AN ACT concerning regulation.

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

Section 5. The Illinois Insurance Code is amended by changing the heading of Article XXXIII and Sections 143.22, 522, 523, 524, 525.1, 525.3, 527, 528, 529, 529.2, 529.5, and 530 and by adding Section 524.5 as follows:

(215 ILCS 5/Art. XXXIII heading)

ARTICLE XXXIII. AVAILABILITY OF ~~URBAN~~ PROPERTY INSURANCE

(215 ILCS 5/143.22) (from Ch. 73, par. 755.22)

Sec. 143.22. Notice to Insured as to Eligibility of Illinois FAIR ~~Fair~~ Plan Association. When a policy containing fire and extended coverage insurance is cancelled or nonrenewed other than for nonpayment of premium or evidence of incendiarism and if the location of the insured property is within the State of Illinois, the company shall notify the named insured of his eligibility for the FAIR Plan and the insured's ability to submit an application to the FAIR Plan. ~~and shall explain the procedure to make application to the FAIR Plan.~~ Such notice shall include the FAIR Plan's mailing address, website address, and telephone number, as provided on the FAIR Plan's website, and shall accompany or be included in the notice of cancellation or the notice of intent not to renew.

(Source: P.A. 86-437.)

(215 ILCS 5/522) (from Ch. 73, par. 1065.69)

Sec. 522. Purpose. The purpose of this Article ~~This article~~ is to make basic property insurance increasingly available to the citizens of this State~~,~~ by authorizing an Association of insurers licensed to write and engaged in writing basic property insurance, including multi-peril policies, within this State, to make available ~~and to deter the insurance industry from geographically redlining urban areas of this State by requiring the restructuring of the Industry Placement Facility and administering the FAIR Plan (Fair Access to Insurance Requirements) to deliver residential~~ property insurance to all citizens of this State on a reasonable access and marketing basis by offering basic property ~~homeowners~~ insurance~~,~~ to qualified applicants, ~~by requiring immediate~~ binding of eligible risks, using ~~by making use of~~ premium installment payment plans, and ~~by further~~ establishing reasonable service standards in its plan of operation ~~subject to the approval and review of the Director~~; and, to authorize and administer a mechanism ~~establish a central operation facility~~ for the equitable distribution of surpluses, losses, and expenses of the Association in the writing of the basic property insurance and homeowners insurance in this State.

(Source: P.A. 80-1365.)

(215 ILCS 5/523) (from Ch. 73, par. 1065.70)

Sec. 523. Definitions.~~)~~ As used in this Article:

"Association" means the association, commonly referred to as the Illinois FAIR Plan Association, formed pursuant to this Article by all admitted insurers engaged in writing in this State, on a direct basis, basic property insurance or any basic property insurance component in multi-peril policies, excluding farm mutual companies.

~~(1)~~ "Basic property insurance" ~~"Basic Property Insurance"~~ means the coverage against direct loss to real or tangible personal property at a fixed location provided in the Standard Fire Policy and Extended Coverage Endorsement, including homeowners insurance and commercial property insurance, and such vandalism and malicious mischief or such other classes of insurance as may be added with respect to the property by the Association ~~Industry Placement Facility with the approval of the Director~~, except insurance on automobile, farm, and manufacturing risks ~~and it shall include homeowners insurance~~.

"Director" means the Director of Insurance.

~~(2)~~ "Homeowners insurance ~~Insurance~~" means the personal multi-peril property coverages commonly known as homeowners insurance ~~Homeowners Insurance~~.

"Inspector" ~~(3) "Inspection Bureau(s)"~~ means the division or department of the Association responsible for, or an ~~the~~ organization or organizations designated by the Association ~~Industry Placement Facility with the approval of the Director~~ to make on the Association's behalf, inspections to determine the condition of the properties for which basic property insurance ~~basic property insurance~~ is sought and to perform such other duties as may be authorized by the Association. ~~Industry Placement Facility;~~

~~(4) "Industry Placement Facility" or "Facility" means the organization formed by insurers licensed to write and engaged in writing basic property insurance (including multi-peril policies) within the State of Illinois to assist applicants in urban areas in securing basic property insurance and to formulate and administer a program for the equitable apportionment among such insurers of such basic property insurance.~~

~~(5) "Urban Area" means any community having a blighted, deteriorated or deteriorating area which the Facility has designated with the approval of the Director, or which the Secretary of the U.S. Department of Housing and Urban Development has approved for an urban renewal project after a local public agency has been formed in the community to avail itself of a U.S. Housing and Urban Renewal Program, or which the Director of Insurance has designated.~~

~~(6)~~ "Premiums written ~~Written~~" means the gross direct

premiums charged with respect to property in this State on all policies of basic property insurance and the basic property insurance premium components of all multi-peril policies less return premiums, dividends paid or credited to policyholders, or the unused or unabsorbed portions of premium deposits.
(Source: P.A. 80-1365.)

