



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

SB1688

Introduced 2/9/2007, by Sen. Don Harmon

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/500-82 new

Amends the Illinois Insurance Code. Sets out the types of insurance producers that are exempt from the provisions of the Section. Requires an insurance producer to disclose in writing certain information to customers prior to binding coverage, disclose to each customer its compensation relating to that customer's policy prior to binding or renewing coverage, and disclose to each customer at the end of each calendar year all compensation received during the preceding year or anticipated to be received from any insurer or third party in connection with the placement of, renewal of, servicing of, or consultation on that customer's policy. Provides that an insurance producer may retain interest earned on premiums collected on behalf of insurers only after prior notification to the customers from whom such premiums are collected. Makes other changes.

LRB095 07160 KBJ 27288 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 adding  
5 Section 500-82 as follows:

6 (215 ILCS 5/500-82 new)

7 Sec. 500-82. Business practices of certain insurance  
8 producers.

9 (a) The following types of insurance producers shall be  
10 exempt from the provisions of this Section:

11 (1) an insurance producer that is obligated by contract  
12 to sell, solicit, or negotiate insurance on behalf of only  
13 one insurer or group of affiliated insurers;

14 (2) an insurance producer that acts only as an  
15 intermediary between an insurer and another insurance  
16 producer, for example, a managing general agent, a sales  
17 manager, or a wholesale broker;

18 (3) a reinsurance intermediary; and

19 (4) a limited lines producer.

20 (b) In this Section:

21 "Affiliate" is a person that controls, is controlled by or  
22 is under common control with another person.

23 "Compensation" is any remuneration of material value

1 received by an insurance producer in connection with the  
2 placement of, renewal of, servicing of, or consultation on any  
3 policy, including, but not limited to, money credits, loans,  
4 forgiveness of principal or interest, vacations, prizes,  
5 gifts, or the payment of employee salaries or expenses.

6 "Customer" is a person who signs an application or  
7 submission for insurance or the authorized representative of an  
8 insured or prospective insured who actually negotiates the  
9 placement or renewal of insurance. A person shall not be  
10 considered a customer for purposes of this Section if the  
11 person is merely a participant in or beneficiary of an employee  
12 benefit plan or is covered by a group or blanket insurance  
13 policy or group annuity contract sold, solicited, or negotiated  
14 by the insurance producer or an affiliate.

15 "Government authority" is any judicial, insurance  
16 regulatory, or other administrative authority of the United  
17 States or any state.

18 (c) In placing, renewing, servicing, or consulting on any  
19 policy, an insurance producer shall:

20 (1) prior to binding coverage, disclose in writing the  
21 following to each customer:

22 (A) all quotes and indications sought and all  
23 quotes and indications received by the insurance  
24 producer in connection with the coverage of the  
25 customer's risk with all terms, including, but not  
26 limited to, any interest of the insurance producer in

1 or contractual agreements with any of the prospective  
2 insurers; and

3 (B) for each quote or indication, all compensation  
4 to be received by the insurance producer from any  
5 insurer or third party in connection with the placement  
6 of, renewal of, servicing of, or consultation on  
7 insurance for that customer, in dollars if known at the  
8 time or as a percent of premium if the dollar amount is  
9 not known at the time, or if the amount of such  
10 compensation is contingent, a description of the  
11 method and specific factors that will be utilized to  
12 calculate such compensation;

13 (2) provide disclosure to each customer of its  
14 compensation in plain, unambiguous written language in  
15 dollars if known at the time or as a percent of premium, or  
16 if the amount of such compensation is contingent, a  
17 description of the method and specific factors that will be  
18 utilized to calculate such compensation relating to that  
19 customer's policy and obtain written consent therefor from  
20 each customer prior to binding or renewing coverage; and

21 (3) disclose to each customer at the end of each  
22 calendar year all compensation received during the  
23 preceding year or anticipated to be received from any  
24 insurer or third party in connection with the placement,  
25 renewal, servicing of, or consultation on that customer's  
26 policy.

1       (d) An insurance producer may retain interest earned on  
2       premiums collected on behalf of insurers only after prior  
3       notification to the customers from whom such premiums are  
4       collected.