

ILLINOIS INSURANCE GUARANTY FUND

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Brad Roeber, Chairman
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IIGF

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May 2016

To: MEMBER COMPANIES, ILLINOIS INSURANCE GUARANTY FUND

Re: ASSESSMENT CALCULATIONS

The Illinois Fund assesses member companies based on each company's Illinois net direct written premiums for the calendar year immediately preceding the year in which the assessment is levied. Accordingly, the Illinois Fund will calculate your portion of any assessments levied in 2016 based on your 2015 Illinois premiums as reported to the Illinois Department of Insurance in your Exhibit of Premiums and Losses (Statutory Page 14 Data).

Section 533 of the Illinois Insurance Code defines the kinds of insurance includable in a member company's assessment base with reference to certain specified exclusions, for which the Illinois Fund makes adjustments in order to avoid assessing you for more than your proper share of assessments. **To make these adjustments, the Illinois Fund must receive from you the supplementary information to be reported in Exhibit A of this letter by June 30, 2016.**

Failure to report any excludable premiums by June 30, 2016 will result in those premiums being included in your assessment base, thereby increasing your assessments.

In addition to Exhibit A, a memorandum citing pertinent statutory provisions with additional discussion of the Illinois Fund's information requirements is enclosed. The Fund reserves the right to require you to submit such additional information as might reasonably be needed to substantiate that the premium exclusions from the assessment base which you report on Exhibit A are in conformity with statutory definitions and requirements. **Please send us a copy of the Exhibit of Premiums and Losses for Illinois (Statutory Page 14) with Exhibit A (or as a separate mailing if no exhibit A needs to be filed) to assist our review.**

If you have any questions, please feel free to call us.

Sincerely yours,



Tim Schotke
Executive Director

Encls.

1. **Fidelity Bonds:** Section 533 (c) of the Illinois Insurance Code excludes:

fidelity or surety bonds, or any other bonding obligations other than employee fidelity bonds...

Your Illinois surety premiums are separately reported on Line 24 and will automatically be excluded from your assessment base. For most companies writing fidelity coverages, the entire amount of premium reported on Line 23 represents employee fidelity exposures *not* eligible for exclusion. However, you may report any amount of Illinois non-employee fidelity bond premiums included on Line 23 on enclosed "Exhibit A" (at question number 1) for exclusion from your assessment base.

2. **Substantially 100% Retrospectively Rated Policies, and Retroactive Insurance:** Section 533 (f) of the Illinois Insurance Code excludes:

any claim servicing agreement or insurance policy which contains a retrospective rating or other premium adjustment agreement under which premiums are substantially equal to the losses and loss expenses covered under the policy or any policy providing retroactive insurance of a known loss....

You may report Illinois direct written premiums qualifying for exclusion under the provisions above on enclosed "Exhibit A" (at question number 2, Section A and/or Section B) but **the lines of business and dollar amounts must be identified with specificity, and full documentation with respect to the agreement or policy wording of the retrospectively rated or retroactive insurance program, and calculations of the exclusion, must be submitted.**

Please remember that not all kinds of insurance subject to retrospective rating or premium adjustments are excluded, but *only* those agreements and policies under which fully developed premiums are substantially equal to the losses and loss expenses.

3. **Financial Guaranty Insurance:** Section 533 (b) of the Illinois Insurance Code excludes:

mortgage guaranty or other financial guaranty written as suretyship obligations or insurance under clause (g), clause (h) or clause (I) of Class 2 or otherwise...

Your Illinois financial guaranty premiums separately reported on Line 10 will be automatically excluded from your assessment base. If you report such premiums other than on Line 10, you may identify the Illinois direct written premiums qualifying for exclusion on enclosed "Exhibit A" (at question number 3) but the lines of business and dollar amounts must be identified with specificity.

(OVER)

4. **Insurance of Warranties and Service Contracts:** Section 533 (e) of the Illinois Insurance Code excludes:

insurance of warranties or service contracts....

You should report Illinois direct written premiums qualifying for exclusion under the provision above on enclosed "Exhibit A" (at question number 4) identifying the lines of business and dollar amount with specificity. If reported other than on line 30, please note on Exhibit A question 4, but include additional reference/description to ensure the premiums can be correctly identified for exclusion.

5. **Federal Crop and Flood Insurance Programs:** Section 533 (g) of the Illinois Insurance Code excludes:

any insurance which is provided, guaranteed or reinsured pursuant to the Federal Crop Insurance Program or the National Flood Insurance Program, including flood insurance written by National Flood Insurance Program Write Your Own Companies....

You should identify *federal* crop and flood insurance program Illinois direct written premium amounts with specificity to ensure the premiums are correctly identified for exclusion.

6. Identify and describe, with dollar amounts, all direct written premiums included in line 34 and clearly indicate for all such premiums whether any statutory exemption from assessment is applicable.
7. Report any other premium by amount and line of business that should be excluded from the assessment calculation. State the reason(s) for such exclusion.

PLEASE NOTE THE GENERAL EXHIBIT "A" INSTRUCTIONS:

All Line and Column References are for 2015 Annual Statement Exhibit of Premiums and Losses (Statutory Page 14 Data).

Use Parentheses For Any Negative Dollar Amounts.

Enclose A Copy of Illinois Statutory Page 14.

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1. **Fidelity Bond:** Amount of 2015 Illinois direct *non-employee* fidelity bond premiums included on Line 23:

Column 1: \$ _____ Column 3: \$ _____

2. **Retrospectively Rated/ Retroactive Insurance:**

(A) Amount of 2015 Illinois direct premiums for servicing agreements or insurance policies which contain retrospective rating or other premium adjustment under which premiums are *substantially equal* to losses and loss expenses (*See Exhibit A Memorandum instructions for documentation requirements*):

Line of Business	Column 1 Amount	Column 3 Amount
Line _____	\$ _____	\$ _____
Line _____	\$ _____	\$ _____

(B) Amount of 2015 Illinois direct premiums for retroactive insurance of *known loss*:

Line of Business	Column 1 Amount	Column 3 Amount
Line _____	\$ _____	\$ _____

3. **Financial Guaranty Insurance:** Amount of 2015 Illinois direct premiums for financial guaranty insurance *other than* premiums included in line 10:

Line of Business	Column 1 Amount	Column 3 Amount
Line _____	\$ _____	\$ _____

4. **Insurance of Warranties or Service Contracts:** Amount of 2015 Illinois direct premiums for insurance of warranties and service contracts:

Line of Business	Column 1 Amount	Column 3 Amount
Line <u>30</u>	\$ _____	\$ _____
Line _____	\$ _____	\$ _____

5. **Federal Crop Insurance Programs and National Flood Insurance Program premiums:** Amount of 2015 Illinois direct premiums for Federal Crop Insurance Program and National Flood Insurance Program insurance *other than* premiums included in line 2.3:

Line of Business	Column 1 Amount	Column 3 Amount
Line _____	\$ _____	\$ _____

6. Please identify and describe with dollar amounts any *direct written* premiums included in *line 34*:

➤ _____

MEMBER COMPANY: _____ DATE: _____

CONTACT PERSON: _____ PHONE NO: _____

E MAIL: _____ NAIC #: _____

COMPLETED FORMS CAN BE E-MAILED TO datafilings@iigf.org

All Line and Column References are for 2015 Annual Statement Exhibit of Premiums and Losses
(Statutory Page 14 Data)

Use Parentheses For Any Negative Dollar Amounts