(215 ILCS 5/524) (from Ch. 73, par. 1065.71)

Sec. 524. Association application procedure ~~FAIR Plan Procedure~~.

(1) Any person having an insurable interest in a one-family to 4-family residential real ~~or tangible personal~~ property at a fixed location in this State or nonresidential real property at a fixed location in this State ~~an urban area~~ who, after diligent effort, has been unable to obtain basic property insurance in the standard insurance market, as evidenced by the person's written representation to the Association of at least 3 unsuccessful attempts to procure such insurance, is entitled, upon application to the Association, ~~Facility~~ to an ~~inspection and~~ evaluation of the property by representatives of the Inspector ~~Inspection Bureau~~.

(2) Any person who is an owner-resident of a one-family to 4-family residential real property ~~one to four family dwelling unit~~ at a fixed location in this State ~~an urban area~~ and whose basic property insurance ~~residential real property insurance~~

~~coverage~~ has been nonrenewed through the standard ~~voluntary~~ insurance market shall be entitled, upon ~~to submit a binding~~ application to the Association, to an evaluation of the property by representatives of the Inspector ~~of coverage to the Facility for such period of time as is required by the Facility to conduct a reasonable inspection of the residential real property~~.

(2.5) Promptly after the Association receives a properly completed application for coverage, an evaluation in accordance with the Association's then-existing underwriting standards must be made by the Inspector and an evaluation report must be filed with the Association. A copy of the completed evaluation report must be made available to the applicant upon written request. On and after the effective date of this amendatory Act of the 104th General Assembly, all properly completed applications must be submitted to the Association by an Illinois-licensed agent registered with the Association. The Association's governing committee shall determine the commission rate for licensed insurance producers and the method of payment for the commissions.

(3) The manner and scope of the inspection and evaluation report for a ~~nonresidential~~ property shall be consistent with reasonable underwriting standards ~~prescribed by the Facility with the approval of the Director~~. The inspection must include, but need not be limited to, pertinent structural and occupancy features as well as the general condition of the

building and surrounding structures. Representative photographs or videos ~~A representative photograph~~ of the property may be taken as part of the inspection.

(4) (Blank). ~~Promptly after the request for inspection is received an inspection must be made and an inspection report filed with the company or companies designated by the Facility. A copy of the completed inspection and evaluation report must be sent to the Facility and made available to the applicant and to insurers in the voluntary insurance market upon request.~~

(5) If the Association ~~Inspection Bureau~~ finds that the ~~residential~~ property meets the Association's ~~reasonable~~ underwriting standards ~~established under Section 525~~, the applicant shall be so informed in writing. If the ~~residential~~ property does not meet the Association's underwriting standards ~~criteria~~, the applicant shall be informed, in writing, of the reasons for the failure of the ~~residential~~ property to meet the underwriting standards ~~criteria~~.

(6) If, at any time, the applicant makes improvements in the ~~residential~~ property or its condition that the applicant ~~which he or she~~ believes are sufficient to make the ~~residential~~ property meet the Association's underwriting standards ~~criteria~~, ~~a representative of~~ the Inspector ~~Inspection Bureau~~ shall reevaluate ~~reinspect~~ the ~~residential~~ property upon request. In any case, the applicant for residential property insurance shall be eligible for one

reevaluation ~~reinspection~~ any time beginning 60 days after the ~~his or her~~ initial evaluation ~~Fair plan inspection~~. If, upon reevaluation, ~~reinspection~~ the ~~residential~~ property meets the reasonable underwriting standards established by the Association ~~under Section 525~~, the applicant shall be so informed in writing.

(Source: P.A. 81-1430.)

(215 ILCS 5/524.5 new)

Sec. 524.5. Participation in and management of the Association.

(a) All admitted insurers engaged in writing in this State, on a direct basis, basic property insurance or any basic property insurance component in multi-peril policies, excluding farm mutual companies, shall be members of the Association.

(b) The Association shall be managed by a governing committee of 11 persons, all serving 3-year terms, staggered as provided in the Association's articles of association and plan of operation. Six governing committee members shall be insurers elected in a manner provided in the Association's articles of association and plan of operation. Four governing committee members shall be public members who are not employees of, or otherwise affiliated with, the insurance industry and are appointed by the Director to represent the interest of insurance consumers. One governing committee member shall be an Illinois-licensed insurance producer appointed by the Director.

