



Illinois Department of Financial and Professional Regulation
Division of Insurance

ROD R. BLAGOJEVICH
Governor

DEAN MARTINEZ
Secretary

MICHAEL T. McRAITH
Director
Division of Insurance

September 19, 2008

To: ALL LICENSED INSURANCE COMPANIES
ALL LICENSED INSURANCE PRODUCERS
AUTHORIZED TO SELL INSURANCE BUSINESS IN THE STATE OF
ILLINOIS

From: Michael T. McRaith, Director 

Re: (CB #2008-05) Section 149 of the Illinois Insurance Code

Reply

To: Mary Petersen, Acting Supervisor
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With the current economic downturn, many questions have arisen over the financial condition of many insurers including the recent Federal assistance to AIG's parent company to enable them to meet their financial obligations when due.

Producers may be tempted to twist, churn or simply move policies between insurers in an attempt to do what they think is right for their clients even though they may do irreparable harm because of pre-existing conditions, surrender charges or changes in deductibles or coverage.

Producers are cautioned to make every attempt to do the necessary due diligence including applicable replacement forms before moving any insured's policy or moving a potential insured from a competitor to your company in order to protect them from a perceived potentially troubled company.

Producers are also cautioned about inducing any policyholder to lapse, forfeit, change or surrender their policies by using false or malicious statements about a company's financial condition. Any Producer who is guilty of moving policies by these means will be in violation of Section 149 of the Illinois Insurance Code and subject to a civil penalty not to exceed \$10,000.