



Annual Report to the Governor

2013

STATE OF ILLINOIS

Pat Quinn – Governor

Andrew Boron – Director of Insurance

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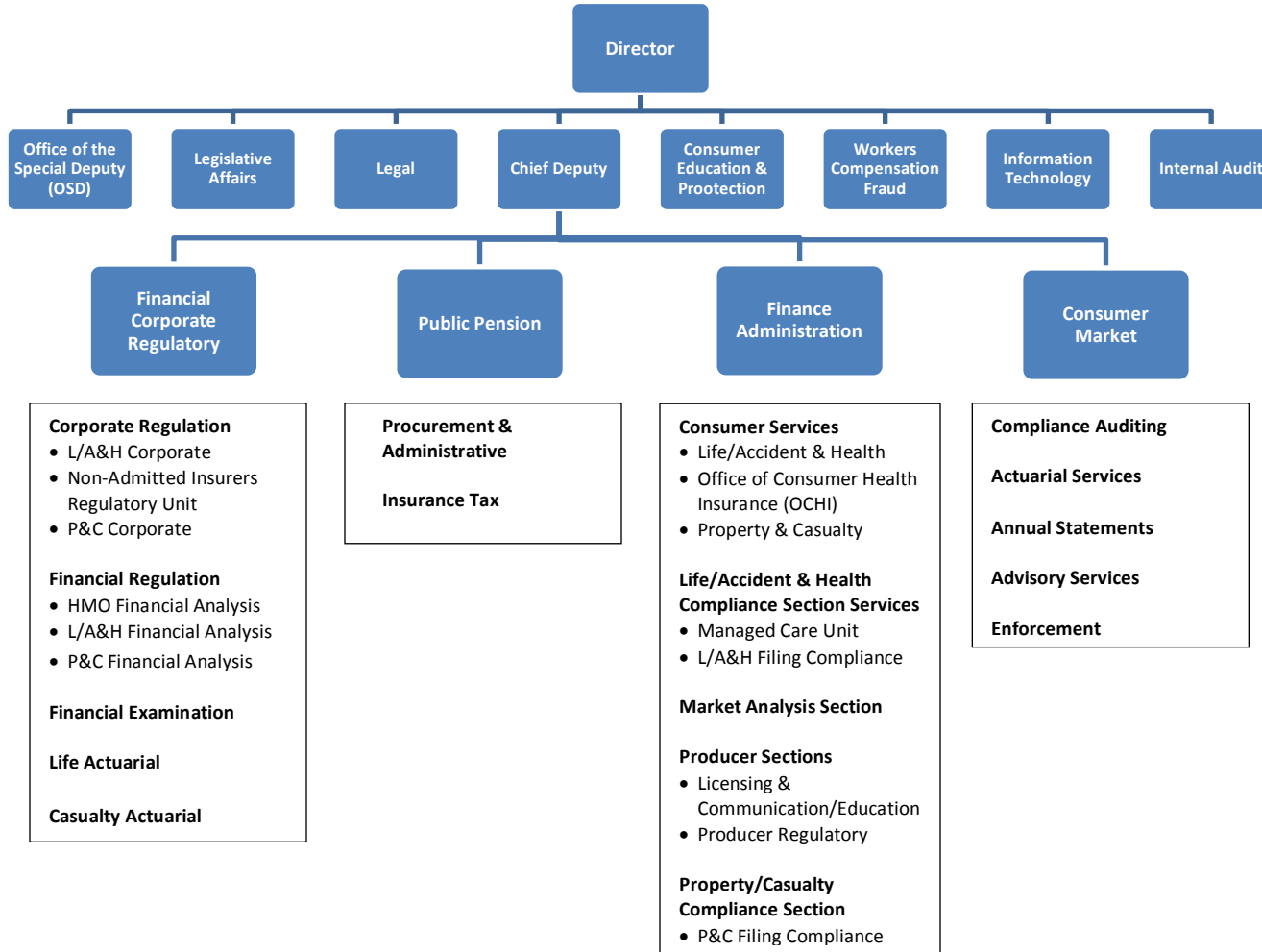
Directors of Insurance

Andrew Boron	2012-	John E. Bolton, Jr.	1965–1969
Robert E. Wagner (Acting)	2011-2012	Richard G. Hershey	1963–1965
Andrew R. Stolfi (Acting)	2011	Joseph S. Gerber	1957–1963
Jack Messmore (Acting)	2011	Justin T. McCarthy	1954–1957
Michael T. McRaith	2005–2011	Laddie T. Pelnar (Acting)	1954
Deirdre K. Manna (Acting)	2004–2005	Robert E. Barrett	1953–1954
J. Anthony Clark	2003–2004	J. Edward Day	1950–1953
Nathaniel S. Shapo	1999–2003	Harry B. Hershey	1949–1950
Arnold Dutcher (Acting)	1998–1999	N. P. Parkinson	1944–1949
Mark Boozell	1995–1998	Paul F. Jones	1941–1944
James W. Schacht (Acting)	1994–1995	S. Hayden Davis	1940–1941
Stephen F. Selcke	1991–1994	Ernest Palmer	1933–1940
James W. Schacht (Acting)	1991	Harry Hanson	1930–1933
Zack Stamp	1989–1991	George Huskinson	1927–1930
John E. Washburn	1983–1989	Alex Johnson	1923–1927
James W. Schacht (Acting)	1982–1983	Thomas J. Houston	1921–1923
Philip R. O'Connor	1979–1982	Fred W. Potter	1917–1921
Richard L. Mathias	1977–1979	Rufus Potts	1913–1917
Michael P. Duncan	1976–1977	Fred W. Potter	1907–1913
Dennis W. Toivonen (Acting)	1976	William R. Vredenburgh	1903–1907
Robert B. Wilcox	1974–1976	Henry Yates	1901–1903
Fred A. Mauck	1973–1974	James R. Van Cleave	1897–1901
James Baylor	1969–1973	Bradford Durfee	1893–1897



Andrew Boron
Director

Organization Chart



Mission and Functions

The mission of the Illinois Department of Insurance (Department) is:

To protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace.

The Department carries out its mission through effective administration and enforcement of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*), the Illinois Pension Code (40 ILCS 5/1-101 *et seq.*), related laws and regulations, including Title 50 of the Illinois Administrative Code. The Department has four major operating Divisions: Consumer Market, Financial-Corporate Regulatory, Legal, and Public Pension. The Department also sponsors Workers' Compensation Fraud Unit, and the Director is responsible for the operations of the Office of the Special Deputy Receiver, which handles the affairs of insurance companies placed in rehabilitation, conservation or liquidation.

Administrative Services

The Administrative Division oversees the Department's day-to-day operations, including budgeting, expenditure tracking, human resources, tax and fee collections, legislative matters, purchasing and procurement. The Division is responsible for all tax and fee operations, including the audit functions of all privilege tax, fire marshal tax, retaliatory tax, and surplus lines tax. Revenue collections for the year totaled \$444,384,597 of which \$335,369,397 was deposited into the General Revenue Fund. All Division operations are funded by various fees collected from insurance companies, insurance producers, and other related organizations. The Department receives no appropriation from the General Revenue Fund.

Department Staff

	2013	2012	2011
Consumer Market Division	93	102	92
Financial/Corporate Regulatory Division	119	119	126
Public Pension Division	10	11	12
Legal Division	22	24	27
Workers' Compensation Fraud Unit	1	1	1
Total	245	257	258

Securities Deposited by Insurance Companies for Fiscal Year 2013

Company Type	Number of Companies	Amount
Domestic Stock Life	52	116,550,000
(Special Policy Fund)	2	630,000
Domestic Mutual Life	7	11,575,000
Domestic Stock Property & Casualty	177	391,610,614
Domestic Mutual Property & Casualty	13	31,212,000

Domestic Inter-Insurance Exchange	2	3,930,000
Burials	1	15,000
Bond Certificates	24	1,149,000
Health Maintenance Organizations	21	17,410,000
Limited Health Service Organizations	10	1,060,000
Total	309	575,141,614
Foreign Workers Compensation	65	242,847,000
Foreign & Alien	23	32,208,000
Service Contract Providers	24	676,000
Mutual Trust Holding	5	7,750,000
Viatical Agreements	7	875,000
Total on Deposit June 30, 2013	433	859,497,614

Comparative Statement of Taxes & Fee Collected for Fiscal Year 2013

Taxes & Fees	FY2013	FY2012	% Changes
1st Quarter Privilege Tax	30,614,269.42	35,049,169.01	-12.65%
2nd Quarter Privilege Tax	38,719,374.95	37,463,102.02	3.35%
3rd Quarter Privilege Tax	39,356,791.62	37,979,751.96	3.63%
4th Quarter Privilege Tax	40,058,578.45	39,622,009.81	1.10%
1st Quarter Retaliatory Tax	21,729,630.89	25,315,117.19	-14.16%
2nd Quarter Retaliatory Tax	26,701,515.25	27,248,957.94	-2.01%
3rd Quarter Retaliatory Tax	30,123,106.04	26,699,424.12	12.82%
4th Quarter Retaliatory Tax	30,689,510.86	27,146,220.72	13.05%
Final Privilege Tax	25,727,920.73	32,901,091.39	-21.80%
Final Retaliatory Tax	13,256,797.96	20,806,663.47	-36.29%
Surplus Line Tax	37,860,047.37	35,234,988.45	7.45%
Group Privilege Tax	254.00	36,362.78	-99.30%
Fines & Penalties	426,405.52	307,921.03	38.48%
Interest	105,194.87	46,853.69	124.52%
Miscellaneous	0.00	0.00	NA
Subtotal for General Revenue Fund	335,369,397.93	345,857,633.58	-3.03%
Producer Licenses	22,564,150.90	22,986,424.82	-1.84%
Producer Reinstatement Fee	25,001.00	117,670.00	-78.75%

Producer Appointment Fee	818,300.00	1,016,551.50	-19.50%
Producer Provider Education	510,010.00	520,350.00	-1.99%
Producer Market Conduct Exams	487,173.00	693,426.00	-29.74%
Producer Fines and Penalties	5,597,538.56	4,253,157.48	31.61%
Producer Market Conduct Travel	0.00	198.56	-100.00%
Producer Miscellaneous	30,414.88	748,490.50	-95.94%
Subtotal for Insurance Producer Fund	30,032,588.34	30,336,268.86	-1.00%
Fire Marshal Tax (Company)	23,192,764.97	22,125,351.03	4.82%
Fire Marshal Tax (Surplus Lines)	1,615,951.56	1,365,270.54	18.36%
Subtotal for Fire Prevention Fund	24,808,716.53	23,490,621.57	5.61%
L/A&H:			
Annual Statement Filing Fee	17,750.00	17,950.00	-1.11%
Corporate Documents	130,526.00	99,554.00	31.11%
Certificate Fees	241,755.00	231,810.00	4.29%
Policy Form Filings	2,132,637.00	579,085.01	268.28%
Fines and Penalties	2,134,173.00	0.00	NA
Miscellaneous	39,042.00	31,395.00	24.36%
Domestic Financial Regulation Fee	2,463,300.00	2,016,450.00	22.16%
Foreign Financial Regulation Fee	5,008,500.00	4,484,550.00	11.68%
L/A&H subtotal	12,167,683.00	7,460,794.01	63.09%
P&C:			
Cost Containment	1,557,518.00	1,483,350.00	5.00%
Annual Statement Filing Fee	43,200.00	44,900.00	-3.79%
Surplus Lines Licenses	46,461.41	640,000.00	-92.74%
Corporate Documents	250,965.00	220,800.00	13.66%
Certificate Fees	461,782.00	449,684.00	2.69%
Policy Form Filings	607,505.00	1,663,950.00	-63.49%
Fines and Penalties	0.00	0.00	NA
RCPT, etc.	2,300.00	900.00	155.56%
Miscellaneous	14,485.80	10,946.41	32.33%
Domestic Financial Regulation Fee	5,230,550.00	4,305,100.00	21.50%
Foreign Financial Regulation Fee	7,495,400.00	6,378,850.00	17.50%
Financial Exam Travel	32,285.53	18,509.40	74.43%
P&C subtotal	15,742,452.74	15,216,989.81	3.45%
Subtotal for Insurance Financial Regulation Fund	27,910,135.74	22,677,783.82	23.07%
Public Pension Fees	1,717,832.74	1,693,263.18	1.45%
Public Pension Fines	0.00	98,116.10	-100.00%
Subtotal for Public Pension Fund	1,717,832.74	1,791,379.28	-4.11%

W.C. Pool Insolvency	113,431.38	154,018.49	-26.35%
W.C. Industry Commission Surcharge	24,432,494.37	22,793,885.94	7.19%
Subtotal for W.C. Pool Fund	24,545,925.75	22,947,904.43	6.96%
State Trust Fund	0.00	0.00	NA
Total for All Funds	444,384,597.03	447,101,591.54	-0.61%

Appropriations and Disbursements: July 1, 2012, to June 30, 2013

General Revenue Fund

The Department does not receive or disburse monies from the General Revenue Fund.

