**Section 2302.40 Procedure**

a) Forms

1) All companies must file, using the System for Electronic Rate and Form Filing (SERFF):

A) Copies of all policy forms and, for mutual companies, a separate proxy signature line for the insured to sign, if applicable;

B) Copies of generally used endorsement forms on these kinds of business;

C) Copies of all application forms used on these kinds of business, including a separate proxy signature line for the insured to sign, if applicable;

D) A copy of the declaration page, in non-individualized, template form, absent personal policyholder information; and

E) A copy of the policy jacket, if used by the company.

2) All filings must be accompanied by a forms submission letter that includes:

A) The name of the advisory organization or company making the filing;

B) Descriptive title, form number, and edition identification of the forms;

C) Information as to what class and clause the coverage is written under:

D) Identification of all applicable endorsements and applications as to the policy forms for which the endorsements and applications are used;

E) Notification as to whether the filing is new or supersedes a present filing. Identification of all changes in all superseding filings, as well as identification of all superseded forms, is required; and

F) Effective date of use.

3) No form will be approved until the rates, rules and minimum premiums for use with the form have been accepted for filing.

4) Disclosure

A) All insurance applications and certificates shall contain, in a type size and ink color to make it predominant, the following:

WARNING

PURCHASING THIS COVERAGE MAY VOID OR LIMIT OTHER INSURANCE SUCH AS A HOMEOWNERS POLICY OR FIRE POLICY COVERING YOUR CONTENTS. PLEASE READ ANY SUCH POLICIES YOU HAVE.

B) On applications, the above described warning shall appear immediately above the space provided for the applicant's signature.

C) Upon prior approval of the Director, the above warning may be modified using substantially similar wording to convey the intent and purpose of the warning.

5) Each certificate shall:

A) Display the name and address of the master policyholder and the certificate holder;

B) Provide that loss payments shall be made to all insureds as their interest may appear at the time of loss for property pledged as collateral for loans;

C) Provide for repair or replacement of the damaged property, or in the event of a cash settlement, provide that payment shall be made to the creditor to reduce or extinguish the unpaid indebtedness with any excess payable to the purchaser when insuring property purchased or sold under the terms of any open end charge account or closed end installment sales contract;

D) Include a specific description of all insured items and the specific amount of coverage for each item, except that:

i) An itemized listing on the certificate is not required if records are maintained in sufficient detail and in a form readily available to the Director or his or her designee to permit verification of every item insured and the amount of insurance applicable to each item;

ii) When insurance is provided on a replacement cost basis, a specific amount of insurance is not required; and

iii) Items pledged as collateral for loans not related to the purchase or sale of these items may be collectively rather than specifically described, and one amount of coverage may be shown for the entire collateral;

E) Contain the following provisions of the master policy:

i) Perils insured against;

ii) Cancellation provisions; and

iii) All provisions applicable to claims;

F) Contain wording advising that it is necessary to refer to the master policy for the entire text of the contract and state where, in the State of Illinois, the master policy may be seen; and

G) Contain the provisions set forth in subsection (c).

6) Each master policy shall be maintained within the State of Illinois and shall be available for inspection on the Department's website.

b) Rates

1) Each company shall file with the Director each rate, rule and minimum premium before it is used in the State of Illinois.

2) All filings must be submitted using SERFF and must include:

A) The name of the advisory organization or company making the filing;

B) Identification of the rule with the manual or kind of insurance to which it applies;

C) Notification as to whether the filing is new or supersedes a present filing. Identification of all changes in all superseding filings, as well as identification of all superseded filings, is required. The preferred format is to underline the new wording and overstrike the deleted or changed language and give an explanation for the changes being made, but alternative methods of indicating changes will also be accepted; and

D) The effective date of use.

3) Insurers may authorize attorneys, consulting firms, or other authorized third parties to submit rate filings to the Department, as long as the filing includes a notice, signed by an authorized company officer, giving authority for the entity to act on the insurer's behalf on any issues related to the filing.

4) All company rate filings in SERFF must include the Company Rate Information, which shall include:

A) Overall % Indicated Change;

B) Overall % Rate Impact − This is the statewide average percentage change to the accepted rates for the coverages included for each company;

C) Written premium change for this program − This is the statewide change in written premium based on the proposed overall percentage rate impact for each company;

D) Number of policyholders affected for this program − This is the number of policyholders affected by the overall percentage rate impact for each company;

E) Written premium for this program − This is the statewide written premium for each company;

F) Maximum % Change;

G) Minimum % Change.

5) The Director may require the filing of statistical data and any other pertinent information necessary to determine the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, rates, forms or any combination of these. All rates and minimum premiums shall be based upon sound actuarial principles. Rates shall not be inadequate, excessive or unfairly discriminatory.

6) Companies under the same ownership or general management shall make separate individual filings for each company wishing to use the material. Companies shall not file collectively as a group.

7) Minimum premiums may be established for use with master policies, but shall not be used for premiums charged on certificates of insurance. Certificate holders may not be charged a premium that is greater than the premium developed by multiplying the rate times the amount of coverage provided for said certificate holder.

c) Coverage Acceptance or Rejection by Insured Certificate Holder

1) Insureds shall be allowed 15 days after receiving a certificate of insurance to determine if the coverage is to remain in effect or is to be cancelled without any premium being earned.

2) If loss occurs after the insured has signed an application for the coverage and before or during the 15 days and the insured has not given the insurer or the master policyholder evidence of his rejection of the coverage, the loss shall be paid and the premiums shall be charged for the time coverage is in force. Making any claim during this period of time constitutes acceptance of the coverage by the insured.

3) If, during the 15 days following the insured's receipt of the certificate of insurance, the insured chooses to reject the subject coverage and no loss has been claimed by the insured, the coverage shall be cancelled as of its effective date and without any premium being charged. Any premium that may have been paid shall, in the event of rejection of the coverage, be returned to the insured. After cancellation, no claims may be made under the subject coverage.

4) Computation of earned premium for cancellation by an insured certificate holder, other than as described in this subsection (c), may be on a short-rate basis. The short-rate change shall not be more than 10% in excess of the earned premium computed on a pro-rata basis.

5) When coverage is revised or cancelled and rewritten, earned premium shall be computed on a pro-rata basis. Coverage shall continue without interruption and the revised or rewritten coverage shall be charged rates not to exceed those charged prior to the revision or rewriting.

d) Insurable Items and Determination of Amounts of Coverage

1) The amounts of insurance provided applicable to items pledged as collateral for loans or purchased or sold under the terms of any closed end transaction shall be exclusive of:

A) insurance premiums;

B) interest, carrying or finance charges;

C) service charges;

D) warranty charges; and

E) other charges added to the net price of the items.

2) The items to be insured shall only be tangible property.

e) Revolving Charge Accounts

The company shall maintain sufficient records to provide satisfactory evidence for the Director or his or her designee to determine that for each group policy written the average amount of insurance for the debtor of each group is at least equal to or greater than the value of tangible property insured for the debtors.

(Source: Amended at 43 Ill. Reg. 7230, effective June 13, 2019)