(c) The governing committee shall, subject to the approval of the Director, adopt and maintain articles of association and a plan of operation for the Association.

(d) Voting on administrative questions of the Association shall be weighted in accordance with each insurer's premium written during the second preceding calendar year, as disclosed in the reports filed by the insurer with the Director.

(e) The Association may, on its own initiative or at the request of the Director, amend its articles of association and plan of operation, subject to approval by the Director.

(215 ILCS 5/525.1) (from Ch. 73, par. 1065.72-1)

Sec. 525.1. Association operations authorized ~~Centralized Operations Authorized~~.~~)~~

(1) The Association ~~Industry Placement Facility~~ is authorized~~, for FAIR Plan purposes only,~~ to issue policies of basic property insurance on real and tangible property within this State ~~insurance and endorsements thereto~~ in its own name or a trade name duly adopted for that purpose, and to take other actions ~~act on behalf of all participating insurers in connection with said policies and otherwise in any manner~~ necessary to accomplish the purposes of this Article, including, but not limited to, establishing rules and

procedures for insurance applications; underwriting standards; inspection standards; determining insurability of risks; rate plans; maximum limits of liability; use of deductibles; commissions payable to the licensed insurance producers; collection of premiums;~~,~~ nonrenewals; issuance of cancellations;~~,~~ and payment of ~~commissions,~~ losses, judgments, and expenses.

(2) ~~The participating insurers shall be liable to the Facility as provided in this Article, the Program and any related Articles of Agreement for the expenses and liabilities so incurred by the Facility, and the Governing Committee shall make assessments against the participating insurers as required to meet such expenses and liabilities.~~ In connection with any policy issued by the Association ~~Facility~~: ~~(a) the name and percentage participation of each participating insurer shall be made available to the insured upon request to the Facility; (b)~~ (A) service of any notice, proof of loss, legal process, or other communication with respect to the policy may and shall be made upon the Association ~~Facility~~; and (B) ~~(c)~~ any action by the insured constituting a claim under the policy shall be brought only against the Association ~~Facility~~, and the Association ~~Facility~~ shall be the proper party for all purposes in any action brought under or in connection with any such policy. The foregoing requirements shall be set forth in any policy issued by the Association ~~Facility and the form and content of any such policy shall be~~

~~subject to the approval of the Director of Insurance~~.

(3) The Association ~~Facility~~ is authorized to ~~assume and~~ cede reinsurance ~~in conformity with the Program~~.

(4) The Association may outsource some or all of its underwriting, claims, accounting, human resources, employee benefits, information technology, and other operations to third-party vendors, insurance industry support organizations, or FAIR Plan associations of other states. ~~(a) Each insurer must participate in the writings, expenses, profits and losses of the Facility in the proportion that its premiums written, with respect to each fund, bear to the aggregate premiums written by all insurers, with respect to each said fund, excluding that portion of the premiums written attributable to the operation of the Facility except as otherwise provided in this Section.~~

~~(b) The Director of Insurance shall by rule establish procedures for determining the net level of participation required of each insurer, which shall include the following elements:~~

~~(i) The designation of one or more contiguous ZIP CODE areas within this State wherein the insurers writing new policies upon risks which they do not insure prior to the effective date of this amendatory Act may receive credit against their obligation for FAIR Plan risks;~~

~~(ii) The minimum level of participation required of all insurers regardless of the amount of credit allowed but which~~

~~in no case shall be less than 50% of that level of participation that would be required as defined in paragraph (a) above;~~

~~(iii) A designation of the type of risks for which credit may be allowed, provided that credit shall not apply to commercial risks where the annual premium for the policy exceeds $2,000 for each fixed location;~~

~~(iv) The maximum level of participation required of all insurers regardless of the amount of credit allowed.~~

~~(c) The procedures for determining levels of participation and all designations, formulas, minima and maxima required by this Section shall be reasonably designed to effect the intent of this Article without exempting any insurer from the participation requirement.~~

(5) As determined by the Association's governing committee and approved by the Director, the Association shall maintain a Credit Depopulation Program that incentivizes members to return Association policies to the standard insurance market. ~~Voting on administrative questions of the Facility shall be weighted in accordance with each insurers' premium written during the second preceding calendar year as disclosed in the reports filed by the insurer with the Director.~~

(6) Blank. ~~The Facility may on its own initiative or at the request of the Director, amend its rules or Program, subject to approval by the Director.~~

(Source: P.A. 81-1426.)