Public Pension Regulation Fund

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$851,000	\$0	\$659,497	\$191,503
Retirement	323,300	0	250,948	\$72,352
Social Security	65,200	0	49,086	\$16,114
Group Insurance	276,000	0	210,760	\$65,240
Contractual	27,000	0	3,808	\$23,192
Travel	75,000	0	19,312	\$55,688
Commodities	5,000	0	0	\$5,000
Printing	10,500	0	96	\$10,404
Equipment	30,000	0	376	\$29,624
Telecommunications	17,500	0	0	\$17,500
Operations Lump Sum	750,000	0	607,450	\$142,550
<u>Lump Sums & Other Purposes</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>\$100,000</u>
Total	<u>\$2,530,500</u>	<u>\$0</u>	<u>\$1,801,333</u>	<u>\$729,167</u>

Insurance Producers Administration Fund

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$8,025,000	\$0	\$7,184,816	\$840,184
Retirement	3,048,500	0	2,735,500	\$313,000
Social Security	614,000	0	535,381	\$78,619
Group Insurance	2,645,000	0	2,315,187	\$329,813
Contractual	1,850,000	0	1,087,540	\$762,460
Travel	145,000	0	93,053	\$51,947

Commodities	23,400	0	15,345	\$8,055
Printing	34,800	0	9,020	\$25,780
Equipment	52,800	0	32,095	\$20,705
EDP	500,000	0	311,137	\$188,863
Telecommunications	213,300	0	210,149	\$3,151
Op. of Auto	9,000	0	8,069	\$931
Refunds	882,000	0	43,393	\$838,607
Shared Services Lump Sum	627,200	0	505,450	\$121,750
<u>Operations Lump Sum</u>	<u>4,250,000</u>	<u>0</u>	<u>17,700</u>	<u>\$4,232,300</u>
<u>Total</u>	<u>\$22,920,000</u>	<u>\$0</u>	<u>\$15,103,835</u>	<u>\$7,816,165</u>

Insurance Financial Regulation Fund

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$10,080,000	\$0	\$9,320,040	\$759,960
Retirement	3,829,100	0	3,548,195	\$280,905
Social Security	771,500	0	676,674	\$94,826
Group Insurance	3,036,000	0	2,661,250	\$374,750
Contractual	1,850,000	0	889,201	\$960,799
Travel	300,000	0	99,657	\$200,343
Commodities	23,400	0	13,430	\$9,970
Printing	34,700	0	5,786	\$28,914
Equipment	35,700	0	18,327	\$17,373
EDP	500,000	0	158,331	\$341,669
Telecommunications	203,500	0	198,899	\$4,601
Op. of Auto	9,200	0	8,400	\$800
Refunds	49,000	0	425	\$48,575
Shared Services Lump Sum	476,100	0	208,866	\$267,234
<u>Operations Lump Sum</u>	<u>2,750,000</u>	<u>0</u>	<u>0</u>	<u>\$2,750,000</u>
<u>Total</u>	<u>\$23,948,200</u>	<u>\$0</u>	<u>\$17,807,481</u>	<u>\$6,140,719</u>

Combined Funds

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$18,956,000	\$0	\$17,164,353	\$1,791,647
Retirement	\$7,200,900	0	6,534,643	\$666,257
Social Security	\$1,450,700	0	1,261,141	\$189,559
Group Insurance	\$5,957,000	0	5,187,197	\$769,803
Contractual	\$3,727,000	0	1,980,549	\$1,746,451
Travel	\$520,000	0	212,022	\$307,978

Commodities	51,800	0	28,775	\$23,025
Printing	80,000	0	14,902	\$65,098
Equipment	118,500	0	50,798	\$67,702
EDP	1,000,000	0	469,468	\$530,532
Telecommunications	434,300	0	409,048	\$25,252
Op. of Auto	18,200	0	16,469	\$1,731
Refunds	931,000	0	43,818	\$887,182
Shared Services Lump Sum	1,103,300	0	714,316	\$388,984
Operations Lump Sum	7,750,000	0	625,150	\$7,124,850
<u>Lump Sums & Other Purposes</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>\$100,000</u>
Total	<u>\$49,398,700</u>	<u>\$0</u>	<u>\$34,712,649</u>	<u>\$14,686,051</u>

Insurance Privilege Tax Refund Fund

Standard Accounts:	Appropriations	Disbursements
<u>Refund</u>	<u>\$1,350,000</u>	<u>\$1,276,962</u>
Total	<u>\$1,350,000</u>	<u>\$1,276,962</u>

Senior Health Insurance Program

Standard Accounts:	Appropriations	Disbursements
<u>Federal Grants in Aid</u>	<u>\$3,545,500</u>	<u>\$2,316,739</u>
Total	<u>\$3,545,500</u>	<u>\$2,316,739</u>

Worker's Compensation Commission - Insurance Fraud Operations Fund

Standard Accounts:	Appropriations	Disbursements
<u>Lump Sum</u>	<u>\$950,000</u>	<u>\$450,605</u>
Total	<u>\$950,000</u>	<u>\$450,605</u>

Group Self-Insured Workers' Compensation Pool Insolvency Fund

Standard Accounts:	Appropriations	Disbursements
<u>Lump Sum</u>	<u>\$2,000,000</u>	<u>\$68,921</u>
Total	<u>\$2,000,000</u>	<u>\$68,921</u>

Department of Insurance State Trust Fund

Standard Accounts:	Appropriations	Disbursements
<u>Lump Sum</u>	<u>\$316,026</u>	<u>\$316,026</u>
<u>Total</u>	<u>\$316,026</u>	<u>\$316,026</u>

Consumer Market

The Consumer Market Division is responsible for:

- overseeing the Department's consumer protection and education programs;
- licensing and regulating the activities of insurance producers; and
- monitoring the marketplace operations of insurance companies.

Consumer Services and Education Programs

During 2013, the Consumers Services Section continued providing assistance and education to Illinois consumers for all types of insurance including auto, health, homeowners and life. Numerous state and federal laws were enacted or revised in 2013, resulting in many questions from consumers, agents and health care providers.

One of the largest health insurance changes was the beginning of open enrollment for the Health Marketplace which began on October 1, 2013 for consumers who were seeking coverage effective January 1, 2014 and beyond. The Federal Marketplace allows individuals to enroll in health coverage which provides Essential Health Benefits (EHB) without being rejected or rated due to pre-existing health conditions and without having a pre-existing health condition limitation contained in the plan. Consumers who purchased coverage on the Marketplace could qualify for advance premium tax credits to help pay the premium of the plan, depending on their income. They could also qualify for reduced cost sharing if they picked a Silver plan and met financial criteria.

In Illinois, there were eight Qualified Health Plans (QHP) which offered coverage on the Marketplace. The coverage is divided into metal levels: Platinum, Gold, Silver, Bronze and catastrophic. The plans provide EHB but the metal level determines the average cost of those benefits. For example, bronze plans pay an average of 60% of the cost of EHB, silver plans pay an average of 70%, gold plans pay an average of 80% and platinum plans pay an average of 90%. The catastrophic plans are available only for young adults under age 30 or for individuals for whom metal plans are unaffordable.

The Department fielded numerous questions from consumers about coverage on the Marketplace and how to obtain that coverage. The Department assisted those callers by explaining the types of coverage available and connecting them with the proper agency or a registered assister for help with enrollment in a plan.

Consumer fact sheets, which provide consumers with information regarding numerous insurance topics, are available on the Department's website at http://insurance.illinois.gov/Main/Consumer_Facts.asp.

The Department provides a toll-free consumer assistance hotline that enables consumers to easily reach Consumer Services Section analysts with questions or complaints about their insurance companies. The Consumer Services Section monitors the Director's email address that is available on the Department's website for visitors to ask various insurance related questions. The Consumer Services Section utilizes an electronic system for assigning and responding to inquiries received by the Director's email. The Consumer Services Section responded to approximately 2,189 of those inquiries.

Closed Consumer Complaints by Reason

	2013		2012		2011	
	Insurance Companies	HMO's	Insurance Companies	HMO's	Insurance Companies	HMO's
Underwriting	1,216	7	1,339	7	1,224	19
Marketing and Sales	244	4	248	0	254	3
Claim Handling	4,694	227	4,737	215	5,176	312
Policyholder Service	<u>694</u>	<u>10</u>	<u>645</u>	<u>9</u>	<u>510</u>	<u>9</u>
Subtotal	6,848	248	6,969	231	7,164	343
All Other	1,169		1,224		1,438	
<u>Total Complaints:</u>	<u>8,265</u>		<u>8,424</u>		<u>8,945</u>	

Closed Consumer Complaints by Line of Coverage

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Auto	2,408	2,353	2,272
Group A&H	1,608	1,701	1,826
Individual A&H	453	640	696
Homeowners	1,195	1,161	1,225
Individual Life	600	521	513
Individual Annuity	80	75	74
Group Credit A&H	8	11	8
HMOs	248	231	343

All Other Coverage	496	507	550
Not Categorized	1,169	<u>1,224</u>	<u>1,438</u>
Total	<u>8,265</u>	<u>8,424</u>	<u>8,945</u>

The “All Other” complaints are not included in the official reconciliation figures. These complaints are excluded from reconciliation for various reasons such as contracts are written in other states, etc. The Department attempts to assist consumers in these situations even though the complaints are not officially counted.

External Reviews and Appeals to Director

A consumer may request an independent external review if their health insurance company has denied a claim due to 1) medically necessity; 2) experimental/investigational; 3) pre-existing condition; or 4) rescission of coverage. The Department sends the request to the involved carrier to determine if it is eligible for an external review. If the request is found eligible, the Department randomly selects a registered Independent Review Organization to review the case. Expedited cases, where a delay would endanger a person’s life or health, are handled as quickly as possible but no longer than 72 hours for non-experimental cases and no longer than 7 calendar days for experimental cases. Standard reviews are handled generally within 28 days but in no event longer than 45 days.

The Department closed 1,275 external review requests in 2013. Of the 1,275 requests, 55 resulted in claim payment by the payer without having to assign to a reviewer; 320 requests were incomplete; 477 were ineligible (for reasons such as not having exhausted internal appeals, not meeting the criteria for external review, plan not subject to the law such as a grandfathered plan, etc.); 15 were self-insured and subject to the federal process; and 408 were assigned to Independent Review Organizations and completed. Of the 408 completed reviews, 152 adverse determinations were overturned, 10 were partially overturned and 246 were upheld. This is about a 37% success rate in overturn or partial overturns.

External Review Requests Closed in 2013	
Claim Service Approved Prior To IRO review	55
Federal Process	15
Request Incomplete	320
Ineligible	477
Completed	<u>408</u>
Total	1,275

The other category on the chart below is Appeals to the Director. Until July 31, 2013, the consumer could appeal an external review decision to the Director of the Department for a

review of the IRO decision to determine if it was arbitrary and capricious. The Director reviewed the decisions and, if necessary, sought assistance from medical consultants prior to rendering a decision. The Department closed 71 Appeals to the Director in 2013. Of the 71, 61 were not found arbitrary and capricious; the remaining 10 were found to be arbitrary and capricious. When the Director makes a finding of arbitrary and capricious, the carrier has the option to 1) pay the claim or 2) ask for a second external independent review. Of the 10 reviews that were found arbitrary and capricious, four were paid by the carrier without further review; six were sent to a second external independent review. Of those six, three upheld the Director's decision, one was a partial uphold of the Director's decision and two overturned the Director's decision. As stated previously, the law that allowed for Appeals to the Director sunset July 31, 2013. During 2013, the Office of Consumer Health Insurance (OCHI) staff received 2,256 calls inquiring about the State's new external review process. External independent review decisions rendered after that date are final except the consumer may explore whatever options are available through the courts.

Appeals To Director	
Arbitrary & Capricious	10
Not Arbitrary & Capricious	<u>61</u>
Total	71

Life, Accident and Health (LAH) Compliance Section

The LAH Compliance Section is responsible for reviewing and approving all filings for life, annuity, disability, and health policies and for Health Maintenance Organizations (HMO), Limited Health Service Organizations (LHSO) and Voluntary Health Services Plans (VHSP). In addition, the Section handles HMO complaints, viatical settlement provider compliance, and the registration and renewal of Preferred Provider Program Administrators (PPA), and Utilization Review Organizations (URO) licensure applications.

LAH Product Filings

	2013	2012	2011
LAH forms approved	12,319	8,040	10,671
LAH informational filings	1,464	1,092	1,091
LAH rate filings	560	564	523
HMO/LHSO/VHSP forms approved	1,734	395	560
HMO/LHSO/VHSP informational filings	62	57	34
PPA applications approved/renewed	126	136	136
URO applications approved/renewed	94	56	74

Discounted Health Care Plans

Approximately 250 registered Preferred Provider Program Administrators (PPAs) and Private Label Marketers operate in the State of Illinois. These entities offer a variety of health care service discounts, such as physician, hospital, chiropractic, vision, dental, and prescription drugs.

Illinois law generally requires discount plans to be registered as a Preferred Provider Program Administrator under the Health Care Reimbursement Act (Article XX1/2 of the Insurance Code, 215 ILCS 5/370f), although there are some exceptions. In order to address the number of fraudulent discount plans offered to Illinois consumers, the Department revised Part 2051 of the Illinois Administrative Code (50 Il Adm. Code 2051.320) by holding registered Preferred Provider Program Administrators responsible for providing the Department with a listing of any entity that may be Private Labeling their discount plan and ensuring that those entities act in accordance with the statutes and regulations set forth.

