

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- a) Part (Heading and Code Citations): Acquisition of Control of a Domestic Company, 50 Ill. Adm. Code 851

1) Rulemaking:

- A) Description: Article VIII ½ of the Illinois Insurance Code (Insurance Holding Company Systems) was amended by PA 98-609. The changes to Illinois statutes were made based on the NAIC Model Law #440 which was passed in December 2010.

Changes to Parts 851 pertain to acquisitions of IL domestic insurance companies. Proposed new Section 851.80 adds a severability clause to the rule. The changes to the Form A (Section 851.Illustration A) include new financial statement requirements for the acquiring party, removal of the previously required Notice and Summary Statement, a statement that the new owners will provide enterprise risk management information going forward, and a few minor additions. Minor edits and additions are also being made to other Sections of the rule.

- B) Statutory Authority: 215 ILCS 5/131.1 through 5/131.30 and 5/408.3
- C) Scheduled meeting/hearing dates: None currently scheduled
- D) Date agency anticipates First Notice: February 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None expected
- F) Agency contact person for information:

Eric Moser  
Regulatory Action Unit  
Illinois Department of Insurance  
320 West Washington Street, 4th Floor  
Springfield IL 62767-0001

217/557-3759

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 852, 853, 854, 855

b) Part (Heading and Code Citations): Registration of Insurers, 50 Ill. Adm. Code 852

1) Rulemaking:

- A) Description: Article VIII ½ of the Illinois Insurance Code (Insurance Holding Company Systems) was amended by PA 98-609. The changes to Illinois statutes were made based on the NAIC Model Law #440 which was passed in December 2010. The statutory amendments are effective January 1, 2014, except for Form F requirements which are effective July 1, 2014.

The proposed amendments to Part 852 which will implement these changes pertain to registration reporting of Illinois domestic insurance companies. The Form B illustration (Section 852.ILLUSTRATION B) is being modified to include newer Incorporation by Reference language, more detailed requirements for financial statement reporting and updated biographical information requirements. 852.60 adds a severability clause, and proposed new Sections 852.50 and 852.ILLUSTRATION F will add the new Enterprise Risk Reporting (Form F) requirements in 215 ILCS 5/131.14b.

- B) Statutory Authority: 215 ILCS 5/131.1 through 5/131.30 and 5/408.3
- C) Scheduled meeting/hearing dates: None currently scheduled
- D) Date agency anticipates First Notice: February 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None expected
- F) Agency contact person for information:

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## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

Springfield IL 62767-0001

217/557-3759

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 851, 853, 854, 855

c) Part (Heading and Code Citations): Pre-Acquisition Notification, 50 Ill. Adm. Code 853

1) Rulemaking:

- A) Description: Proposed changes to Part 853 are mainly editorial, for updating, clarification and consistency with other Department rules. New Sections 853.15 and 853.30 add definitions and a severability clause to the rule. The Illustration includes changes to update the reference to applicable annual statement pages for Life, Health and Property and Casualty insurers. It also adds standardized Incorporation by Reference procedures that eliminate redundant information filing requirements for the Form CX.
- B) Statutory Authority: 215 ILCS 5/131.1 through 5/131.30 and 5/408.3
- C) Scheduled meeting/hearing dates: None currently scheduled
- D) Date agency anticipates First Notice: February 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None expected
- F) Agency contact person for information:

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217/557-3759

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 851, 852, 854, 855
- d) Part (Heading and Code Citations): Prior Notification of Transactions, 50 Ill. Adm. Code 854
- 1) Rulemaking:
- A) Description: Article VIII ½ of the Illinois Insurance Code (Insurance Holding Company Systems) was amended by PA 98-609. The changes to Illinois statutes were made based on the NAIC Model Law #440 which was passed in December 2010.
- Proposed changes to Part 854 are based on updated requirements of the Model Law. Section 854.30 provides significant new requirements for provisions to be included in affiliated cost sharing and management agreements and also minimum requirements for tax allocation agreements. New Section 854.40 adds a severability clause to the rule. The 854 Illustration of a Form D-1 includes updated additional informational requests for affiliated transactions, an updated requirement for affiliated reinsurance transactions (the Model Law excludes some affiliated reinsurance agreements that are considered immaterial) and the addition of tax allocation agreements.
- B) Statutory Authority: 215 ILCS 5/131.1 through 5/131.30 and 5/408.3
- C) Scheduled meeting/hearing dates: None currently scheduled
- D) Date agency anticipates First Notice: February 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None expected
- F) Agency contact person for information:

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## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