(215 ILCS 5/525.3) (from Ch. 73, par. 1065.72-3)

Sec. 525.3. Approval of rates ~~Rates~~. The Association ~~In the event that the Industry Placement Facility proposes to issue policies of insurance or endorsements thereto pursuant to subsection (1) of Section 525.1, the Facility~~ shall file for approval with the Director the proposed rates and supplemental rate information to be used in connection with the issuance of ~~such~~ policies or endorsements. Within 60 days after ~~of~~ the filing of the proposed rates, the Director shall enter an order either approving or disapproving, in whole or in part, the rate plan filed. The Director may, upon notice to the Association ~~Industry Placement Facility~~, extend the period for entering an order under this Section an additional 30 days. No such policies or endorsements shall be issued until such time as the Director approves the rates to be applied to the policy or endorsement. An order disapproving a rate shall state the grounds for the disapproval and the findings in support thereof.

(Source: P.A. 81-1426.)

(215 ILCS 5/527) (from Ch. 73, par. 1065.74)

Sec. 527. Right to appeal.

(1) Any applicant whose application is rejected, any policyholder whose policy is canceled or nonrenewed by the Association, and any insurer affected by an action of the

Association ~~or affected insurer~~ has the right of appeal to the governing committee within 30 days after notice of the action by the Association ~~Governing Committee~~. A decision of the Association's governing committee ~~Committee~~ may be appealed to the Director within 30 days after such decision.

(2) All orders or decisions of the Director made pursuant to this Article are subject to judicial review in accordance with the Administrative Review Law.

(Source: P.A. 82-783.)

(215 ILCS 5/528) (from Ch. 73, par. 1065.75)

Sec. 528. Evaluation ~~Inspection~~ reports. There is no liability on the part of, and no cause of action against, ~~insurers,~~ the Inspector ~~Inspection Bureau~~, ~~the Facility,~~ the Association, the Association's governing committee ~~Governing Committee~~, their agents or employees, or the Director or the Director's ~~his~~ authorized representatives, with respect to any inspections or evaluations ~~required to be~~ undertaken by this Article or for any acts or omissions in connection therewith, or for any statements made in any report and communication concerning the insurability of the property, ~~or in the findings required by the provisions of this Article,~~ or at the hearings or appeals conducted in connection with such evaluations ~~inspections~~. The reports, records, and communications of the Inspector ~~Inspection Bureau~~, ~~the Facility,~~ the Association, and ~~the records of~~ the

Association's governing committee ~~Governing Committee~~ are not considered public documents.

(Source: Laws 1968, p. 15.)

(215 ILCS 5/529.2) (from Ch. 73, par. 1065.76-2)

Sec. 529.2. Making of assessments.

(a) The participating insurers in the Association shall be liable to the Association as provided in this Article, and the Association's articles of association and plan of operation, for the expenses and liabilities of the Association. If the Association generates a loss in a financial year, the Association may assess the loss to its then-members pursuant to this Article, and the members shall pay to the Association their assessed amounts within 30 days after the assessment. If the Association generates a profit in a financial year, it may distribute the profit to its then-members pursuant to this Article, or it may retain the profit to offset past or future losses.

(b) If there is an assessment or refund, the amount of each member's assessment or refund shall be calculated by multiplying the amount of the assessment or refund by a fraction, the numerator of which is the member's direct property insurance premiums earned in this State and the denominator of which is the aggregate of such premiums for all Association members for that year, and then adjusting the assessment or refund pursuant to the then-existing Credit

Depopulation Program.

(c) If any member fails to pay an assessment, by reason of insolvency, the Association shall redistribute that insolvent member's assessment amount among the remaining Association members.

~~Whenever the Secretary shall, in accordance with the Act, present to the State a request for reimbursement under the Act, the Fund shall immediately assess all companies which, during the calendar year with respect to which reimbursement is requested by the Secretary, are engaged in writing property insurance in this State. The amount of each such company's assessment shall be calculated by multiplying the amount of the reimbursement requested by the Secretary by a fraction the numerator of which is the company's direct property insurance premiums earned in this State and the denominator of which is the aggregate of such premiums for all companies. Within 30 days following the end of each full calendar quarter, each company shall pay to the Fund an amount equal to one-twelfth of the company's assessment.~~

(Source: P.A. 76-714.)