The Department encourages consumers considering this type of coverage to review the listing of registered entities on our website, <http://insurance.illinois.gov/Consumer/consumer.asp>, prior to purchasing any discount health care service program.

Illinois Pre-Existing Condition Insurance Plan (IPXP)

The program was established with the passage of the Patient Protection and Affordable Care Act on March 23, 2010. IPXP was a federally-funded health insurance program for uninsured Illinois residents with a pre-existing medical condition. To be eligible, you must have been uninsured for at least six months and have a pre-existing condition that disqualifies you from obtaining other health insurance. The IPXP Program covered pre-existing conditions and a broad range of health benefits including preventive care, primary and specialty care, hospital care and prescription drugs. Enrollees were required to pay a premium, an annual deductible, and out-of-pocket costs.

Under the terms of the contract, and the ACA, the IPXP program ended on December 31, 2013.

Consumer Outreach Activities

	Number of Activities	Estimated Impact
High School Presentations*	100	2,900 students
Radio Shows*	80	200,000 listeners
Rapid Response Meetings	14	1,268 employees
Senior Centers, Retiree Presentations, and Health Fairs	1	100 audiences

*Due to the phase out of these programs, 2014 will show 0 activities for these areas.

In 2013, the Office of Consumer Health Insurance (OCHI) received 20,511 calls. The most frequently addressed topics were: claims issues which totaled 4,259; the HIPAA (Health Information Portability and Accountability Act) which totaled 1,100; the continuation laws which totaled 1,054 and the Marketplace which totaled 970.

The Uninsured Ombudsman Program (Ombudsman), contained within OCHI, is purposed to educate uninsured Illinois residents about health insurance options and benefits, including an explanation of rights guaranteed by state and federal law. The Ombudsman also informs uninsured and underinsured consumers about available low-cost or subsidized medical services.

Since its inception, the Ombudsman staff has worked with various state and local agencies to build a database of local resources that provide medical services to the uninsured and underinsured populations. Information in the database includes resources for medical, dental, mental health, prescription drug, vision, and other available health care services by county and city.

For calendar year 2013, the Ombudsman staff provided county specific health resource information to 824 inquirers. Additionally, the Ombudsman staff referred 448 callers to the Comprehensive Health Insurance Plan and 119 callers to the Illinois Pre-Existing Plan (IPXP). Open enrollment for the Health Marketplace began in October 2013. OCHI assisted callers who were looking to purchase coverage on the Marketplace. OCHI referred 844 callers to the federal marketplace, to the state marketplace, to the Department of Healthcare and Family Services, and to assisters.

As in previous years, the Ombudsman staff actively participated on the Rapid Response Team for Dislocated Workers. At meetings organized by the team, members from various agencies answered dislocated workers' questions and provided the most current information about local resources and services: critical information about continuation rights available through the employer group health insurance plan; tips on how to shop for health insurance; information regarding special enrollment rights under HIPAA (e.g., HIPAA allows dislocated workers to enroll on a spouse's employer group health plan); and the Department's contact information for future inquiries. Staff also provided dislocated workers with information regarding the Health Marketplace and explained that option as a possible alternative to federal and/or state continuation.

Rapid Response Workshops for the Dislocated Workers

Events	Location	Number of Impacted Employees
Amsted Rail	Alton	31
Airtex	Fairfield	224
Amsted Rail	Granite City	150

Amsted Rail	East Alton	175
Carlyle Plastics	Carlyle	108
Cast Metals Org.	Peoria	65
Caterpillar Mapleton & Caterpillar Inc.	Decatur	460
Chartwell	Carbondale	72
Citigroup	Danville	60
Crown III (Springfield Coal)	Springfield	20
Crown III (Tri-County Coal)	Waggoner	50
Eastern Illinois University	Bloomington/Rantoul	120
Electric Energy Inc.	Joppa	30
Hostess	Springfield	51
IDES	Springfield	61
Scott Air Force Base (4 firms)	Rantoul	150
Sears	Champaign	20
Sears	Champaign	30
Sears	Mt. Vernon	37
Trace Laboratories Inc.	Carthage	30
Tri-County Coal	Farmersville	156
US Cellular Response	Belleville	100
Western Sizzler Restaurant	Marion	22

Health Fairs and Expos

Events	Location	Number of Impacted Employees
Health Insurance Fair for Dislocated Workers	Decatur	100

Consumer Assistance and Patient Protection (CAP) Grant under the Federal Affordable Care Act (ACA)

The Department of Insurance was awarded the Consumer Assistance and Patient Protection Project (CAP) in the amount of \$1,141,954 by the Department of Health and Human Services in August 2012. The CAP Grants program provides new resources to help states and territories establish or strengthen consumer assistance programs. The work of this grant builds on a previous CAP Grant awarded in October 2010 and running through October 2012, unless no cost extensions are granted.

During 2013, CAP Grant funds were used to develop two enhanced systems to assist in the Life, Accident and Health Complaint area. The first system, Public Inquiry and Response Tracking (PIRT) was designed to track the topics of consumers' calls and the responses provided by the Department. PIRT is a constantly evolving tool with the capacity to provide consumers with up to the minute resources and more accurate responses leading to quicker and more beneficial solutions. This system was deployed to OCHI in 2013 and is being improved upon in stages to incorporate resources and to interact with the phone system.

The second system, Message Center, provides a secure environment for consumers, health carriers and others to communicate with the Department regarding complaints and inquiries. Enhancements are being made to the current complaint system, known as the Consumer Assistance Request Environment (CARE). The enhanced system employs smarter file handling and error logging process which has eliminated the need for manual monitoring of system errors among other things.

The CAP grant funds were also used to purchase a Voice-Over Internet Protocol (VOIP), which was deployed to analysts in 2014. This system tracks the number of calls received and made, as well as, provides quality measures, such as tracking hold times and monitoring and recording calls.

Property and Casualty (P&C) Compliance Section

The P&C Compliance Section is responsible for the review of all commercial lines coverage and personal lines coverage forms and rates that are required to be filed in compliance with Illinois Statutes and Regulations. The P&C Compliance Section has developed checklists for the different lines of coverage for insurance companies to use prior to submitting a filing to verify their filing is in compliance. The checklists are available on the Department's website at http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp as well as at the National Association of Insurance Commissioners (NAIC) website at <http://www.naic.org>. All filings are submitted using the System for Electronic Rate and Form Filings (SERF).

The Department continues to work on initiatives aimed at moving accepted products to market as quickly as possible.

P&C Product Filings

	<u>2013</u>	<u>2012</u>	<u>2011</u>
P&C forms reviewed	28,209	33,663	45,982
P&C rate filings reviewed	2,146	3,716	3,976

Producer Licensing & Regulation

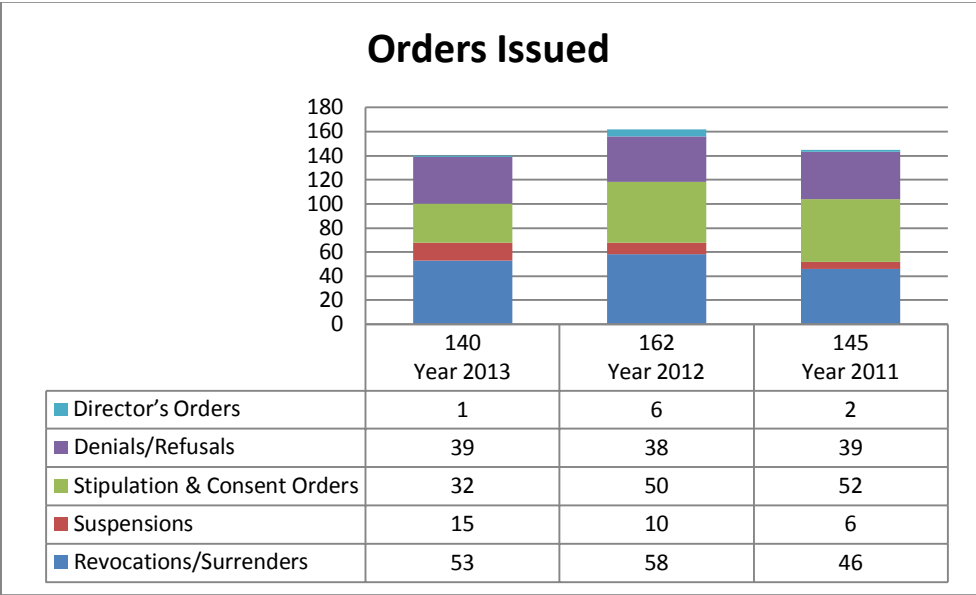
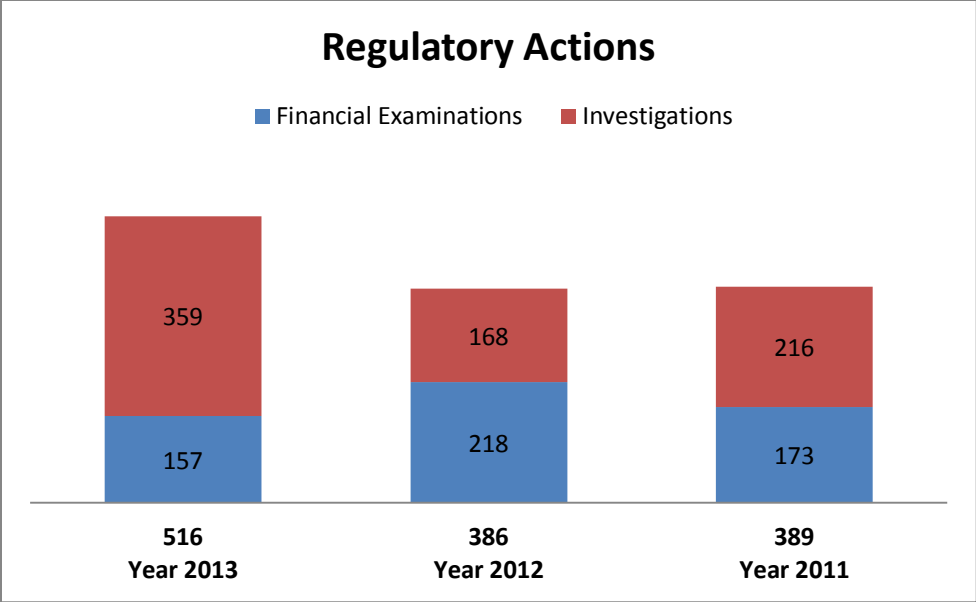
The Licensing Area is responsible for developing and administering licensing examinations required of prospective insurance producers and public adjusters. This responsibility is performed through a test administrator, which has established test sites throughout the state. The examinations are given by computer and electronically graded immediately upon completion. Most licensing applications are processed almost completely on-line, resulting in a cost savings for the Department and a faster licensing service to insurance agents.

Licenses Issued

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Producer Licenses	185,435	168,405	173,968
Business Entities' Licenses	15,209	14,825	14,833
Examinations*	30,485	27,458	25,783*
Temporary Licenses	1,683	2,710	1,313
Limited Representative Licenses	9,910	9,902	8,687
Premium Finance Licenses	154	165	234
Public Adjuster Licenses	410	386	488
Third Party Administrators	433	415	477
Certification/Clearances	716	526	805
Education Providers	347	369	305
Course Approvals	4,908	4,927	4,684

Regulatory Actions

The Producer Regulatory Unit conducts fiduciary financial examinations of licensed insurance producers, limited representatives, business entities, public adjusters, and other licensed entities. The Regulatory Unit also investigates complaints related to their marketing activities and methods. Such examinations and investigations may result in the issuance of a Director's Order to the licensed individual or entity. The Director of Insurance may assess civil penalties based on violations of the insurance code or regulations.



	<u>2013</u>	<u>2012</u>	<u>2011</u>
Civil Penalties:			
Amount Assessed	\$376,400	\$622,000	\$915,800
Amount Paid	\$185,500	\$171,550	\$224,000

Market Analysis Section

The Market Analysis Section is responsible for monitoring the health and competitiveness of the various insurance markets within Illinois. Through this monitoring, the Section works to quickly identify potential issues that may adversely affect Illinois consumers.

