1065.88
215 ILCS 5/538.2	from Ch. 73, par. 1065.88-2
215 ILCS 5/538.7	from Ch. 73, par. 1065.88-7
215 ILCS 5/538.10 new	

Amends the Illinois Insurance Code. Authorizes the Illinois Insurance Guaranty Fund, at the direction of its board of directors and subject to the approval of the Director of Insurance, to form and own a not-for-profit corporation to which the Fund may delegate certain of its powers and duties provided by the Code. Allows the not-for-profit corporation to contract to provide services to the Office of Special Deputy Receiver or any other person or organization authorized by law to carry out the duties of the Director in the capacity of receiver under specified provisions of the Code, the Illinois Life and Health Insurance Guaranty Association, an organizations in another state similar to the Illinois Insurance Guaranty Fund or the Illinois Life and Health Insurance Guaranty Association. Effective immediately.

LRB102 10311 BMS 15638 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning regulation.

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

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 532, 537.9, 538, 538.2, and 538.7 and by
6 adding Section 538.10 as follows:

7 (215 ILCS 5/532) (from Ch. 73, par. 1065.82)

8 Sec. 532. Purpose. The purpose of this Article is to
9 provide a mechanism for the payment of covered claims under
10 certain insurance policies and the expenses of the Fund in
11 handling covered claims and to participate in and facilitate
12 the process by which the assets of an insolvent company are
13 marshaled and distributed pursuant to Article XIII of this
14 Code or similar provisions in other states and jurisdictions
15 to, among other things, reimburse the cost of covered claims,
16 to avoid excessive delay in payment of covered claims, to
17 avoid financial loss to claimants or policyholders because of
18 the entry of an Order of Liquidation against an insolvent
19 company, ~~and~~ to provide a Fund to assess among member
20 companies the costs ~~cost~~ of such protection and maintain the
21 continuity and self-sufficient operation of the Fund, and to
22 offset the costs associated with maintaining the Fund's
23 continuity and self-sufficient operations when practical by

1 providing assistance and services to the Director in her or
2 his capacity as receiver under Article XIII of this Code and
3 other State guaranty organizations in the performance of their
4 respective statutory and legal functions provided by law among
5 ~~member companies.~~

6 (Source: P.A. 85-576.)

7 (215 ILCS 5/537.9) (from Ch. 73, par. 1065.87-9)

8 Sec. 537.9. The Fund shall handle claims through its
9 employees or through one or more companies or other persons
10 employed as servicing facilities, including a corporation
11 formed pursuant to Section 538.10.

12 (Source: P.A. 85-576.)

13 (215 ILCS 5/538) (from Ch. 73, par. 1065.88)

14 Sec. 538. Powers of the Fund. The Fund shall have the
15 powers enumerated in the Sections following this Section and
16 preceding Section 539 ~~538.1 through 538.8.~~

17 (Source: P.A. 77-305.)

18 (215 ILCS 5/538.2) (from Ch. 73, par. 1065.88-2)

19 Sec. 538.2. The Fund may employ or retain such persons as
20 are necessary to handle claims and perform other duties of the
21 Fund or may delegate such functions to a corporation formed
22 pursuant to Section 538.10.

23 (Source: P.A. 77-305.)

1 (215 ILCS 5/538.7) (from Ch. 73, par. 1065.88-7)

2 Sec. 538.7. (a) The Fund may perform such other acts as are
3 necessary or proper to effectuate the purposes of this
4 Article.

5 (b) The Fund may contract with the Office of Special
6 Deputy Receiver or any other person or organizations
7 authorized by law to carry out the duties of the Director in
8 her or his capacity as a receiver under Article XIII of this
9 Code, the Illinois Life and Health Insurance Guaranty
10 Association under Article XXXIII 1/2 of this Code, and
11 organizations in another state similar to the Fund or the
12 Illinois Life and Health Insurance Guaranty Association. The
13 power of the Fund to contract with these persons or entities
14 includes, but is not limited to, providing consulting services
15 and claims administration services that assist with these
16 persons or entities in the performance of their respective
17 statutory and legal functions provided by law. The Fund may
18 only exercise the authority to contract pursuant to this
19 subsection upon the board of director's written determination
20 that the provisioning of such services will advance the
21 purposes set forth in Section 532. Any contract with
22 organizations in another state similar to the Fund or the
23 Illinois Life and Health Insurance Guaranty Association shall
24 be subject to the prior approval of the Director. Any contract
25 the Fund may enter into to provide services pursuant to this

1 subsection shall be subordinate and subject to the Fund's
2 statutory obligations to timely pay covered claims and avoid
3 financial loss to claimants or policyholders described in this
4 Article.

5 (Source: P.A. 82-210.)

6 (215 ILCS 5/538.10 new)

7 Sec. 538.10. Formation of a not-for-profit corporation;
8 delegation of Fund powers. The Fund may, at the direction of
9 its board of directors and subject to the approval of the
10 Director, form a not-for-profit corporation under the General
11 Not For Profit Corporation Act of 1986. The Fund may delegate
12 in its plan of operation any or all powers and duties of the
13 Fund, except those provided by Sections 537.6 and 538.3. The
14 not-for-profit corporation may contract to provide services to
15 any or all of the following types of organizations: (a) the
16 Office of Special Deputy Receiver or any other person or
17 organization authorized by law to carry out the duties of the
18 Director in the capacity as a receiver under Article XIII of
19 this Code; (b) the Illinois Life and Health Insurance Guaranty
20 Association under Article XXXIII 1/2 of this Code; and (c)
21 organizations in another state similar to the Fund or the
22 Illinois Life and Health Insurance Guaranty Association. The
23 not-for-profit corporation is authorized to contract pursuant
24 to this Section upon the board of directors' written
25 determination that the provisioning of such services will

1 advance the purpose set forth in Section 532. Any contract
2 with a organization in another state similar to the Fund or the
3 Illinois Life and Health Insurance Guaranty Association shall
4 be subject to the prior approval of the Director. Any contract
5 the not-for-profit corporation may enter into to provide
6 services pursuant to this Section shall be subordinate and
7 subject to the Fund's statutory obligations to timely pay
8 covered claims and avoid financial loss to claimants or
9 policyholders described in this Article.

10 Section 99. Effective date. This Act takes effect upon
11 becoming law.