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ILLINOIS DEPARTMENT OF INSURANCE  
CURRENT AND RECENTLY ADOPTED RULEMAKINGS

DECEMBER 29, 2017

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The following are summaries of administrative rules recently filed by IDOI; they are at various stages in the rulemaking process. The rules listed here have been or soon will be published by the Secretary of State in the Illinois Register. Links are provided to the issues of the Illinois Register in which these rule have been published. In addition, IDOI's adopted rules are available online (after publication in the Illinois Register) at the Illinois General Assembly's Joint Committee on Administrative Rules (JCAR) web page:

<http://ilga.gov/commission/jcar/admincode/050/050parts.html>

The proposed rules have no legal effect until after they have been through the first and second notice periods and are adopted by IDOI and filed with the Secretary of State's Office. The public may submit comments to IDOI during the 45-day first notice period that commences with a rule's initial publication in the Register. The adopted rules may differ from those originally published. JCAR's website contains additional information on the rulemaking process:

<http://ilga.gov/commission/jcar/default.htm>

**DISCLAIMER:** The Illinois Register is a weekly update of the Illinois Administrative Code (a compilation of the rules adopted by State agencies). The most recent edition of the Code, along with the Register, comprise the most current accounting of State agencies' rulemakings; however, the Illinois Department of Insurance neither warrants nor represents the accuracy or timeliness of the information contained in the Register, or on the IDOI website. The information and links provided on this site are intended solely for the convenience of interested persons; you are urged to consult the official documents or contact legal counsel of your choice. This site should not be cited as an official or authoritative source. Amendments, court decisions and other proceedings may affect the text, interpretation, validity and constitutionality of the laws and rules.

**FIRST NOTICE:**

**50 Ill. Adm. Code 206, Domestic Insurers Service of Process Requirements:** The rulemaking will provide the method and procedure to designate either a registered agent with an Illinois address and/or any Officer or Director of the insurance company at the home office address to accept service of process on behalf of domestic insurance companies. Specifically, the rulemaking will allow domestic insurance companies to amend their Articles of Incorporation to designate a registered agent's name and/or any Officer or Director of the insurance company at the home office address who will accept service on behalf of the domestic insurance company. The rule will also provide for the public dissemination of this information via the Department's website. *First Notice has concluded, and the rule is being prepared for Second Notice.*

**Date Published:** [October 13, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 12761

**Comment Period Ended:** November 27, 2017

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**50 Ill. Adm. Code 904, Internal Security Standard and Fidelity Bonds:** The changes are being made to adjust to the evolution of fidelity and surety bonds being written on a claims made basis rather than an occurrence basis. Also, the amounts of coverage are being transitioned to follow the NAIC examination guidelines.

The main issue has been that the rule requires a one year discovery period which was a common element when these bonds were written on an occurrence basis. Currently and for a number of years now these bonds have been written on a “discovery” or claims made basis which renders the “discovery period” language moot. With the change to a “discovery” basis any claim which comes in while the bond is in effect will be covered by the surety bond.

The changes to the deductibles and amounts of coverage have been repealed so that the NAIC examination guidance can be used instead. The self insurance provisions are being repealed as it is the DOI’s observation that most companies are obtaining these bonds from other companies and we believe best practice for risk management would be to place this risk with another insurance company.

**Date to be Published:** January 5, 2018

**Illinois Register Citation:** To be determined

**Comment Period Ends:** February 19, 2018

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**50 Ill. Adm. Code 914, Life and Accident and Health Policy Forms; Dividends:** The rule is being repealed as it is not applicable to any oversight the Department currently undertakes; it is no longer used to define policyholder dividends.

**Date Published:** [December 29, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15472

**Comment Period Ends:** February 12, 2018

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**50 Ill. Adm. Code 1403, Family Group Life Insurance Policy Forms:** This rule concerns policy forms for family group life insurance, which is an individual policy offered to family groups. This type of policy is no longer commonly issued by companies, and it has been some time since any applicable forms have been submitted to the Department for review. There are no requirements unique to this type of insurance policy in the Insurance Code, and Section 281 of the Code has been repealed. Since this is an individual policy, any necessary protections are still afforded by 215 ILCS 5/224 and 225. The rule is no longer needed, and therefore it is being repealed.