The Section is responsible for collecting a significant amount of insurance related data from insurers and statistical organizations throughout the year. The accuracy and consistency of this data is confirmed through various statistical examinations and audit processes. Utilizing this data as well as other sources, the Department annually produces a number of reports related to various aspects of the insurance markets within Illinois. All reports produced by the Market Analysis Section is viewable at http://insurance.illinois.gov/Reports/Report_Links.asp

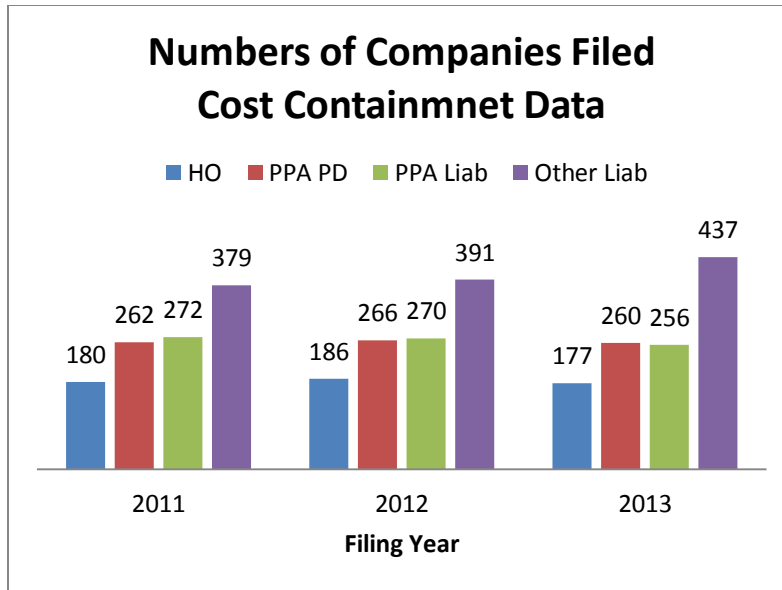
Cost Containment Data Call & Report:

The Cost Containment Act (215 ILCS 5/1200) statutorily requires the collection of a significant amount of data and the creation of an annual report on the current conditions of the property and casualty markets within Illinois. This data call is the largest single data call completed by the Section. It currently collects 121 different data elements related to premiums, losses, and policy exposures from property & casualty insurers licensed in the state of Illinois. Personal lines insurance portion of the data are collected on a zip code basis, allowing the Department to monitor insurance conditions on a local and regional basis.

The following graph identifies the number of insurers that have filed data in each of the four areas; homeowners & residential fire, private passenger physical damage, private passenger liability, and other liability coverage over the past three years. Administrative codes and filing instructions for this data call are available at: http://insurance.illinois.gov/regulatory_filings/regulatory_filings.asp

Several significant changes were completed in 2013 regarding this data call. The most distinguishable was the simplification of the data collected from companies. The reduction in amount of data collected should result in less of a burden on insurers while continuing to provide the department all information necessary to monitor the insurance markets involved.

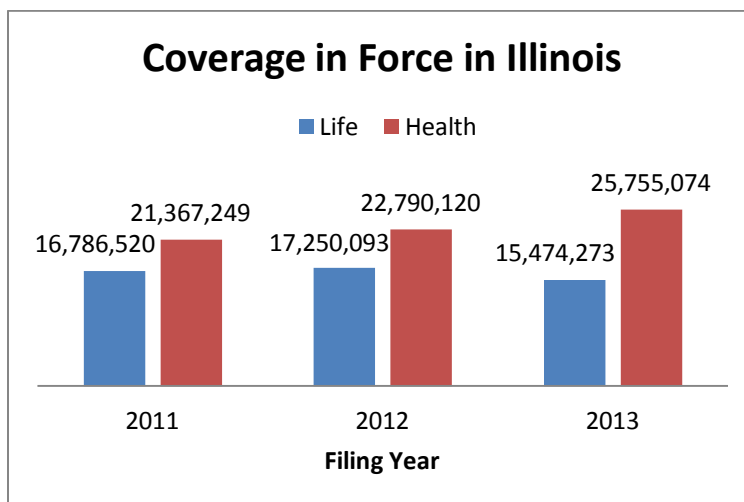
The second substantial revision to this data collection includes the introduction of an online data submission application that will allow insurers to submit data directly to the department. The new application will allow the department to review and analysis the data quicker and reduces the amount of manual processes required by Department staff during the data collection process.



The Cost Containment data is the primary source of data for the Annual Report to the General Assembly. This report examines the current market conditions and availability of various property & casualty markets within the state of Illinois.

Policy in Force Data Call:

The Policy in Force data examines the overall policy exposure within the Illinois life & health insurance markets. All companies authorized to write life and/or health coverages, pursuant to Section 5/4 of the Illinois Insurance Code (215 ILCS 5/4), are required to comply with this data call. The data call currently collects policy counts on over 80 different types of life and health insurance in eight coverage types. The following graph shows the total number of Illinois residents with life or health coverage of some type for the past three years. This does not include individuals covered by managed care providers or self-insured arrangements.



Market Conduct Annual Statement:

All insurers licensed to write life & health and property casualty insurance in the state of Illinois are subject to the Market Conduct Annual Statement (MCAS) data call. Each insurer electronically submits detailed statistics on the number of policies issued, replaced, surrendered, and claims paid during the survey period. This data is used to determine industry averages for various market related activities. Comparing company specific data to the industrial average allows the Department to monitor and identify companies with ratios outside acceptable levels. Industrial average's for all prior years are available at: http://insurance.illinois.gov/Reports/Report_Links.asp

Consumer Complaint Reports:

The Consumer Complaint Reports are published annually on the Department website. These reports provide statistics on complaints made by Illinois consumers and investigated by the Department. In order to publish as accurate information as possible, the Section verifies the accuracy of complaint data with each insurer and managed care provider prior to releasing the report.

The Section also processes numerous requests for specific complaint reports from consumers and other department staff regarding company specific complaint information.

Number of Reconciled Companies			
	2013	2012	2011
HMOs and LHSOs	26	24	22
Life and Health Companies	86	98	100
Property and Casualty Companies	<u>103</u>	<u>112</u>	<u>116</u>
Total	215	234	238

Workers' Compensation Fraud Unit

In 2005, the General Assembly passed House Bill 2137, which would become Public Act 94-277, would later be codified as Section 25.5 of the Illinois Workers' Compensation Act(Act) (820 ILCS 305/25.5). This legislation established in Illinois, for the first time, a statute devoted specifically to criminalizing and combating workers' compensation fraud.

The 2005 legislation introduced two anti-fraud reforms. First, the Act created a number criminal offenses related to workers' compensation. These offenses generally included the filing of false claims, making material misstatements in order to obtain workers' compensation benefits, making misstatements regarding an employee's entitlement to benefits, preparing or providing false certificates of insurance, making misstatements in order obtain workers' compensation insurance at less than the proper rate, making misstatements regarding self-insured status, and making false statements to investigators in the course of an investigation regarding fraud or insurance non-compliance. Second, the new legislation required the Illinois Department of Insurance (Department) to create an investigative unit, the Workers' Compensation Fraud Unit (WCFU). The WCFU is charged with examining allegations of workers' compensation fraud and insurance non-compliance.

In 2011, the General Assembly passed House Bill 1698, which would become Public Act 97-18. The 2011 amendments to Section 25.5 of the Act provided the WCFU with additional tools to combat worker's compensation fraud and a new offense aimed at medical providers who bill for medical services that are not provided.

The primary responsibility of the WCFU is to conduct investigations and refer worthy cases for prosecution. To fulfill this task, WCFU investigators spend countless hours each year conducting field investigations, reviewing hours of surveillance footage, issuing numerous subpoenas, and reviewing insurance, payroll, medical, and other records.

More information about the WCFU is available at the Department's website: <http://insurance.illinois.gov/wcfu/>.

Workers' Compensation Fraud Unit Activities

Number of Allegations of Fraud Received by the WCFU by Source	2013
Reported by Concerned Individuals	28
Referred by Insurance Companies	22
Referred by Employers	21
Referred by Employees Regarding Employers and Insurance Companies	14

Referred by Special Investigation Agencies	11
Referred by Attorneys	11
Referred by the Illinois Workers' Compensation Commission	4
Referred by the Illinois Dept. of Central Management Services	4
Referred by the Third Party Administrators	2
Referred by the National Insurance Crime Bureau	1
Referred by the Cook County State's Attorney's Office	1
Referred by Medical Providers	<u>0</u>
Total	119

Number of allegations investigated by the WCFU	64
Number of referrals made to the Office of the Illinois Attorney General and the various county State's Attorneys	18
Number of WCFU cases resulting in criminal charges being filed	7

Financial - Corporate Regulatory

The Financial-Corporate Regulatory Division monitors the financial condition and reviews the corporate transactions of insurance companies and other insurance risk-bearing entities operating in Illinois.

In October 2013 the Illinois Department of Insurance underwent the Accreditation Review by the National Association of Insurance Commissioners. The Review Teams perform extensive reviews of the Financial Corporate Regulatory processes and procedures to ensure that each Department continues to meet the required financial solvency oversight standards for insurance companies in their ever-changing financial environment. The Department passed the review for another five years. Illinois was first accredited in 1983.

Financial Regulation Section

The Financial Regulation Section is responsible for analyzing and monitoring the financial condition of insurance companies, health maintenance organizations, and other regulated insurance risk-bearing entities and intervening when potential problems are identified.

The Financial Regulation Section is responsible for oversight of the management operations of Illinois insurers because, by law, many financial transactions such as entering reinsurance agreements, paying dividends, and transacting business with affiliates require the prior approval of the Department.

The Financial Regulation Section works closely with several entities with distressed financial conditions. In these instances the Section must devote greater staff resources because a more continuous regulatory role is required. For these companies, staff has more contact with company personnel and company advisors in the form of face to face or teleconference meetings. Detailed review of expanded analytical data is often required by these situations. In many cases staff must also participate in national telephone conference calls with other insurance regulators.

The Financial Regulation Section representatives remain active at the national level in a number of NAIC initiatives including: Financial Analysis, Emerging Accounting Issues, Statutory Accounting Principles, Insurance Holding Company, Risk Assessments and Valuation of Securities.

Casualty Actuarial Section

The Casualty Actuarial Section's ongoing responsibilities include providing technical actuarial support to the financial and consumer market areas. The core actuarial analyses performed

with respect to the financial solvency of insurance entities include reviewing Statements of Actuarial Opinion and analyzing work papers supporting them, performing loss reserve analyses of Annual Statement loss data and participating in financial examinations of insurance companies. In conjunction with the Financial Examination Section, staff conducts risk-focused examinations, which includes evaluation of pricing risk. Staff also evaluates the Actuarial Opinion Summary of all domestic property and casualty companies, performs technical analyses of reinsurance agreements for transfer of risk, evaluates all extraordinary dividend notifications and monitors carried asbestos and environmental reserve amounts.

In support of the consumer services area, actuarial staff reviews actuarial information supporting rate filings, such as that of the Illinois FAIR Plan, the Illinois Mine Subsidence Insurance Fund, the Illinois Automobile Insurance Plan, and the National Council on Compensation Insurance. Staff oversees the actuarial evaluation of all medical malpractice rate filings.

Staff remains responsible for monitoring medical malpractice historical data and the Illinois Medical Professional Liability Insurance Uniform Claims Reporting (IMPLIUCR) data submitted by companies. The Casualty Actuarial Section continues to oversee production of the Illinois Property and Casualty Insurance Market Share Report.

Staff represents Illinois on a national level as well. The Casualty Actuarial Section participated in the NAIC Casualty Actuarial Task Force calls throughout the year. More specifically, staff assisted in updating the NAIC Annual Statement Instructions for a Statement of Actuarial Opinion and regulatory guidance for the actuarial opinion and report. The regulatory guidance document, which is part of the American Academy of Actuaries Practice Note on Statements of Actuarial Opinion, provides guidance for any new requirements and addresses problems or concerns found in previous opinions and reports. Staff has provided expertise in enhancing guidelines for the actuarial portion of risk-focused examinations, which are then utilized nationally.

Casualty Actuarial Section Reviews

	<u>2013</u>	<u>2012</u>
Domestic Statements of Actuarial Opinion	199	184
Domestic Actuarial Opinion Summaries	190	184
Financial Examinations	29	50
Asbestos and Environmental Reserve Amounts - domestic companies	9	15
Medical Malpractice Rate Filings	33	42
Reinsurance Risk Transfer	5	0
Extraordinary Dividend Evaluations	10	14

Life Actuarial Section

The Life Actuarial Section has financial and consumer responsibilities related to life, annuity, and health insurance. On the financial side, review of the reserve Actuarial Opinion and Regulatory Asset Adequacy Issues Summary of each Illinois domestic is a critical task performed annually. These reviews are done to determine regulatory compliance, but more importantly to assess the risk of aggregate reserve understatement under what are considered moderately adverse interest rate scenarios and policyholder behavior assumptions. Results are compared with other Illinois domestics and follow-up is initiated where outlier results raise concerns.

Our Examination unit performs more in depth analysis of reserves as part of periodic risk-focused on-site financial exams. Planning memos for each exam are produced and reviewed by the certified Life Actuary to assure issues being discussed nationally at the National Association of Insurance Commissioners (NAIC) are given appropriate emphasis.

Actuarial support is provided to the Financial Analysis area, and inquiries from industry are researched and answered. Examples include analysis of reinsurance treaties for appropriate risk transfer, troubled company issues such as asset modeling, and the effect of Affordable Care Act provisions on health insurers.

The Section became members of a select number of NAIC groups and continued its participation as a nonmember in a wide array of actuarial related groups at the NAIC. Significant emphasis was given to the Life Actuarial Task Force as well as to groups involved in the development of Principles Based Reserves and required changes to the regulatory structure. This paradigm shift in calculating reserves for certain types of newly issued life insurance products is on the horizon and a significant amount of work is being done to lay the groundwork.

On the consumer side, rate increases for long term care (LTC) insurance policies continued to be a major concern in 2013. Although contractually allowed within certain parameters, large premium increases can be a hardship to seniors on fixed incomes, and significant effort has been made in search of appropriate measures to reduce the impact on policyholders. In late 2012 the Department engaged a consulting firm to assist in reviewing the large number of filings. The Section has also actively participated in and monitored the NAIC's various long term care working groups as states work to collectively resolve the issues.