Springfield IL 62767-0001

217/557-3759

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 851, 852, 853, 855
- e) Part (Heading and Code Citations): Prior Notification of Dividends on Common Stock and Other Distributions, 50 Ill. Adm. Code 855
- 1) Rulemaking:
- A) Description: Article VIII ½ of the Illinois Insurance Code (Insurance Holding Company Systems) was amended by PA 98-609. The changes to Illinois statutes were made based on the NAIC Model Law #440 which was passed in December 2010.
- Changes to Part 855 are based on updated requirements of the Model Law. Section 855.30 discloses the change in ordinary dividend reporting which follows the changes made to Section 131.16 of the Illinois Insurance Code. Section 855.50 adds a severability clause. Minor editorial changes were also made throughout the rule.
- B) Statutory Authority: 215 ILCS 5/131.1 through 5/131.30 and 5/408.3
- C) Scheduled meeting/hearing dates: None currently scheduled
- D) Date agency anticipates First Notice: February 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None expected
- F) Agency contact person for information:

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## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

217/557-3759

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 851, 852, 853, 854

- f) Part (Heading and Code Citations): Required Procedure for Filing and Securing Approval of Policy Forms, 50 Ill. Adm. Code 916

1) Rulemaking:

- A) Description: Language is needed in Exhibit A, Certificate of Compliance, that will include forms filed and approved through the Interstate Insurance Product Regulation Commission (IIPRC).
- B) Statutory Authority: 215 ILCS 5/143(1)
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: January, 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None
- F) Agency contact person for information:

Arlene Mehsling  
Insurance Analyst IV  
Illinois Department of Insurance  
320 West Washington  
Springfield IL 62767

217/785-9022

- G) Related rulemakings and other pertinent information: None

- g) Part (Heading and Code Citations): Certificates of Insurance, 50 Ill. Adm. Code 946

1) Rulemaking:

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- A) Description: This new rule is added to help prevent the issuance of invalid, false or counterfeit certificates of insurance, and to make sure the certificates get to the proper requesting parties.
- B) Statutory Authority: 215 ILCS 5/155.45
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: Spring 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None
- F) Agency contact person for information:

Barbara Delano  
Assistant General Counsel  
Illinois Department of Insurance  
122 S. Michigan Ave., 19th Fl.  
Chicago IL 60603

312/814-0919

- G) Related rulemakings and other pertinent information: None

h) Part (Heading and Code Citations): Construction and Filing of Life Insurance and Annuity Forms, 50 Ill. Adm. Code 1405

1) Rulemaking:

- A) Description: Section 1405.70 will be amended by adding clarifying language consistent with Illinois law.
- B) Statutory Authority: 215 ILCS 5/143 and 5/401
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: Spring 2016

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

E) Effect on small businesses, small municipalities or not-for-profit corporations: None.

F) Agency contact person for information:

Arlene Mehsling  
Insurance Analyst IV  
Illinois Department of Insurance  
320 West Washington  
Springfield IL 62767

217/785-9022

G) Related rulemakings and other pertinent information: None

i) Part (Heading and Code Citations): Securities Valuation Reserve, 50 Ill. Adm. Code 1601

1) Rulemaking:

A) Description: Part 1601 concerns assessment legal reserve life companies. These were formerly regulated pursuant to Article XVI of the Illinois Insurance Code [215 ILCS 5/254 through 281.1] which was repealed in 2014 and 2015. There are no longer any assessment legal reserve life companies in existence in Illinois; the last one was dissolved in late 2012. Therefore, the rule is being repealed.

B) Statutory Authority: 215 ILCS 5/401

C) Scheduled meeting/hearing dates: None are scheduled.

D) Date agency anticipates First Notice: April 2016

E) Effect on small businesses, small municipalities or not-for-profit corporations: None.

F) Agency contact person for information:



## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

Chris Lelys  
Life Annuities Division  
Illinois Department of Insurance  
320 West Washington  
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217/782-5226

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 1602, 1604, 1605

j) Part (Heading and Code Citations): War Clauses, 50 Ill. Adm. Code 1602

1) Rulemaking:

- A) Description: Part 1602 concerns assessment legal reserve life companies. These were formerly regulated pursuant to Article XVI of the Illinois Insurance Code [215 ILCS 5/254 through 281.1] which was repealed in 2014 and 2015. There are no longer any assessment legal reserve life companies in existence in Illinois; the last one was dissolved in late 2012. Therefore, the rule is being repealed.
- B) Statutory Authority: 215 ILCS 5/401
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: April 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None.
- F) Agency contact person for information:

Chris Lelys  
Life Annuities Division  
Illinois Department of Insurance  
320 West Washington  
Springfield IL 62767

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

217/782-5226

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 1601, 1604, 1605

k) Part (Heading and Code Citations): Valuation of Reserves, 50 Ill. Adm. Code 1604

1) Rulemaking:

- A) Description: Part 1604 concerns assessment legal reserve life companies. These were formerly regulated pursuant to Article XVI of the Illinois Insurance Code [215 ILCS 5/254 through 281.1] which was repealed in 2014 and 2015. There are no longer any assessment legal reserve life companies in existence in Illinois; the last one was dissolved in late 2012. Therefore, the rule is being repealed.
- B) Statutory Authority: 215 ILCS 5/223 and 5/401
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: April 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None
- F) Agency contact person for information:

Chris Lelys  
Life Annuities Division  
Illinois Department of Insurance  
320 West Washington  
Springfield IL 62767

217/782-5226

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 1601, 1602, 1605

l) Part (Heading and Code Citations): Legal Reserve Life Blank, 50 Ill. Adm. Code 1605

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

1) Rulemaking:

- A) Description: Part 1605 concerns assessment legal reserve life companies. These were formerly regulated pursuant to Article XVI of the Illinois Insurance Code [215 ILCS 5/254 through 281.1] which was repealed in 2014 and 2015. There are no longer any assessment legal reserve life companies in existence in Illinois; the last one was dissolved in late 2012. Therefore, the rule is being repealed.
- B) Statutory Authority: 215 ILCS 5/223 and 5/401
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: Spring 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None
- F) Agency contact person for information:

Chris Lelys  
Life Annuities Division  
Illinois Department of Insurance  
320 West Washington  
Springfield IL 62767

217/782-5226

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 1601, 1602, 1604

m) Part (Heading and Code Citations): Long-Term Care Insurance, 50 Ill. Adm. Code 20121) Rulemaking:

- A) Description: The Long-Term Care Insurance Model Regulation (NAIC Model 641) was recently modified and the Department intends to revise Part 2012 to reflect these changes. These changes include greater

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

specification of the margin for adverse deviation that company actuaries should consider in initial rates; a new annual rate certification requirement which will help rate stability; additional information that companies should provide in the event of a rate increase request; specific authority to allow rate increases less than the full amount that would be required for the actuary to certify that no future rate increases are anticipated under moderately adverse conditions if, in the opinion of the commissioner, it is in the best interest of policyholders; and some minor changes to the triggers for the contingent non-forfeiture benefit.

Additionally, the Model Bulletin adopted by the Senior Issues Task Force on August 9, 2013 contains numerous items that we intend to incorporate into this Part, in particular, those related to extending protections to pre-rate-stability policies and provisions to allow large rate increases to be implemented as a series of smaller rate increases.

- B) Statutory Authority: 215 ILCS 5/351A-11
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: January 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None expected.
- F) Agency contact person for information:

Scott Brandt  
Actuarial LAH Section  
Illinois Department of Insurance  
320 West Washington  
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217/557-7309

- G) Related rulemakings and other pertinent information: None

- n) Part (Heading and Code Citations): Workers' Compensation Large Deductible Business, 50 Ill. Adm. Code 2909

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

1) Rulemaking:

A) Description: On August 14, 2015 the Governor signed PA 99-369, which created 215 ILCS 5/155.44 in the Insurance Code. Section 155.44 requires that any insurer with less than \$100,000,000 in group surplus authorized to issue workers' compensation policies with a per-occurrence deductible of \$100,000 or greater shall report the outstanding obligations owed under the deductible as liabilities of the insurer, unless the obligation is fully collateralized, and limit per-occurrence deductible obligations. The proposed rule will set forth the requirements for maintaining collateral and underwriting large deductible workers compensation insurance by non-exempt insurers.

B) Statutory Authority: 215 ILCS 5/155.44

C) Scheduled meeting/hearing dates: None are scheduled.

D) Date agency anticipates First Notice: Spring 2016

E) Effect on small businesses, small municipalities or not-for-profit corporations: Unknown

F) Agency contact person for information:

Joseph Clennon  
Assistant General Counsel  
Department of Insurance  
320 West Washington, 4th Floor  
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217/557-1396

G) Related rulemakings and other pertinent information: None

o) Part (Heading and Code Citations): Premium Fund Trust Account, 50 Ill. Adm. Code 3113

1) Rulemaking:

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- A) Description: The rule has been in place for many years and can be updated. In particular, industry has requested that provisions in Section 3113.40(a) requiring that the trust account be located in Illinois be changed.
- B) Statutory Authority: 215 ILCS 5/444 and 5/444.1
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: April 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None anticipated
- F) Agency contact person for information:

William M. Blumthal, Jr.  
Deputy Director, Investigations  
Illinois Department of Insurance  
122 South Michigan Avenue 19th Floor  
Chicago IL 60603

312/814-1323

- G) Related rulemakings and other pertinent information: 50 Ill. Adm. Code 3121, Producer Licensing

- p) Part (Heading and Code Citations): Licensing of Public Adjusters, 50 Ill. Adm. Code 3118

- 1) Rulemaking:

- A) Description: This amendment will provide insurance companies and insureds the ability to assert that public adjuster contracts that have not been filed with the Department and approved by the Director are void.