**Date Published:** [December 29, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15476

**Comment Period Ends:** February 12, 2018

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**50 Ill. Adm. Code 2006, Required Benefits for Mental, Emotional or Nervous Disorders:** Part 2006 was adopted in 1977 to provide a definition of “registered clinical psychologist” (now “licensed clinical psychologist”) following the enactment of provisions now codified in Section 370(c)(2) of the Insurance Code. Because it is no longer necessary to provide this definition in the Department’s rules, Part 2006 is being repealed.

**Date Published:** [December 26, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15172

**Comment Period Ends:** February 9, 2018

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**50 Ill. Adm. Code 2015, Infertility Coverage:** Consistent with Public Act 99-421, Part 2015 will be amended to require that insurers offering accident and health insurance to groups of more than 25 employees provide coverage for infertility treatments to covered individuals unable to attain a viable pregnancy or maintain a viable pregnancy (previously covered just those unable to sustain a successful pregnancy). The amendments will also expand the definition of infertility to include individuals unable to conceive after one year of attempting to produce conception and those unable to conceive after diagnosis with a condition affecting fertility.

**Date Published:** [December 26, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15176

**Comment Period Ends:** February 9, 2018

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**50 Ill. Adm. Code 2403, Producer Felony Review:** Repeals Part 2403 (of title 50). SB1688, now Public Act 100-286, effective January 1, 2018, sets forth mitigating factors to be considered when determining whether someone with a felony conviction should be granted a producer license. See 215 ILCS 5/500-76(b) (eff. 1-1-18). Part 2403, which also sets forth mitigating factors to be considered, is effectively redundant. The factors are similar, and the PA, as a statutory law, preempts Part 2403, the administrative rule.

**Date Published:** [December 29, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15480

**Comment Period Ends:** February 12, 2018

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**50 Ill. Adm. Code 2905, Registration of Workers' Compensation Utilization Review Organizations:** Consistent with Public Act 99-111, Parts 2905, 4520 and 5430 will be amended to recognize the

Accreditation Association for Ambulatory Health Care (AAAHC) among the list of accreditors from which utilization organizations may receive accreditation and qualify for reduced registration and renewal fees.

**Date Published:** [December 26, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15182

**Comment Period Ends:** February 9, 2018

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**50 Ill. Adm. Code 4001, Privacy of Personal Information:** Part 4001 duplicates Part 4002, with the exception of effective date information, and is no longer needed. Therefore, it is being repealed.

**Date Published:** [December 26, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15189

**Comment Period Ends:** February 9, 2018

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**50 Ill. Adm. Code 4203, Insurance Data Reporting Requirements:** The proposed amendments update data collection procedures dealing with mailing reports to the Department to conform to the current electronic submission methods. The definition of several data elements is also revised to improve the consistency and clarity of the data by various insurers. The amendments also make technical corrections and remove redundancies and superfluous language.

**Date Published:** [December 29, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 15485

**Comment Period Ends:** February 12, 2018

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**SECOND NOTICE:**

**50 Ill. Adm. Code 2012, Long-Term Care Insurance:** The proposed revisions to 50 Ill. Adm. Code 2012 reflect changes that have been made by the National Association of Insurance Commissioners (NAIC) to the Long Term Care Model Regulation and a model bulletin adopted by the NAIC's Senior Issues Task Force. These changes include greater 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 language 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 Director, it is in the best interest of policyholders; and some minor changes to the triggers for the contingent non-forfeiture benefit.

The revisions contain no provision allowing for certification language that the requested premium rate schedule does not include adequate margins for moderately adverse conditions. The Department believes that such a certification option would weaken the principle of rate stabilization by lowering the bar for future rate increases in cases where the "certified" increase would be considered excessive by the 58/85 demonstration.

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.

Some revisions are also proposed by the Department of Insurance which are intended to improve the current regulation as well as to clarify that the future projected incurred claims used in the loss ratio compliance demonstration should be calculated on a best-estimate basis.

**Date Published:** [June 16, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 6920

**JCAR Meeting:** January 16, 2018

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## **RULEMAKINGS ADOPTED DURING 2017:**

**50 Ill. Adm. Code 651 (formerly 50 Ill. Adm. Code 851), Acquisition of Control of a Domestic Company:** Changes to Parts 651 pertain to acquisitions of Illinois domestic insurance companies. New Section 651.80 adds a severability clause to the rule. The changes to the Form A (Section 651.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.