Since September 2011, the Section has reviewed rate filings for comprehensive major medical insurance for compliance with requirements established by the Federal Affordable Care Act (ACA). Results of these reviews are sent to the Department of Health and Human Services. During 2013 personnel in the Section prepared for the implementation of the ACA Health Insurance Exchange in Illinois. This included developing procedures to comply with the ACA actuarial requirements for health plans to be sold in the Exchange and coordination of the Qualified Health Plan (QHP) rate reviews with our actuarial consultants. Personnel in the

Section continued to serve on two NAIC Committees that provide technical advice to the Department of Health and Human Services related to implementation of the rebate requirements contained in the Federal Affordable Care Act.

The Life Actuarial Section reviewed rate filings for Medicare supplement and credit life and credit disability insurance, and monitored compliance with the Small Employer Health Insurance Rating Act. The Life Actuarial Section assisted the Senior Health Insurance Program with conducting an annual survey of Medicare Supplement premium rates in Illinois. This information was incorporated into the 2013 Medicare Supplement Premium Comparison Guide. The Life Actuarial Section also worked with the Illinois Comprehensive Health Insurance Program on various actuarial-related issues.

Life Actuarial Reviews (Approximate)

	<u>2013</u>	<u>2012</u>
Actuarial Opinions:		
Valuation Law Compliance	89	74
Mortality Assumption Specific (X factors)	23	23
Equity Indexed Annuity & Equity Indexed Universal Life	7	7
CARVM for Variable Annuities Certifications	10	8
Risk Based Capital C-3 Certifications	26	20
Small Employer Group Health Compliance Certifications	28	35
Actuarial Guideline 38 Compliance*	3	10
Other:		
Major Medical Rate Filings	122	131
Reserve Actuarial Memorandums	7	11
Medicare Supplement, Long Term Care, and Credit	271	243
A&H Claim Reserve Monitoring (Life, Fraternal, HMO)	11	10
Medicare Supplement Refund Calculations	108	102
Regulatory Asset Adequacy Issues Summaries	66	66
Consumer Complaints – Life*	4	8
Policy Form Reviews	33	56

Financial Examination Section

Illinois law requires the examination of the financial condition of insurance companies domiciled in Illinois not less than once every five years. On-site financial examinations of companies provide for a detailed review of the Company's financial condition, compliance with Illinois laws and regulations, and the reliability of financial statements. The information obtained during an examination may be the basis for timely and appropriate regulatory action.

Under a national regulatory accreditation program administered by the NAIC, financial examinations of multi-state insurers must be adopted within 18 months of the end of the year being examined.

The Financial Examination Section utilizes the electronic work paper software known as “Teammate.” This is the software used throughout most of the country by state insurance regulators that should increase the efficiency and effectiveness of examinations. The Financial Examination Section also utilizes four outside consultants/vendors to provide various levels of financial examination services to assist in the financial examination of Illinois domestic companies.

During 2013, the Financial Examination Section organized and presented two educational seminars, which provided up to 39.7 hours of continuing education credits for the Department’s financial examination staff and staff from other Midwest state insurance agencies. These seminars provided information and instruction on such topics as, risk focused exams and actuarial responsibilities; Own Risk and Solvency Assessment (ORSA) and enterprise risk management; interviewing techniques, supervisory colleges; critical risk categories on examinations; principles based reserving for life companies and solvency modernization initiatives. The paramount emphasis of these seminars is the risk assessment approach to planning and conducting risk focused examinations.

In addition to performing financial examinations, the Financial Examination Section annually values the life insurance in force of domestic companies. Reserve liabilities associated with these in-force amounts are certified as meeting applicable minimum standards. Three of these valuations were completed during the year.

Financial Examinations Adopted

Property & Casualty				Life, Accident & Health		
	<u>2013</u>	<u>2012</u>			<u>2013</u>	<u>2012</u>
Comprehensive	32	39		Comprehensive	22	12
Illinois Only	32	11		Illinois Only	9	4
Compliance/Target	<u>3</u>	<u>3</u>		Compliance/Target	<u>2</u>	<u>0</u>
Total	67	53		Total	33	16

Notes

1. Comprehensive represents financial examinations of Illinois domestic insurance companies/entities that are licensed to do business in more than one state.
2. Illinois only exams represent financial examinations of Illinois domestic insurance companies/entities that are licensed to do business only in the State of Illinois.

3. Compliance/Target exams represent organizational examinations of newly formed insurance companies/entities, increase in capital examinations, target exams, and loss reserve reviews.

Corporate Regulation Section

The Corporate Regulation Section is responsible for the incorporation, formation, licensing and registration of insurance entities and approval of other corporate transactions. In 2013, 601 life, accident and health and 1,164 property and casualty insurance companies were licensed in Illinois. Other registered entities include:

- 533 **purchasing groups** (organized to purchase commercial liability for the members);
- 106 foreign registered **risk retention groups** (insurance companies organized to write commercial liability insurance on behalf of their owner-members).

As of December 31, 2013, 650 resident and 1,090 non-resident **surplus line producers** were licensed. Those individuals may, under limited circumstances, negotiate insurance contracts with unauthorized insurers not protected by the Illinois Insurance Guaranty Fund. Pursuant to statutory authority, the Director has declared 114 unauthorized insurers ineligible for surplus lines producers use to date.

Although Illinois law prohibits individuals or organizations from sharing risk without authorization to transact the business of insurance, certain types of risk bearing entities are permitted by statute. At the end of 2012, the following were operating in Illinois:

- 9 religious and charitable risk pooling trusts;
- 6 group workers compensation pools’;
- 22 service companies providing services to group workers compensation pools;
- 19 self-insured auto fleets;
- 43 reinsurance intermediaries;
- 193 companies registered under the service contract act; and
- 27 viatical settlement providers

Licensed Property and Casualty Insurance Companies

	2013				2012			
	Domestic	Foreign	Alien	Total	Domestic	Foreign	Alien	Total
Stock	161	777	4	942	162	777	5	944
Stock Captive:								
Pure	1	0	0	1	1	0	0	1
Association	0	0	0	0	0	0	0	0
Industrial Insured	1	0	0	1	1	0	0	1
Stock Risk Retention	1	0	0	1				
Group					1	0	0	1
Stock Surplus Line	13	0	0	13	14	0	0	14
Mutual	14	72	0	86	13	74	0	87
Mutual Risk Retention	0	0	0	0	0	0	0	0
Group								
Reciprocal	2	19	0	21	2	19	0	21
Lloyd's	0	0	1	1	0	0	1	1
Farm Mutuals	61	0	0	61	64	0	0	64
Accredited	0	20	15	35				
Reinsurers					0	20	13	33
Mutual Holding	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>2</u>
Company								
Total	<u>256</u>	<u>888</u>	<u>20</u>	<u>1,164</u>	<u>260</u>	<u>890</u>	<u>19</u>	<u>1,169</u>

Licensed Life, Accident and Health Insurance Companies

	2013				2012			
	Domestic	Foreign	Alien	Total	Domestic	Foreign	Alien	Total
Stock Legal Reserve Life	52	417	4	473	51	423	5	478
Mutual Legal Reserve Life	6	23	0	29	5	24	0	29
Assessment Legal Reserve Life	0	0	0	0	0	0	0	0
Mutual Benefit Association	0	0	0	0	0	0	0	0
Burial Societies	0	0	0	0	1	0	0	1
Fraternal Benefit Societies	13	41	1	55	13	41	1	55
Voluntary Health Service Plans	4	0	0	4	4	0	0	4
Vision Service Plan	0	0	0	0	0	0	0	0
Dental Service Plan	1	0	0	1	1	0	0	1
Health Maintenance Organizations	11	11	0	22	10	11	0	21
Limited Health Service Organizations	7	3	0	10	7	3	0	10
Accredited Reinsurer	0	3	0	3	0	3	0	3
Mutual Holding Company	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total	<u>97</u>	<u>498</u>	<u>5</u>	<u>600</u>	<u>95</u>	<u>505</u>	<u>5</u>	<u>605</u>

Public Pension

Under state law, the Department of Insurance (Department) Public Pension Division (Division) is designated as the regulator of the Illinois Pension Code (40 ILCS 5/1A). The Pension Code establishes laws regulating the operation of Public Pension Systems operating in Illinois. 675 funds operate under the Code, including 15 'large' pension funds (SERS, TRS, IMRF, etc.) and 660 municipality-specific Downstate and Suburban Police and Fire Pension Funds.

The Division's responsibilities include:

- Subpoena power to conduct examinations and/or investigations of all funds established under the Code, including Police and Fire audits on a 3 year cycle;
- Collecting annual statement data from the funds and compiling it into a biennial report to the Governor and General Assembly;
- Furnishing actuarial services to the 660 Police and Fire Pension Funds, including the production of suggested municipal tax levies;
- Providing advisory services on Illinois Pension Code issues to pension trustees, fiduciaries, municipalities and participants from all funds; and
- Limited enforcement authority, including the ability to issue notices of non-compliance, to conduct administrative hearings, and to levy modest fines for failure to comply with the Illinois Pension Code.

During 2013, the Public Pension Division noted growth in the aggregate asset value of the pension funds, the total number of annuitants covered by the funds, and in benefit payments to retirees, survivors and disabled annuitants. The Division continued its focus on core functions including the completion of compliance audits, collection of annual statement data, initiation of enforcement to address non-compliance and the provision of advisory & actuarial services.

The Division maintains records involving fund membership, trustees, asset size, and investment mix of all pension funds covered under the Pension Code. Each of the 675 funds under the Pension Code is managed by a board of trustees that in aggregate total more than 3,250 trustee positions. The Department assists in providing yearly continuing education to trustees as required by statute.

Based on 2012 reporting, aggregate pension system assets totaled \$138.7 billion. This represented a \$1 billion increase in total assets as compared to 2011.

The Illinois Pension Code covers more than 1 million total annuitants. Active participants exceed 605,000 while retirees, surviving spouses, and other beneficiaries receiving pension benefits total 438,800. In aggregate, the pension funds paid out retiree, disability, and survivor benefits of \$14 billion in 2012.

A major responsibility of the Division is to conduct compliance audits for all downstate Police and Fire pension funds. Pension fund audit complexity varies as pension fund membership counts can range from as few as 1 to more than 600 participants.

Pension Division compliance staff completed 71 exams during the past fiscal year. The examination process resulted in more than 600 findings being cited in finalized audits. Best practice recommendations were also included as non-material reportable items.

The Division receives annual statements from all public pension funds regulated under the Illinois Pension Code via our electronic filing system. Under Article 1 of the Illinois Pension Code, each system is required to file an annual statement on fund activity in a format prescribed by the Division.

The Division typically calculates recommended municipal tax levies based on pension fund annual report submissions for the 660 police and firefighter pension funds. This service was resumed in September 2012 after a one year hiatus as the Department worked to implement the requirements of Public Act 96-1495. The law, effective January 1, 2011, contained a second tier of benefits for new hires, required the Department to hire an Enrolled Actuary, and changed the methodology to determine annual employer funding requirements for Police and Fire pension funds.

Foster & Foster, Inc. was hired as the consulting Enrolled Actuary to manually produce the tax levies required under PA 96-1495. In addition, they are assisting the Department in the design and implementation of an automated module within our annual statement process to produce draft valuations. Once completed, the system will generate a draft valuation and it will be routed electronically to Foster & Foster for validation and endorsement. The automated system is anticipated to go into production in April 2014.

Downstate and Suburban Police and Fire Trustees must complete 16 hours of trustee training each year. For first year trustees, a total of 32 hours of training is required. To assist with this requirement, the Division personnel made 20 seminar speaking appearances during 2013 to disseminate information on the Pension Code and to provide training.

The Public Pension Division responded to a variety of requests to provide advisory services to pension funds, sponsoring municipalities, and the General Assembly under the provisions of 40 ILCS 5/1A-106. Furnished services included:

- Responding to more than 125 letters requesting formal advisory opinions on questions arising from the operation of various pension funds;
- Handling thousands of phone and e-mail inquiries, including inquiries from police and firefighter pension funds, investment fund managers, professional pension organizations, the general public, pension trustees and annuitants;

- Furnishing of pension fund actuarial information and calculations as requested for the Illinois General Assembly and the Commission on Government Forecasting and Accountability (COGFA);
- Assisting funds with police pension portability and fire reciprocity cost estimation along with answering questions regarding this benefit;
- Providing documentation in response to 43 Freedom of Information (FOIA) requests; and
- Assisting pension funds with benefit calculations for retiring members.

During the past year, The Division took action in 11 cases to cite pension funds or municipalities for failure to comply with requirements of the Illinois Pension Code. In response to a departmental notice, the cited recipient must take action within 30 days to correct the issue.

If the cited non-compliance is not corrected within the required timeframe, the Department schedules a compliance hearing before an Administrative Law Judge. If a finding of non-compliance is upheld at the hearing, fines can be levied against the recipient for the failure to comply.

The Division finalized Illinois Administrative Code rules (50 IL Admin Code 4439) to implement PA 97-0099, *Dissolution and Re-establishment of Inactive Police and Fire Pension Funds*. This legislation allows inactive pension funds with no remaining liabilities to dissolve with the remaining funds returning to the sponsoring municipality. If a police officer or firefighter who had previously withdrawn service time wished to restore that service time, the fund would have to be re-established.

