

TECHNICAL ADVISORY

TA 97

September 26, 1996

SUBJECT: Illinois Department of Insurance orders a cease and desist for First Oak Brook

BACKGROUND: In an order dated September 17, the Illinois Department of Insurance informed First Oak Brook Corp. Syndicate to “cease and desist from issuing, renewing or assuming insurance or reinsurance obligations on the Exchange.” In a September 11 letter from the Illinois Insurance Exchange to the Illinois Department of Insurance, the Exchange had taken similar action. The letter read in part:

“Pursuant to 215 IL CS 5 / 107.08 the Board of Trustees of the Illinois Insurance Exchange hereby notifies you that it has determined, pursuant to the results of an Exchange conducted examination and other information that has come to the Exchange’s attention, that First Oak Brook Corp. Syndicate, Inc. (FOBCSI), has become financially impaired to the extent that its further transaction of business is hazardous to its policyholders, its creditors or the public. It appears that FOBCSI has concealed, removed, or altered books or records and other pertinent material adequate for the determination of their financial condition. It further appears that FOBCSI has also failed to properly administer or pay claims

The Board recommends that immediate steps be taken to place FOBCSI in conservation and that the Director of Insurance be named the statutory conservator of the Syndicate.”

MAIN POINTS: According to information received from the Exchange, a decision will be made within the next few weeks on whether an order of liquidation will be sought by the Illinois Department of Insurance. In response to agent inquiries, please be aware that First Oak Brook, a syndicate of Illinois Insurance Exchange is not a part of the Louisiana Guaranty Fund. However, the Illinois Insurance Exchange does have an internal guaranty fund with limited moneys available.

If the need ultimately arises, payment of claims and return of unearned premiums will be handled through the entity to the extent that funds are available. In the meantime, questions should be directed to Ms. Terry Ryan with the Illinois Insurance Exchange at 1/800-525-8471, ext. 5593 or 1/312-408-8000.

NECESSARY ACTION:

Circulate to all agency personnel who deal with First Oak Brook