



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB1425

Introduced 2/10/2005, by Rep. Jay C. Hoffman

SYNOPSIS AS INTRODUCED:

215 ILCS 5/500-80

Amends the Illinois Insurance Code. Makes a technical change in a Section concerning commissions.

LRB094 10693 LJB 41082 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 ~~and~~ is not so licensed at
13 the 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.

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

29 (e) When an insurance producer or business entity charges
30 any fee or compensation separate from commissions deductible
31 from, or directly attributable to, premiums on insurance
32 policies or contracts, it must comply with all of the

1 following:

2 (1) It must provide written disclosure to the consumer
3 or contracting party that clearly specifies the amount or
4 extent of the compensation or fee prior to the delivery of
5 the corresponding policy. A copy of the written disclosure
6 must be maintained by the producer or business entity that
7 collects the compensation or fee for a period of 7 years.

8 (2) If the combined compensation or fee exceeds 10% of
9 a directly attributable premium amount of a corresponding
10 contract or policy, the disclosure must also include the
11 signature of the consumer or contracting party
12 acknowledging the compensation or fee.

13 (3) If an insurance policy or contract is cancelled for
14 any reason within 90 days following the inception date, the
15 producer or business entity shall refund to the consumer a
16 prorated portion of the fee or compensation within 30 days
17 after the producer or business entity receives proper
18 documentation that the corresponding insurance policy or
19 contract has been cancelled. At no time shall a producer or
20 business entity charge the consumer a fee or compensation
21 for cancellation of any insurance policy or contract.

22 (4) If the policy file contains documentation that the
23 producer performed a service corresponding to the
24 applicable coverage or policy and the written disclosure
25 stated that the fees were fully earned, then those fees
26 shall be fully earned at inception of the disclosure's
27 execution.

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