(215 ILCS 5/529.5) (from Ch. 73, par. 1065.76-5)

Sec. 529.5. Association's annual report. The Association ~~Industry Placement Facility~~ shall compile an annual operating report, and publish such report on its website, or by other means approved by the Director ~~in at least 2 newspapers having~~

~~widespread circulation in the State~~, which report shall include:

(1) a description of the origin and purpose of the Association ~~Illinois Fair Plan~~ and its relationship to the property and casualty insurance industry in Illinois;

(2) a financial statement specifying the amount of profit or loss incurred by the Facility for its financial year; and

(3) a disclosure as to the amount of subsidization per type of policy written by the Association ~~Facility~~, which is provided by the property and casualty insurance companies operating in Illinois, if any.

This annual report shall be a matter of public record to be made available to any person requesting a copy from the Facility at a fee not to exceed $10 per copy. A copy shall be available for inspection at the Department of Insurance.

The Association shall pay any Fire Marshal tax and is not required to file an annual statement.

(Source: P.A. 93-32, eff. 7-1-03.)

(215 ILCS 5/530) (from Ch. 73, par. 1065.77)

Sec. 530. Powers of the Director.~~)~~ In addition to any powers conferred upon the Director ~~him~~ by this or any other law, the Director is charged with the authority to regulate ~~supervise~~ the Inspector ~~Inspection Bureau, the Facility~~ and the Association. In addition, the Director or any person designated by the Director ~~him~~ has the power:

(1) to examine the operation of the ~~Facility and~~ Association through free access to all the books, records, files, papers, and documents relating to the Association's ~~their~~ operation and may summon, qualify, and examine as witnesses all persons having knowledge of such operations including officers, agents, or employees thereof;

(2) (blank); ~~to do all things necessary to enable the State of Illinois and any insurer participating in any Program approved by the Director to fully participate in any federal program of reinsurance which may be enacted for purposes similar to the purposes of this Article;~~

(3) to require such reports from insurers concerning risks insured under any Program approved pursuant to this Article as the Director ~~he~~ may deem necessary;

(4) to approve a homeowners policy form or homeowners policy forms ~~form(s)~~ for the Association ~~Industry Placement Program~~.

(5) To require the Association ~~Insurance Placement Program~~ to develop marketing programs which will deter urban redlining and other unfairly discriminatory geographic underwriting programs by making readily available basic property insurance ~~basic property insurance~~.

(6) to permit modification of the Standard Fire Policy issued by the Association ~~facility~~ for non-owner occupied ~~non owner-occupied~~ residences exceeding 4 ~~four~~ units, as long as ~~after the director has conducted a public hearing which~~

~~establishes that~~ such modifications:

(A) ~~1)~~ will provide for equitable settlements of loss;

(B) ~~2)~~ will discourage arson for profit; and

(C) ~~3)~~ will encourage neighborhood revitalization, while maintaining the interests of the insured and the Association ~~facility~~. ~~The Director shall confer with the facility to establish criteria by which it can be determined whether such modification of the Standard Fire Policy is accomplishing its objectives. The Director shall conduct, within two years of any modification of the Standard Fire Policy, a public hearing to determine whether such modification has accomplished the three preceding objectives. In the event that such public hearing does not establish that such objectives are being accomplished, then the Director shall rescind the modification of the Standard Fire Policy, or further modify such policy to accomplish the objectives.~~

(Source: P.A. 82-499.)

(215 ILCS 5/525 rep.)

(215 ILCS 5/525.2 rep.)

(215 ILCS 5/525.4 rep.)

(215 ILCS 5/529 rep.)

(215 ILCS 5/529.1 rep.)

(215 ILCS 5/529.3 rep.)

(215 ILCS 5/530a rep.)

Section 10. The Illinois Insurance Code is amended by repealing Sections 525, 525.2, 525.4, 529, 529.1, 529.3, and 530a.

Section 99. Effective date. This Act takes effect January 1, 2027.

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215 ILCS 5/522	from Ch. 73, par. 1065.69
215 ILCS 5/523	from Ch. 73, par. 1065.70
215 ILCS 5/524	from Ch. 73, par. 1065.71
215 ILCS 5/524.5 new	
215 ILCS 5/525.1	from Ch. 73, par. 1065.72-1
215 ILCS 5/525.3	from Ch. 73, par. 1065.72-3
215 ILCS 5/527	from Ch. 73, par. 1065.74
215 ILCS 5/528	from Ch. 73, par. 1065.75
215 ILCS 5/529.2	from Ch. 73, par. 1065.76-2
215 ILCS 5/529.4	from Ch. 73, par. 1065.76-4
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