In conjunction with the Coalition for Qualified Status, the Division also worked on the 2014 IRS determination letter renewal applications for Illinois Article 3 Police and Article 4 Firefighter Funds. Every five years, the IRS requires public pension funds to recertify that they remain in qualified status with IRS regulations. The IRS recognizes the Department as a single entity that can file applications on behalf of all Article 3 funds and all Article 4 funds. The IRS approved determination letter is expected to be completed in 2014. The consolidated process saves millions of dollars compared to each fund filing separately.

Legal

The Legal Division (Legal) supports the work of the Department of Insurance through advising its agency clients in legal matters, including legislative drafting, proposed rulemakings, administrative hearings, litigation, corporate transactions, procurement, Freedom of Information Act (FOIA) requests, and other regulatory matters.

In 2013, the Legal Division continued its core activities effectively managing the Department's enforcement authority through market conduct examinations; implementation of the Affordable Care Act (ACA) and the Illinois marketplace; and by advising the Department in matters involving solvency issues for insurance companies. Legal continued to focus on insurance and pension regulation through administrative hearings and litigation. Legal also implemented and continues to explore new procedures to ensure consistency and efficiency within the Department.

Market Conduct - Investigation of Life/Annuities Claim Settlement Practices

In July 2013 market conduct exams transitioned from Legal to the Market Conduct Section with the exception of the National Association of Insurance Commissioners (NAIC) Taskforce exams. At the time of transition, nearly all backlogged market conduct examination reports had been finalized through the collaborative efforts of Legal and Market Conduct staff. A detailed report can be found under the Market Conduct Section within Consumer Market Division.

Legal is one of five Lead States on the NAIC Taskforce investigating Life/Annuities Claim Settlement Practices. The Taskforce's purpose is to investigate the asymmetrical use of the Social Security Administration's Death Master File (DMF) and other practices, specifically where lead insurers fail to pay life insurance proceeds to beneficiaries when due. The Lead States have opened multistate exams for the 40 largest U.S. life insurers. In addition to the Taskforce exams, Legal is also the lead managing state in the examination of the Kemper companies, which transitioned to a multi-state exam in May 2013.

In 2013, Legal settled six examinations as the managing lead state. Through the work of the Taskforce, these multistate exams have led to settlements with thirteen (13) life insurers comprising more than 55% of the total market (Prudential, MetLife, Nationwide, AIG, Hancock, TIAA-CREF, Aviva, Genworth, Sammons, Transamerica, ING, New York Life, and Lincoln Financial) and the finalization of one exam report (MassMutual).

Affordable Care Act

Legal has also continued to play an integral role in the implementation of the ACA in Illinois. Legal provides strategic advice and ongoing support for implementing the Illinois Marketplace. The implementation of the ACA has presented cutting-edge legal issues. Through the work of

its attorneys, Legal has provided overarching advice to the Department's healthcare regulators, reviewed legislation, drafted rules, interpreted federal law and regulations, assisted the Marketplace procurement process, assisted with Navigator/In-Person Counselor/Certified Application Counselor certification, and provided policy advice to the Governor. Legal assisted with the drafting of a Bulletin prohibiting the practices delaying the applicability of the ACA reforms and advised in the determination to follow the President's announcement to allow insurers to renew non-compliant plans with current policyholders in 2014. Legal's attorneys have diligently stayed abreast of federal rulemaking and guidance and other implementation matters by participating in weekly conference calls with the NAIC healthcare reform working group and with general counsels from other states.

Another way in which Legal has been working on the implementation of the ACA is through independent review organization (IRO) appeals. Effective July 1, 2010, the Health Carrier External Review Act (215 ILCS 180/1 et seq.) granted Illinois residents with health insurance the right to an external, independent review of denied health insurance claims. If an external IRO decision upheld a determination adverse to the covered person, the covered person had the right to appeal the final decision to the Department pursuant to the Managed Care Reform and Patient's Rights Act (215 ILCS 134/1 et seq.) until July 1, 2013. Legal has been working diligently to address a backlog of these appeals to the Department. In the year 2013, the Department completed 75 IRO appeals. Of those appeals, 10 adverse determinations were found to be arbitrary and capricious and the Director ordered coverage of the denied claims.

Receivership

In an effort to regulate the insurance code, Legal facilitated cost saving measures and advised the Department on conservation and rehabilitation for insurance companies. In 2013, there were 20 companies in receivership.

Pension Code

The Department has focused its efforts on issuing Notices of Non-Compliance and Director's Orders as part of its enforcement mechanism pursuant to Article 1A of the Illinois Pension Code. (40 ILCS 5/1A et seq). As a result of ongoing concerns relating to pension underfunding, the Department issued four Notices of Noncompliance for underfunding. These notices were sent to the Villages of Harvey, North Riverside, Loves Park and Stone Park. In addition to underfunding issues, the Department also recently issued a Notice of Noncompliance to the Village of Richton Park for failure to form a pension fund.

The Department has also focused on issues of re-entry under the Pension Code. In 2013 the Department filed a complaint for administrative review regarding the reentry of the Chief of Police in Naperville. The Circuit Court affirmed the Naperville Police Pension Board finding that Chief Marshall had not reentered active service as a police officer and that his pension benefits should not be suspended under the Illinois Pension Code. This matter is currently pending with the Court of Appeals.

Retaliatory Tax Regulation

The Sangamon County Circuit Court struck down the validity of a decade-old regulation that impacts the annual collection of millions of dollars of retaliatory tax in *United States Liability Insurance Company v. Illinois* in October 2012. In 2013, the Department appealed in the 4th Appellate District. In March 2014, the Appellate Court affirmed the Circuit Court. On September 24, 2014, the Illinois Supreme Court denied the Department's Petition for Leave to Appeal. In light of the ruling in Sangamon County, the Department pursued legislation to codify its practices in relation to retaliatory tax. SB3366 passed both Chambers during the veto session in December 2014.

	2013	2012	2011
Administrative Hearings Scheduled	153	89	78
Freedom of Information Act Requests Processed	489	484	521
Opinions Issued *	189	280	214
Legislation	2	14	21
Regulatory Files Reviewed	426	241	300
Rules Adopted	28	6	8
Subpoenas **	21	19	126
New Litigation	29	38	40

* Regulatory files are comprised of producer, consumer and corporate division files.

** Prior to 2012 all subpoenas were issued through the legal department. In 2012, Workers Compensation began issuing its own subpoenas, which are not included in these numbers.

Insurance Legislation

Following are the lists of insurance related bill signed in to law during 2013. Complete texts can be found at <http://www.ilga.gov/>.

Bill	Short Description	Public Act	Effective Date
HB 0104	DHFS-ALLKIDS-3RD PARTY INSURER	PA98-0130	8-12-13
HB 0981	INS CD-GUARANTY FUND-BOARD	PA98-0202	1-1-14
HB 0981	INS CD-SEPARATE ACCOUNTS	PA98-0039	6-28-13
HB 0991	INS CD-REHAB DOMESTIC INS CO	PA98-0136	8-2-13
HB 1388	PODIATRIC PHYSICIANS	PA98-0214	8-9-13
HB 1460	MOTOR VEHICLE ANCILLARY PROD	PA98-0222	1-1-14
HB 1552	INS CD-DOI-ADMIN	PA98-0226	1-1-14
HB 1571	INS CD-INSURER INVESTMENTS	PA98-0110	1-1-14
HB 2393	INS CD-POLICY INFO-RENEWAL	PA98-0242	1-1-14
HB 2962	INS CD-PENALTIES	PA98-0609	1-1-14
HB 3300	INSURANCE-COMMUNICATION METHOD	PA98-0189	1-1-14
SB 0626	INS CD-EARLY INTERVENTION SERV	PA98-0041	6-28-13
SB 1194	INSURANCE NAVIGATOR ACT	PA98-0524	8-23-13
SB 1658	INS CD-PRUDENT LAYPERSON	PA98-0154	8-2-13
SB 1718	INS CD-DEPOSIT OF SECURITIES	PA98-0571	8-27-13
SB 1729	INS CD-RISK BASED CAPITAL	PA98-0157	8-2-13
SB 1730	INS CD-DOI-LIENS	PA98-0158	8-2-13
SB 1758	INS CD-LIMITED LINES LICENSE	PA98-0159	8-2-13
SB 1775	INSURANCE E-CARD	PA98-0521	8-23-13
SB 1847	WORK COMP-OD-FIREFIGHTER-EMT	PA98-0291	1-1-14
SB 1898	TRANSPORTATION-TECH	PA98-0519	1-1-15
SB 1940	INSURANCE & VEH. REGISTRATION	PA98-0539	1-1-14
SB 2071	INS CD-CONTINUATION-MEDICARE	PA98-0614	12-27-13
SB 2306	PRIVACY WORKPLACE-SOCIAL NET	PA98-0501	1-1-14

Insurance Rulemaking

The following rules were drafted in 2013 and were effective January 2, 2014, except where noted otherwise. Complete texts can be found at <http://www.ilga.gov/>.

- 50 Ill. Adm. Code 2001 – Construction and Filing of Accident and Health Insurance Policy Forms
- 50 Ill. Adm. Code 2002 – Advertising of Accident and Sickness Insurance
- 50 Ill. Adm. Code 2005 – Pre-Existing Illness
- 50 Ill. Adm. Code 2007 – Minimum Standards of Individual Accident and Health Insurance
- 50 Ill. Adm. Code 2012 – Long-Term Care Insurance
- 50 Ill. Adm. Code 2014 – Small Employer Group Health Insurance (Repealed)
- 50 Ill. Adm. Code 2026—Premium Increase Justification and Reporting
- 50 Ill. Adm. Code 3125 – Navigator, In-Person Counselor and Certified Application Counselor Certification (effective Jan. 3, 2014)
- 50 Ill. Adm. Code 5420 – Managed Care Reform & Patient Rights
- 50 Ill. Adm. Code 5421 – Health Maintenance Organization

Information Technology

The Information Technology Division (IT) serves other Department of Insurance (DOI) units by integrating computer systems; coordinating and providing training; negotiating and managing information technology related contracts; and technology assistance and support. IT creates a technological environment which enables DOI employees to quickly access vital information using the efficient and cost effective system hardware and software.

IT works with other Divisions within DOI to analyze information in order to make recommendations on the feasibility and cost benefits of using information technology to resolve the problem. Once the scope of the problem is defined, IT works with the users to develop applications and procedures to meet the business needs.

IT Operation Accomplishments for 2013

Procured IT resources enabling us to launch a multitude of long overdue projects to address our application development initiatives including the following systems:

- Public Inquiry and Response Tracking System (PIRT) - Initial deployment was May 2013 and replaced legacy tracking system.
- Pension – Initiated the Actuarial Valuation project with Foster & Foster.
- Telecom – Initiated development of a new system to approve telecom equipment billing electronically.
- Help Desk\Project Request – Initiated work to allow users to communicate help desk items and project ideas electronically.
- Accounting Management System – Initiated rewrite of Cash Receipts System.
- Message Center – Initiated development to communicate with respondents and insureds electronically.
- Legal Job Assignment Tracking – Additional tracking for litigation assignments
- Independent Review Organization (IRO) External Review Survey – Initiated system to survey Independent Review Organizations.
- Company Portal – Implemented enhancements to the public facing company portal to provide Accident & Health Expense data.
- Producer Regulatory Enforcement System – Initiated work on a new reporting tool to help Producer Regulatory track their investigations.

- System for Electronic Rate and Form Filing Reporting (SERFF) – Implemented a new policy form reporting tool for the Compliance Sections.
- CARE – Implemented several enhancements to our complaint system.
- Medical Malpractice Uniform Claims Reporting – expanded the claims searching process.

Completed initiatives

- Migration to Illinois.Gov – Effort to decommission servers on the Illinois Department of Professional Regulation (ILDPR) domain and migrate data files to new servers on the Illinois.Gov domain.
- Retooling IT Shop - Conversion to Team Foundation Server (TFS), establishing new development standards to include Model View Control (MVC), Entity Framework, etc.
- Migrated various applications to a new dedicated application server.
- Decommissioned legacy mainframe system - Product Evaluation Databases (PEDs).
- Voice Over Internet Protocol
- Security – New security administrator addressing risk assessment issues.
- Rolled out the updated DOI Staff website and the Employee web service that is now becoming a hub for a large portion of our systems.

Internal Audit

The mission of the Internal Audit Division within the Department, in accordance with the Institute of Internal Auditor's formal definition of Internal Auditing, is to provide independent and objective assurance and consulting services designed to add value and improve the Department's operations. It assists the Department in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Purpose

The purpose of Internal Audit function is to determine whether the Department's control, risk management, and governance processes, as designed and implemented by management, are adequate and functioning to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with Department policies and procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Plans and objectives are achieved.
- Quality and continuous improvement are fostered in the Department's control process.
- Significant legislative or regulatory issues impacting the Department are recognized and addressed appropriately.

Authority

The Internal Audit Division is an integral part of the Department and carries out its activities consistently with the missions of the Department. The Internal Audit function assists the Department in achieving its goals by evaluating the processes through which goals are established, communicated, executed, and monitored to ensure accountability.

