



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB0520

Introduced 2/8/2007, by Sen. Mike Jacobs

SYNOPSIS AS INTRODUCED:

215 ILCS 5/500-80

Amends the Illinois Insurance Code. Provides that when an insurance producer or business entity charges any fee or compensation separate from commissions deductible from, or directly attributable to, premiums on insurance policies or contracts, it must provide written disclosure to the consumer or contracting party that clearly specifies the amount or extent of the compensation or fee prior to the delivery of the corresponding policy or the performance of the service (now, only the delivery of the corresponding policy). Makes a technical change. Effective immediately.

LRB095 04840 KBJ 24901 b

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by
5 changing Section 500-80 as follows:

6 (215 ILCS 5/500-80)

7 Sec. 500-80. Commissions.

8 (a) An insurer or insurance producer may not pay a
9 commission, service fee, brokerage, or other valuable
10 consideration to a person for selling, soliciting, or
11 negotiating insurance in this State if that person is required
12 to be licensed under this Article and is not so licensed at the
13 time of selling, soliciting, or negotiating the insurance.

14 (b) A person may not accept a commission, service fee,
15 brokerage, or other valuable consideration for selling,
16 soliciting, or negotiating insurance in this State if that
17 person is required to be licensed under this Article and is not
18 so licensed.

19 (c) Renewal or other deferred commissions may be paid to a
20 person for selling, soliciting, or negotiating insurance in
21 this State if the person was required to be licensed under this
22 Article at the time of the sale, solicitation, or negotiation
23 and was so licensed at that time.

1 (d) An insurer or insurance producer may pay or assign
2 commissions, service fees, brokerages, or other valuable
3 consideration to an insurance agency or to persons who do not
4 sell, solicit, or negotiate insurance in this State, unless the
5 payment would violate Section 151 of this Code.

6 (e) When an insurance producer or business entity charges
7 any fee or compensation separate from commissions deductible
8 from, or directly attributable to, premiums on insurance
9 policies or contracts, it must comply with all of the
10 following:

11 (1) It must provide written disclosure to the consumer
12 or contracting party that clearly specifies the amount or
13 extent of the compensation or fee prior to the delivery of
14 the corresponding policy or the performance of the service.
15 A copy of the written disclosure must be maintained for a
16 period of 7 years by the producer or business entity that
17 collects the compensation or fee ~~for a period of 7 years~~.

18 (2) If the combined compensation or fee exceeds 10% of
19 a directly attributable premium amount of a corresponding
20 contract or policy, the disclosure must also include the
21 signature of the consumer or contracting party
22 acknowledging the compensation or fee.

23 (3) If an insurance policy or contract is cancelled for
24 any reason within 90 days following the inception date, the
25 producer or business entity shall refund to the consumer a
26 prorated portion of the fee or compensation within 30 days

1 after the producer or business entity receives proper
2 documentation that the corresponding insurance policy or
3 contract has been cancelled. At no time shall a producer or
4 business entity charge the consumer a fee or compensation
5 for cancellation of any insurance policy or contract.

6 (4) If the policy file contains documentation that the
7 producer performed a service corresponding to the
8 applicable coverage or policy and the written disclosure
9 stated that the fees were fully earned, then those fees
10 shall be fully earned at inception of the disclosure's
11 execution.

12 (Source: P.A. 92-386, eff. 1-1-02; 92-587, eff. 6-26-02.)

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.