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- B) Statutory Authority: Implementing Articles XXXI¾ and XLV and authorized by Section 401 of the Illinois Insurance Code [215 ILCS 5/Art. XXXI¾ and XLV and 401].
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: Spring 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None anticipated
- F) Agency contact person for information:

Lynn Grossman  
Assistant General Counsel  
Department of Insurance  
122 S. Michigan Ave., 19th Floor  
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312/814-5926

- G) Related rulemakings and other pertinent information: None

q) Part (Heading and Code Citations): Examination and Audit Procedure, 50 Ill. Adm. Code 4401

1) Rulemaking:

- A) Description: This Part outlines the procedures for the Pension Division's examination and audit procedure. The Part needs to be updated to reflect current audit procedures and to incorporate the procedures for examinations made pursuant to Section 1A-105 of the Illinois Pension Code.
- B) Statutory Authority: Sections 1A-104 and 1A-105 of the Illinois Pension Code (40 ILCS 5/1A-104, 1A-105), Amended by PA 95-950 effective August 29, 2008 and PA 90-507, effective August 22, 1997 and authorized by Section 1A-103 added by PA 90-507, effective August 22, 1997.

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: February 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None anticipated
- F) Agency contact person for information:

Mary Jane Adkins, Acting Deputy Director  
Public Pension Division  
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122 South Michigan Avenue, 19th Floor  
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312/814-5411

- G) Related rulemakings and other pertinent information: This is part of a larger initiative to update the Pension Division's rules. Also, the Pension Division has submitted, as part of its 2016 legislative agenda, an amendment to Section 1A-104 to permit risk-based audits rather than audits performed on a 3-year cycle. That initiative, if legislated, will not affect this rulemaking.

- r) Part (Heading and Code Citations): Definition of Salary, 50 Ill. Adm. Code 4402

- 1) Rulemaking:

- A) Description: This Part defines salary for the purposes of determining pensionable salary. The Department intends to update this rule to address loopholes and vagueness in the current rule.
- B) Statutory Authority: Implementing Sections 3-125 and 4-118 (defining salary as used in those sections) authorized by Section 1A-103, PA 90-507, effective August 22, 1997.
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: February 2016



## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- E) Effect on small businesses, small municipalities or not-for-profit corporations: None anticipated.

- F) Agency contact person for information:

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Public Pension Division  
Illinois Department of Insurance  
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312/814-5411

- G) Related rulemakings and other pertinent information: This is part of a larger initiative to update the Pension Division's rules.

- s) Part (Heading and Code Citations): Portability of Creditable Service Time for Downstate and Suburban Police Pension Funds, 50 Ill. Adm. Code 4404

- 1) Rulemaking:

- A) Description: With the enactment of PA 96-1495, a second benefit tier was constructed for police officers participating in Article 3 pension funds. Actuarial liabilities for this tier are calculated differently than those for tier 1. Therefore, the actuarial valuations are based on the type of tier. Currently, the type of tier is not provided to the Department. This amendment to Part 4404.Illustration A will add a line to the form to indicate under which benefit tier the officer in question participates in order to appropriately calculate the true cost of transferring that individual's creditable service time between Article 3 pension funds. This will allow the Department's enrolled actuary to perform the proper actuarial valuation as required by the statute.
- B) Statutory Authority: Implementing Section 3-110 and 3-110.7 and authorized by Section 3-110 of the Illinois Pension Code [40 ILCS 5/3-110 and 3-110.7]
- C) Scheduled meeting/hearing dates: None are scheduled.

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

- D) Date agency anticipates First Notice: Spring 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None anticipated.
- F) Agency contact person for information:

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312/814-8195

- G) Related rulemakings and other pertinent information:

- t) Part (Heading and Code Citations): Noncompliance Notification and Penalties, 50 Ill. Adm. Code 4435

- 1) Rulemaking:

- A) Description: This Part outlines the procedures for issuing Notices of Noncompliance to Pension Funds and Municipalities. Currently, this rule does not comply with the Illinois Pension Code as it is written. The Department is seeking to update this rule to comply with statute.
- B) Statutory Authority: Implementing Section 1A-113 of the Illinois Pension Code and authorized by Section 1A-103, P.A. 90-507, effective August 22, 1997.
- C) Scheduled meeting/hearing dates: None are scheduled.
- D) Date agency anticipates First Notice: March 2016
- E) Effect on small businesses, small municipalities or not-for-profit corporations: None anticipated

## ILLINOIS DEPARTMENT OF INSURANCE

## JANUARY 2016 REGULATORY AGENDA

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G) Related rulemakings and other pertinent information: This is part of a larger initiative to update the Pension Division's rules.