The Chief Internal Auditor is authorized to direct a broad, comprehensive program of Internal Auditing within the Department in accordance with the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/2001)*, professional standards and the Code of Ethics published by the Institute of Internal Auditors (IIA), the General Accounting

Office, and other professional standards for which the State Internal Audit Advisory Board (SIAAB)** determines to be applicable to all State Internal Auditors.

*<http://www.ilga.gov/legislation/ilcs/ilcs.asp>

**<http://siaab.audits.uillinois.edu/> - The State Internal Audit Advisory Board (SIAAB) was established and is defined by the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/2005).

Responsibility

Internal Audit's responsibilities include the following:

- Develop a flexible two-year plan identifying audits scheduled for the pending fiscal year, using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit the plan to the Director for approval by June 30 of each year.
- Implement the audit plan, as approved by the Director, including as appropriate any special tasks or projects requested by the Director.
- Issue periodic reports to the Director summarizing results of audit activities.
- Report to the Director by September 30 of each year the scope and results of the Department's audits and the adequacy of management's corrective actions.
- Maintain sufficient knowledge, skills, and experience to meet the requirements of this Charter.
- Assist Department management by conducting special services to assist management in meeting its objectives, where appropriate.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify the Director of the results.
- Establish a follow-up process to monitor and identify if management's actions have been effectively implemented or senior management has accepted the risk of not taking action.
- Consider the scope of work of the external auditors and regulators as appropriate for the purpose of providing optimal audit coverage of the institution.
- Annually provide the Internal Audit Charter to the Director for review and approval.

Accomplishments for 2013

- DOI hires a new Chief Internal Auditor February 2013
- Approved Audit Charter and Introduction of Internal Audit to Department Staff
- Agency Wide Risk Assessment

- Self-Assessment of the Internal Audit Division
- Corrective Action Plan Developed
- Audit Plan Developed
- Audit Liaison for external audits
- Several informal consulting projects
- Training
- 2 Internal Audits

Office of the Special Deputy Receiver (OSD)

Pursuant to provisions of Article XIII and XIII½ of the Illinois Insurance Code, the Illinois Director of Insurance is appointed as statutory Conservator, Rehabilitator or Liquidator of Illinois domestic companies in receivership.

The Director, through his Special Deputy, takes the following alternative courses of action, depending on the type of court order that is issued against a company:

1. Pursuant to an Order of Conservation, the Director takes possession of property, business and affairs of a company to protect the interests of policyholders and other creditors, and proceeds to ascertain the condition and situation of the company, subject to a confidentiality order entered by the Court.
2. Pursuant to an Order of Rehabilitation, the Director is vested with title to all property, contracts and rights of action of the company. He proceeds to conduct the business of the company and to take appropriate steps, if possible, to remove the causes and conditions which made rehabilitation necessary.
3. Pursuant to an Order of Liquidation, the Director is also vested with title to all property, contracts and rights of action of the company. Upon entry of the court order, he proceeds immediately to liquidate the property, business and affairs of the company, to marshal assets, and to evaluate the claims asserted against the company in order to make a distribution of assets as soon as possible to policyholders and other creditors.

A receivership may also trigger the Illinois Insurance Guaranty Fund, the Illinois Life and Health Insurance Guaranty Association, and the Illinois Health Maintenance Organization Guaranty Association, depending on the line of insurance issued by the company, which are mandated by statute to respond to the covered claims up to certain statutory caps. Similar Funds and Associations exist in most other states for similar purposes. The claims of policyholders of unauthorized, unlicensed, or surplus insurers are not generally afforded this protection.

The Director's mission is to maximize assets of estates under his management, fairly dispose of claims, and timely deliver assets to claimants. A summary of the Director's 2013 receivership activity regarding companies in rehabilitation, liquidation, or public conservation proceedings for 2013 and more information on the OSD, please visit the website at <http://www.osdchi.com/>.

Surplus Lines Companies

The Surplus Line Association of Illinois receives countersigns and records all surplus line insurance contracts which are procured by its member surplus line producers. The following is a list of the unauthorized insurers and domestic surplus lines insurers from who licensed surplus line producers procure insurance. The total amount of premium for each company for calendar year 2013 is listed below.

Insurance Company	Premium
Acceptance Indemnity Insurance Co	839,375
ACE Bermuda Insurance Ltd	641,975
ACE European Group Ltd	1,013,668
ACE Insurance Co Ltd	16,851
ACE Seguros SA	29,225
Admiral Insurance Co	8,015,932
Adriatic Insurance Co	2,933,034
AIG Europe Limited	9,384,062
AIG Specialty Insurance Co	2,114,890
AIX Specialty Insurance Co	7,964,795
Allianz IARD	-906
Allianz Underwriters Insurance Co	47,463
Allied World Assurance Co (US) Inc	9,267,359
Allied World Assurance Co Ltd	1,911,959
Allied World Surplus Lines Insurance Co	17,346,802
Alterra Excess & Surplus Insurance Co	8,453,834
Alterra Reinsurance Europe plc	66,064
American Empire Surplus Lines Insurance Co	1,685,083
American Modern Surplus Lines Insurance Co	785,892
American Safety Indemnity Co	6,541,159
American Safety Insurance Co	77,029
American Safety Risk Retention Group Inc	3,276
American Western Home Insurance Co	492,116
Amtrust International Underwriters Limited	983,004
ANA Compania De Seguros SA de CV	30,611
Arch Excess & Surplus Insurance Co	53,250
Arch Insurance Company (Europe) Limited	181,133
Arch Reinsurance Ltd	91,180
Arch Specialty Insurance Co	13,886,789
Argo Re Ltd	269,645
Aspen Insurance UK Ltd	6,194,830
Aspen Specialty Insurance Co	8,694,492
Associated Electric & Gas Insurance Services Ltd (AEGIS)	12,848,710

Associated Industries Insurance Company Inc	1,159,820
Atain Specialty Insurance Co	3,149,708
Atlantic Casualty Insurance Co	1,925,840
AXA Corporate Solutions Assurance	-69,450
AXA Versicherungen AG	23,601
Axis Specialty Europe SE	2,104,733
AXIS Specialty Insurance Co	107,875
Axis Specialty Ltd	-289,815
AXIS Surplus Insurance Co	23,368,503
Berkley Assurance Co	2,681,984
Berkley Regional Specialty Insurance Co	335,381
Berkshire Hathaway International Insurance Limited	747,133
Bracken Hill Specialty Insurance Company Inc	2,167
Burlington Insurance Company	4,877,010
Canal Indemnity Co	-1,392
Canopus US Insurance Inc	487,929
Capitol Specialty Insurance Corp	2,617,489
Catalina London Ltd	2,543
Catlin Insurance Co Ltd	581,909
Catlin Insurance Company (UK) Ltd	558,000
Catlin Specialty Insurance Co	11,319,756
Century Surety Co	1,998,340
Chartis Excess Ltd	407,440
Chartis Insurance UK Ltd	208,201
Chartis Seguros Mexico SA de CV	1,555
Chartis Select Insurance Co	378,143
Chubb Atlantic Indemnity Ltd	469,345
Chubb Custom Insurance Co	20,518,130
Chubb Insurance Co of Europe SE	113,826
Cincinnati Specialty Underwriters Insurance Co	7,992,364
CNA Insurance Company Limited	986,255
Colony Insurance Co	8,711,888
Columbia Casualty Company	38,639,217
Compagnie Europeenne d'Assurance Industrielles (CEAI)	12,605
Companion Specialty Insurance Co	940,620
Covington Specialty Insurance Co	848,666
Crum & Forster Specialty Insurance Co	1,865,364
CUMIS Specialty Insurance Company Inc	13,700
Dakota Fire Insurance Co	319,643
Empire Indemnity Insurance Co	45,103
Endurance American Specialty Insurance Co	6,020,102
Endurance Specialty Insurance Ltd	676,466
Energy Insurance Mutual Ltd	7,250,145

Essex Insurance Co	25,305,572
Everest Indemnity Insurance Co	2,192,752
Everest Reinsurance (Bermuda) Ltd	2,041
Executive Risk Specialty Insurance Co	1,455,728
Fireman's Fund Insurance Co Of Ohio	208,432
First Mercury Insurance Company	8,993,925
First Specialty Insurance Corporation	17,263,067
Gemini Insurance Co	12,297,619
General Security Indemnity Co of Arizona	5,791,153
General Star Indemnity Co	6,600,724
GeoVera Specialty Insurance Co	45,497
Gerling-Konzern Allgemeine Versicherungs- Aktiengesellschaft	34,299
Global Aerospace Inc	268,777
Global Indemnity plc	1,354,997
GLOBALE Rueckversicherungs-AG	4,623
Golden Bear Insurance Company	15,450
Gotham Insurance Co	532,156
Great American E&S Insurance Co	14,589,856
Great American Fidelity Insurance Co	219,138
Great Lakes Reinsurance (UK) PLC	10,702,450
Grupo Nacional Provincial SAB	66,053
GuideOne National Insurance Company	1,470,241
Hallmark Specialty Insurance Company	1,389,176
Hannover Rueck SE	5,994
HCC Specialty Insurance Company	31,250
HDI Seguros SA de CV	3,121
HDI-Gerling Industrie Versicherung AG	309,728
Hermitage Insurance Co	166,681
Homeland Insurance Co of NY	12,010,148
Houston Casualty Co	8,439,167
Houston Specialty Insurance Co	2,637,221
Hudson Specialty Insurance Co	6,239,558
Illinois Union Insurance Co	15,829,414
Indian Harbor Insurance Co	17,346,596
Infrasure Ltd	-1,844,233
Ingalls Casualty Insurance Ltd	2,337,922
International Insurance Co of Hannover PLC	4,293,554
Interstate Fire & Casualty Company	4,730,244
Ironshore Europe Ltd	2,822,262
Ironshore Insurance Ltd	1,490,405
Ironshore Specialty Insurance Co	39,312,858
ISMIE Indemnity Company	5,000

James River Insurance Co	6,708,622
Kinsale Insurance Co	2,146,163
La Reunion Francaise	-171
Lancashire Insurance Co (UK) Ltd	638,512
Lancashire Insurance Co Ltd	47,132
Landmark American Insurance Co	12,112,990
Landmark Insurance Co	91,901
Lantana Insurance Ltd	69,009
Lexington Insurance Co	248,650,592
Liberty International Insurance Co Ltd	-1,010,550
Liberty Mutual Insurance Europe Ltd	4,012,911
Liberty Surplus Insurance Corp	15,012,428
Lloyd's of London	140,295,055
Maiden Specialty Insurance Co	3,617,418
Mapfre Empresas SA	14,734
Mapfre Tepeyac SA	176,360
Markel Bermuda Ltd	218
Markel International Insurance Co Ltd	419,550
Mary Cap Insurance	44,661
Maxum Indemnity Co	6,120,120
Merchants National Insurance Co	121,600
Mesa Underwriters Specialty Insurance Company	1,439,037
Mid-Continent Excess & Surplus Insurance Co	63,276
Mitsui Sumitomo Ins Co (Europe) Ltd	54,800
Montpelier Reinsurance Ltd	71,956
Mount Vernon Fire Insurance Co	2,482,687
MSA Insurance Co	752
Mt Hawley Insurance Company	4,633,458
NAMIC Insurance Co Inc	1,012,948
National Fire & Marine Insurance Co	6,812,741
National Guaranty Insurance Company of Vermont	456,175
Nautilus Insurance Co	28,969,224
Navigators Specialty Insurance Company	16,355,782
Navillus Insurance Co LTD	638
NCH Casualty Insurance SPC Ltd	1,217,401
Noetic Specialty Insurance Co	595,554
North American Capacity Insurance Co	9,225,014
Northbridge Indemnity Insurance Co	3,212
Northfield Insurance Co	4,583,986
Nutmeg Insurance Co	101,489
Pacific Insurance Co Ltd	1,764,370
PartnerRe Ireland Insurance Ltd	1,239,590
Penn-Star Insurance Co	1,810,004

Prime Insurance Co	686,753
Princeton Excess and Surplus Lines Insurance Co	7,231,569
ProAssurance Specialty Insurance Co Inc	923,959
Professional Underwriters Liability Insurance Co	906,214
Protective Specialty Insurance Co	238,803
QBE Insurance (Europe) Ltd	12,821
QBE Specialty Insurance Co	4,009,785
Qualitas Compania de Seguros SA de CV	27,125
Quanta Specialty Lines Insurance Co	24,750
Republic - Vanguard Insurance Co	177,924
Rockhill Insurance Co	2,551,555
Saint Paul Surplus Lines Insurance Co	1,625,457
SCOR UK Company Ltd	2,131,619
Scottish Lion Insurance Co Ltd	2,115
Scottsdale Insurance Co	31,062,262
Seguros Comercial America SA de CV	3,152
Seneca Specialty Insurance Co	1,482,939
Sirius International Insurance Corp	3,183
Sparta Specialty Insurance Co	3,000
Starr Surplus Lines Insurance Co	10,730,176
Steadfast Insurance Co	27,616,051
Sunderland Marine Mutual Insurance Company Limited	3,280
Swiss Re Frankona Reinsurance Ltd	8,631
Swiss Re International SE	7,977,276
Swiss Re Specialty Insurance (UK) Ltd	-16,445
THE Insurance Company	-9,993
The Marine Insurance Co Ltd	82,362
Tokio Marine & Nichido Fire Ins Co Ltd	100,506
Tokio Marine Europe Insurance Limited	36,629
Tokio Marine Specialty Insurance	3,553,944
Topa Insurance Co	45,331
Torus Insurance (Bermuda) Ltd	10,253
Torus Insurance (UK) Limited	314,955
Torus Specialty Insurance Co	3,808,378
Travelers Casualty and Surety Company of Europe Limited	155,464
Travelers Excess & Surplus Lines Co	1,761,303
TT Club Mutual Insurance Ltd	222,577
Tudor Insurance Co	480,201
United National Insurance Co	1,543,746
United Specialty Insurance Co	4,574,003
US Underwriters Insurance Co	-1,623
Voyager Indemnity Insurance Co	287,978
W R Berkley Insurance (Europe) Limited	91,051