**Effective Date:** June 19, 2017

**Date Published:** [June 30, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 7558

**50 Ill. Adm. Code 652 (formerly 50 Ill. Adm. Code 852), Registration of Insurers:** Article VIII ½ of the Illinois Insurance Code (Insurance Holding Company Systems) was amended by Public Act 98-0609. 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 amendments to Part 652 which implement these changes pertain to registration reporting of Illinois domestic insurance companies. The Form B illustration (Section 652.ILLUSTRATION B) has been modified to include newer Incorporation by Reference language, more detailed requirements for financial statement reporting and updated biographical information requirements. 652.60 adds a severability clause, and new Sections 652.50 and 652.ILLUSTRATION F add the new Enterprise Risk Reporting (Form F) requirements in 215 ILCS 5/131.14b.

**Effective Date:** October 27, 2017

**Date Published:** [November 13, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 13640

**50 Ill. Adm. Code 653 (formerly 50 Ill. Adm. Code 853), Pre-Acquisition Notification:** The changes to Part 653 are mainly editorial, for updating, clarification and consistency with other Department rules. New Sections 653.15 and 653.30 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.

**Effective Date:** June 19, 2017

**Date Published:** [June 30, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 7578

**50 Ill. Adm. Code 655 (formerly 50 Ill. Adm. Code 855), Prior Notification of Dividends on Common Stock and Other Distributions:** Changes to Part 655 are based on updated requirements of the Model Law. Section 655.30 discloses the change in ordinary dividend reporting which follows the changes made to Section 131.16 of the Illinois Insurance Code. Section 655.50 adds a severability clause.

**Effective Date:** June 19, 2017

**Date Published:** [June 30, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 7586

**50 Ill. Adm. Code 941, Misrepresentation and False Warranties:** Section 154 of the Illinois Insurance Code has a provision that was enacted to protect consumers from having a policy voided, defeated or rescinded by an insurance company (for policies not exempt under this provision) unless the insured made a misrepresentation with actual intent to deceive or a misrepresentation that materially affects either the acceptance of the risk or the hazard assumed by the company.

When a policy of insurance is issued, the insurance company is supposed to underwrite the risk in order to properly assess and rate the coverage. The Department has seen a number of complaints regarding rescissions based on an alleged misrepresentation or material change in risk where the Department believes the rescission and basis for such rescission is not valid. Due to the concern from our regulators, and the harm to consumers, who are often third parties (for example, an individual who gets into an accident with someone whose insurance company rescinds their policy), the Department believed it was necessary to clarify via rule that if a company opts not to obtain the readily available information for named insureds and drivers provided by the applicant at the time of application to underwrite the risk prior to issuing the policy, the company shall not defeat, avoid or rescind the policy of insurance based on obtaining the readily available information after a loss has occurred or a claim is filed.

**Effective Date:** April 14, 2017

**Date Published:** [April 28, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 4496

**50 Ill. Adm. Code 1101, Reinsurance Ceded Contracts:** Part 1101 requires all insurance companies to submit a certified copy of a reinsurance ceded contract upon written request of the Director. If a company document needs to be reviewed, 215 ILCS 5/132.4(b), as well as 215 ILCS 5/131.21(1.5), requires companies to provide records as requested by the Director. This was a duplicative and unnecessary Part, and was repealed in its entirety.

**Effective Date:** August 25, 2017

**Date Published:** [September 8, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 11435

**50 Ill. Adm. Code 1401, Security Valuation Reserve:** Part 1401 required certain companies to include a Security Valuation Reserve on the annual statement. This rule was effective in 1952. In 1992, the Security Valuation Reserve was replaced as an industry standard by the Asset Valuation Reserve and the Interest Maintenance Reserve; the annual statement required by 215 ILCS 5/136 changed to accommodate the AVR and IMR. Therefore, this rule became unnecessary and was repealed in its entirety.

**Effective Date:** August 25, 2017

**Date Published:** [September 8, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 11437

**50 Ill. Adm. Code 1408, Actuarial Opinion and Memorandum:** 215 ILCS 5/223 was amended to establish the Valuation Manual as the source for actuarial opinion and memorandum standards. Part 1408 was repealed because the Valuation Manual, which became operative January 1, 2017, has been



established as the as the source for the actuarial opinion and memorandum requirements rather than Part 1408.

