

May 9, 1997

To:	All Domestic Companies Authorized to Write Life and/or Health Insurance and Property and Casualty Insurance in Illinois. All Health Maintenance Organizations and Limited Health Services Organization licensed in Illinois.
From:	Mark Boozell, Director of Insurance (CB#97-2)
RE:	Emphasizing Illinois Insurance Code Section 131.16 and 131.20a, Payment of Shareholder Dividends

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The Illinois Department of Insurance has been experiencing some problems and inconsistencies with the notifications of ordinary and extraordinary dividends. The purpose of this notice is to set forth the requirements of the applicable code sections and notify the companies that sanctions will be assessed for violations of Illinois Insurance Code Sections 131.16 and 131.20a. Specifically, fines will be assessed for companies failing to provide proper notification for ordinary and extraordinary dividends.

The dividend notification is required to be submitted on the Form D-2. An illustration of the Form D-2 and further information are provided in the Rules and Regulations, 50 Ill. Admin. Code 855.

For ordinary dividend notifications, Section 131.16 provides ". . . each registered company must report [to this Department on a Form D-2] all dividends and other distributions to shareholders within 5 business days following the declaration and no less than 10 business days prior to payment thereof."

The Department will review the postmark date of the Form D-2 to determine if the company has placed it in the mail within 5 days following declaration (the declaration date must be provided in Item 1 on the Form D-2). The Department must receive the Form D-2 no less than 10 days prior to the payment date. If the Department does not receive the Form D-2 at least 10 days prior to payment, the company will be required to postpone the payment date until the Department has had the required 10 business days to review the request. Written verification of the actual payment date will be required to be filed with the Department.

For extraordinary dividend notifications, Section 131.20a(2) provides "No domestic company subject to registration under Section 131.13 may pay any extraordinary dividend or make any other extraordinary distribution to its securityholders until: (a) 30 days after the Director has received notice of the declaration [Form D-2 format] thereof and has not within such period disapproved the payment, or (b) the Director approves such payment within the 30-day period."

The Department makes every effort to process all extraordinary dividend requests expeditiously, however, the Code does provide for up to a 30 day review period. Due to varying workloads within the Department, companies are cautioned not to anticipate or expect approval of requests sooner than the 30 days allowed by law. Should any dividend be paid by a company prior to the appropriate date of approval by the Department, sanctions are provided for in 215 ILCS 5/131.24.

As of the date of this notice, all dividends will be reviewed to assure compliance with the applicable notification requirements specified herein. Any violations are subject to a fine of \$100 per day.