Westchester Surplus Lines Ins Co	8,515,738
Western Heritage Insurance Co	788,651
Western World Insurance Co Inc	3,765,976
Wilshire Insurance Co	2,412
Wuerttembergische Versicherung AG	650
XL Europe Ltd	72,238
XL Insurance (Bermuda) Ltd	781,980
XL Insurance Co Ltd	3,041,188
Zurich Insurance Company Ltd	494,086
Zurich Specialties (London) Ltd	45,002
2013 Total Premium	\$1,160,115,328

Ineligible Companies

Pursuant to Section 445 (g) of the Illinois Insurance Code, (Chapter 73, Paragraph 1024) the following companies are not to be used:

<u>NAME OF COMPANY</u>	<u>BULLETIN NUMBER</u>	<u>INELIGIBLE DATE</u>
Alpine Assurance Limited	9	03/16/92
American Marine and General Ins. Co., Ltd.	26	08/02/88
American National Surety Insurance Company	109	09/09/93
American Trust Insurance Company, Ltd.	22	03/01/88
Removed from list:	22	10/31/88
Became Ineligible again:	45	01/08/90
Anatole Insurance Company, Ltd.	33	06/02/89
Anglo-American Insurance Company (Louisiana)	15	02/18/87
APEX Placement Insurance Company, Ltd.	62	04/29/91
Atlantic & Pacific International Assurance Co., Inc.	96	05/27/92
Atlas Indemnity and Insurance Company, Ltd.	82	12/03/91
Avalon Insurance Company, Ltd.	99	09/09/92
Beacon Insurance Company (Rehabilitation)		07/18/86
Bel-Aire Insurance Company	52	03/19/90
Brighton Insurance, Ltd.	27	08/31/88
British American Professional Liab. Ins. Co.	20	08/05/87
Casualty Assurance Risk Ins. Brokerage Co.	18	07/30/87
Central Insurance Company, Ltd.	53	03/22/90
Chancellor Insurance Company Limited	100	11/23/92
Colorado Western Insurance Company	116	04/07/04
Commercial General Insurance Company (Wyoming)	35	09/05/89
Commercial Indemnity and Assurance Company	104	07/08/93
Commercial Inland & Marine Indemnity Co., Ltd.	23	03/21/88
Commonwealth United Insurance Company	76	10/01/91
Continental Fire and Casualty Ind. Co., Ltd.	37	10/03/89
Desert Insurance Company, Ltd.	See Walbrook -- #55	
Dual Plus Insurance Company, Ltd.	70	08/12/91
Dyna Span Corporation	5	04/07/86
El Paso Insurance Company, Ltd.	See Walbrook -- #55	
Euro-American Insurance Company, Ltd.	43	11/16/89
Euro-Ichiban Reinsurance Corporation, Ltd.	83	12/06/91
Euro Reinsurance Company, Limited	54	03/22/90
Excess Re-Insurance Underwriters, Ltd.	49	02/22/90

Families United For Life Insurance Company Limited	111	02/23/96
Fidelity & Casualty Co., Ltd. (Turks & Caicos)	8	05/01/86
Fiduciary Indemnity Assurance Group, Ltd.	39	10/03/89
Fielding Reinsurance, Ltd.	6	05/01/86
Financial Services Insurance Ltd.	103	04/02/93
Firestone Insurance Company, Ltd.	51	02/22/90
First Assurance & Casualty Company, Ltd.	77	10/07/91
First Indemnity, Ltd.	67	07/25/91
First Interstate Fire and Casualty Company, Inc.	80	11/06/91
First Reinsurance, Ltd.	68	07/25/91
Freedom Insurance Company, Ltd.	85	12/09/91
Frontline Insurance Company	73	08/28/91
General Insurance Corporation of India	114	04/29/98
General Star Indemnity Company (RESCINDED 1/22/99)	115	01/13/99
Global Insurance Company S.A	79	10/28/91
Greater Indemnity Insurance Company dba: Great American Casualty or Great American Casualty Insurance Co. Ltd.; or Greater Indemnity & Casualty Co., Ltd.	105	08/06/93
Heartland Casualty Company	32	06/02/89
Individual Surety, Inc.	98	08/18/92
Innkeepers Indemnity Underwriters, Inc.	40	10/03/89
Insurance Corporation of America	28	09/14/88
Insurance Exchange of the Americas (The Florida Insurance Exchange)	14	01/17/87
Integral Insurance Company	60	04/24/91
International Bahamian Insurance Company, Ltd.	1	10/24/85
International E & S Carrier, Ltd.	69	08/12/91
Intrepid Insurance Company	61	04/29/91
Intrepid Reinsurance Group, Ltd.	94	04/23/92
Island Group, Ltd.	9	08/15/86
Jayhawk Insurance Company, Ltd. (Turks & Caicos)	7	05/01/86
Keyes International Insurance Co., Ltd.	112	06/27/96
Kingscroft Insurance Co., Ltd.	See Walbrook -- #55	
Knightsbridge Insurance Company, Ltd.	66	07/25/91
La Fenix Boliviana S.A. De Seguros Y Reaseguos or La Fenix Boliviana Insurance & Reinsurance	110	01/14/94
Lime Street Insurance Co., Ltd.	See Walbrook -- #55	
Lloyds U.S., (Dallas, Texas)	10	08/27/86
London Guarantee & Accident Company, Ltd.	16	03/09/87
London United Reinsurance Co. (Bermuda), Ltd.	See Walbrook -- #55	
Macal International, Limited Ins. Co.	12	02/05/87

Meadowlark Insurance Company	46	02/14/90
Metropolitana Compania de Seguros, S.A.(RESCINDED)	113	05/01/97
Mutual Insurance Company, Ltd.	See Walbrook -- #55	
National Warranty Insurance Company	3	02/07/86
New England International Surety Co., Inc.	4	03/19/86
New England International Surety of America, Inc.	30	12/30/88
New World Financial Trading & Re-Ins. Corp.	19	07/30/87
North American Fire & Casualty Co., Ltd.	17	07/01/87
North American Indemnity Company	21	08/05/87
North American Insurance Company	11	09/23/86
Northern Commercial Fire & General Insurance Co.	75	08/30/91
Northwestern Insurance Company, Ltd.	89	03/03/92
Old American Insurance Company, Limited	25	08/02/88
Old Hickory Casualty Insurance Company	72	08/27/91
The Olympian Insurance Company	106	08/26/93
Oxford Indemnity Insurance Company	44	12/20/89
Pacific Fire & Marine Insurance Company, Ltd.	48	02/22/90
Pacific International Indemnity Company, Ltd.	95	05/27/92
Palisades National Insurance Company, Ltd.	50	02/22/90
Paradigm Insurance Company (RESCINDED)	24	07/07/88
Payless Insurance Company, Ltd.	47	02/22/90
Pendleton Insurance Company Limited	63	07/17/91
Philadelphia Reinsurance Limited	71	08/15/91
Polaris Insurance Company, Ltd.	59	04/11/91
Premier Assurance & Cas., Ltd. (Turks & Caicos)	42	10/27/89
Premier Assurance Casualty Company, Inc.	56	04/06/90
Presidential Fire & Casualty Company	65	07/23/91
P.R.I.M.E. Company, Ltd.	2	10/24/85
PRIME-PI Omega Delta, Ltd.	38	10/03/89
Professional Prototype I Insurance Company Limited	90	03/03/92
Removed from list	90	09/04/92
Promed International, Ltd.	92	03/26/92
Qatar General Insurance & Reinsurance Co.		
(S.A.Q.) Doha - Qatar (RESCINDED 3/22/94)	107	09/01/93
Red Sea Group LTD	97	08/18/92
Redwood Insurance Company, Ltd.	86	12/26/91
Regency Insurance Company Limited (RESCINDED)		03/05/93
per Stipulation & Consent order 4/21/93		
Regency will do no business in IL	101	
Savoy Reinsurance Company, Ltd.	31	03/14/89
Scottish Guarantee Insurance Company, Ltd.	87	12/26/91

Southeastern Reinsurance Company (Florida)	34	09/05/89
Southern American Insurance Company	93	03/30/92
Southwestern Indemnity & Casualty Ins. Co.	57	11/30/90
Southwest Fire & Casualty Insurance Company	81	11/18/91
St. Louis Fire & Marine Co., Ltd.	102	03/05/93
Standard Indemnity Company, Ltd.	64	05/07/91
Sterling Marine Casualty and Indemnity Insurance Co., Ltd.		
a/k/a Sterling Insurance Corporation, Ltd.	84	12/06/91
Sterling Reinsurance Corporation Limited	88	01/28/92
Tri-Hedron International Assurance, Ltd.	13	02/06/87
Unified Assurance & Casualty, Ltd.	41	10/27/89
Union Pacific Fire and Marine Ins. Co., Ltd.	36	10/03/89
Usher Insurance Company, Ltd.	78	10/23/91
Victoria Insurance Co., Ltd.	29	10/05/88
Walbrook Insurance Company, Limited	55	04/03/90
And its subsidiaries:		
Desert Insurance Company, Ltd.		
El Paso Insurance Company, Ltd.		
London United Reinsurance Co. (Bermuda), Ltd.		
Kingscroft Insurance Co., Ltd.		
Lime Street Insurance Co., Ltd.		
Mutual Insurance Co., Ltd.		
West Point Insurance Company, Ltd.	74	08/28/91
Western Star Insurance Company, Ltd.	108	09/08/93
Winston Hill Assurance Company, Ltd.	58	01/01/91

Lines of Authority

The classes and clauses in Section 4 of the Illinois Insurance Code (215 ILCS 5/4) are defined as:

Class 1. Life, Accident and Health

- Clauses:
- (a) Life
 - (b) Accident and Health
 - (c) Legal Expense Insurance

Class 2. Casualty, Fidelity and Surety

- Clauses:
- (a) Accident and Health
 - (b) Vehicle
 - (c) Liability
 - (d) Workers Compensation
 - (e) Burglary and Forgery
 - (f) Glass
 - (g) Fidelity and Surety
 - (h) Miscellaneous
 - (i) Other Casualty Risks
 - (j) Contingent Losses
 - (k) Livestock and Domestic Animals
 - (l) Legal Expense Insurance

Class 3. Fire and Marine, etc.

- Clauses:
- (a) Fire
 - (b) Elements
 - (c) War, Riot and Explosion
 - (d) Marine and Transportation
 - (e) Vehicle
 - (f) Property Damage, Sprinkler Leakage and Crop
 - (g) Other Fire and Marine Risks
 - (h) Contingent Losses
 - (i) Legal Expense Insurance

Lists of Illinois licensed companies with the lines of authority as of December 31, 2013, are available on the Department website at

http://insurance.illinois.gov/Reports/Report_Links.asp.

Summary of Annual Statements

On or before March 1 of each year, Illinois law requires that all companies, except farm mutuals, authorized to transact the business of insurance in this state file, under oath, an annual statement covering the preceding year ending December 31. Farm mutual insurance companies are required by law to file an annual statement, under oath, on or before January 31 of each year, covering the preceding year ending December 31.

The Summaries of the financial information contained in these annual statements for the year ending December 31, 2013, are available on the Department website at http://insurance.illinois.gov/Reports/Report_Links.asp. The Department of Insurance has not verified this data and does not guarantee its accuracy.

Farm Mutual Insurance Companies

- County Mutual Fire Insurance Companies
- Special Act Company
- Recapitulation

Property & Casualty Insurance Companies

- Domestic Stock Companies
- Domestic Mutual Companies
- Domestic Risk Retention Group
- Domestic Surplus Lines Companies
- Domestic Inter-Insurance Exchanges
- Domestic Mutual Holding Company
- Foreign Stock Companies
- Foreign Mutual Companies
- Foreign Inter-Insurance Exchanges
- Foreign Accredited Reinsurers
- Alien Stock Companies
- Alien Lloyds
- Alien Accredited Reinsurers
- Recapitulation

Life & Health Insurance Companies

- Domestic Legal Reserve Life Companies
- Foreign Legal Reserve Life Companies
- Alien Legal Reserve Life Companies
- Domestic Fraternal Benefit Companies
- Foreign Fraternal Benefit Companies
- Alien Fraternal Company
- Domestic Health Maintenance Organizations
- Foreign Health Maintenance Organizations
- Voluntary Service Plans
- Dental Service Plan
- Domestic Limited Health Service Organizations
- Foreign Limited Health Service Organizations
- Foreign Accredited Reinsurers
- Mutual Holding Companies

Recapitulation