**Effective Date:** August 25, 2017

**Date Published:** [September 8, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 11439

**50 Ill. Adm. Code 1701, Explanation of Special and Contingency Reserves:** Part 1701 was originally promulgated to implement Sections 295 and 297 of the Illinois Insurance Code; both Sections were repealed in 1986. The rule requires a statement of purpose and certification of Board approval when fraternal benefit societies list special and contingency reserves on their annual statement, but with Sections 295 and 297 repealed, no statute currently applicable to fraternal benefit societies even addresses such reserves. Lacking any remaining statutory impetus, this rule no longer had anything to implement and was repealed.

**Effective Date:** August 25, 2017

**Date Published:** [September 8, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 11441

**50 Ill. Adm. Code 1706, Explanation of Special and Contingency Reserves:** Part 1701 was originally promulgated to implement Sections 295 and 297 of the Illinois Insurance Code; both Sections were repealed in 1986. The rule requires a statement of purpose and certification of Board approval when fraternal benefit societies list special and contingency reserves on their annual statement, but with Sections 295 and 297 repealed, no statute currently applicable to fraternal benefit societies even addresses such reserves. Lacking any remaining statutory impetus, this rule no longer had anything to implement and was repealed.

**Effective Date:** October 27, 2017

**Date Published:** [November 13, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 13663

**50 Ill. Adm. Code 2004, Accident and Health Reserves:** 215 ILCS 5/223 was amended to establish the Valuation Manual, published by the National Association of Insurance Commissioners (“NAIC”), as the source for valuation standards for accident and health policies issued on or after January 1, 2017. Under the previous version of Part 2004, accident and health reserve valuation standards were maintained in the Accounting Practices and Procedures Manual published by the NAIC. Part 2004 was amended as of the operative date of the Valuation Manual because the Valuation Manual has been established by statute as the as the new source for accident and health reserve valuation standards.

**Effective Date:** May 31, 2017

**Date Published:** [June 16, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 6920

**50 Ill. Adm. Code 4002, Personal Information Privacy Protection:** On December 4, 2015 Gramm Leach Bliley was amended to eliminate the requirement for financial institutions to provide annual notices of their privacy policies provided certain conditions are met such as the issuance of an initial notice, joint

marketing, and transaction processing and servicing. The rule change contains these new federal exemptions.

**Effective Date:** April 20, 2017

**Date Published:** [May 5, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 4814

### **WITHDRAWN:**

**50 Ill. Adm. Code 926, Insurance Department Consumer Complaints:** This rule amendment was intended to address the Department's ability to share information related to a complaint against an insurer, insurance producer, or other entity licensed or registered pursuant to Chapter 215 of the Illinois Compiled Statutes with criminal justice agencies for investigation or prosecution, or to State regulatory agencies for regulatory action, where Department believes the reported conduct constitutes a violation of laws or regulations. The rule was withdrawn following First Notice.

**Date Proposal was Published:** [December 30, 2016](#)

**Illinois Register Citation:** 40 Ill. Reg. 16499

**Date Proposal was Withdrawn:** [September 8, 2017](#)

**Illinois Register Citation:** 41 Ill. Reg. 11446

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### **RULE RECODIFICATIONS:**

The Secretary of State, Index Division, has asked DOI to recodify and renumber some of its rules for standardization purposes.

*The following Title 50 Illinois Administrative Code rules were recodified and renumbered during 2017:*

**Published in the [January 6, 2017](#) Illinois Register:**

Subchapter k, Parts 851, 852, 853, 854 and 855 were recodified to subchapter g, Parts 651, 652, 653, 654 and 655.

Subchapter t, Part 1451 was recodified to Subchapter t, Part 1551.

**Published in the [February 17, 2017](#) Illinois Register:**

Subchapter III, Parts 5501 and 5502 were recodified to subchapter mm, Parts 3501 and 3502.

**Published in the [May 12, 2017](#) Illinois Register:**

Subchapter ii, Part 3125 was recodified to subchapter ww, Part 4515.

Subchapter kkk, Parts 5410, 5420, 5421, 5425, and 5430 were recodified to subchapter ww, Parts 4510, 4520, 4521, 4525 and 4530.

**Published in the [December 29, 2017](#) Illinois Register:**

Subchapter m, Parts 951, 952 and 953 were recodified to subchapter m, Parts 1051, 1052 and 1053.

*The following rules are anticipated to be recodified and renumbered during 2018:*

Subchapter gg, Part 2801 will be recodified to subchapter gg, Part 2701.

Subchapter mmm, Part 5601 will be recodified to subchapter nn, Part 3601.

Subchapter nnn, Part 5701 will be recodified to subchapter oo, Part 3701.