

1 AN ACT relating to low-cost automobile insurance,
2 amending named Acts.

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

5 Section 5. The Illinois Insurance Code is amended by
6 adding Article XXXV 1/2 as follows:

7 (215 ILCS 5/Art. XXXV 1/2 heading new)

8 ARTICLE XXXV 1/2. LOW-COST AUTOMOBILE INSURANCE

9 (215 ILCS 5/613.1 new)

10 Sec. 613.1. This Article may be cited as the Low-cost
11 Automobile Insurance Law.

12 (215 ILCS 5/613.5 new)

13 Sec. 613.5. Low-cost automobile insurance program.

14 (a) There is established, within the Illinois Automobile
15 Insurance Plan, a low-cost automobile insurance pilot
16 program.

17 (b) The Director, after a public hearing, shall approve
18 or issue a reasonable plan for the equitable apportionment,
19 among insurers required to participate in the Illinois
20 Automobile Insurance Plan, of persons residing in Illinois
21 who are eligible to purchase through the pilot program
22 established under this Article a low-cost automobile
23 insurance policy, as described in Section 613.10. The pilot
24 program shall be conducted in conjunction with the Illinois
25 Automobile Insurance Plan.

26 (215 ILCS 5/613.10 new)

27 Sec. 613.10. Requirements of the program. A low-cost
28 automobile insurance policy for purposes of the pilot program

1 established under this Article shall have all of the
2 following attributes:

3 (1) The policy shall offer coverage in the amount
4 of \$10,000 for bodily injury to, or death of, each person
5 as a result of any one accident and, subject to that
6 limit as to one person, the amount of \$20,000 for bodily
7 injury to, or death of all persons as a result of any one
8 accident, and the amount of \$3,000 for damage to property
9 of others as a result of any one accident.

10 (2) The policy shall have an initial term of one
11 year, renewable on an annual basis thereafter.

12 (3) The policy shall cover the person named in the
13 policy, and to the same extent that insurance is provided
14 to the named insured, any other person using the
15 automobile, provided the use is with his or her
16 permission, express or implied, and within the scope of
17 that permission, except that the policy shall not cover
18 members of the named insured's household who do not
19 satisfy the requirements of items (2) through (5) of
20 Section 613.20.

21 (4) The policy shall provide coverage for an
22 automobile with a value, at the time of purchase by the
23 insured, of \$12,000 or less, as evidenced by the actual
24 price paid for the automobile.

25 (215 ILCS 5/613.15 new)

26 Sec. 613.15. Annual premium rate.

27 (a) The annual rate offered initially under the pilot
28 program for the low-cost automobile insurance policy, until
29 the time that the rate is adjusted, shall be \$410. A
30 surcharge of 25% of the base rate shall be added if the named
31 insured is an unmarried male between the ages of 19 and 24,
32 inclusive, or if an unmarried male between the ages 19 and
33 24, inclusive, resides in the household of the named insured

1 and will be a driver of the automobile covered under the
2 low-cost policy.

3 (b) In addition to any premium installment options
4 offered by the Illinois Automobile Insurance Plan, the plan
5 shall also make available to insureds under the pilot
6 program, a premium installment option pursuant to which an
7 insured is required to pay \$100 upon issuance of the low-cost
8 policy, followed thereafter by 6 other payments. No other
9 premium financing arrangement shall be permitted.

10 (c) Rates for policies issued under the pilot program
11 shall be reviewed and revised as follows:

12 (1) Rates shall be sufficient to cover (A) losses
13 incurred under policies issued under the pilot program,
14 and (B) expenses, including, but not limited to, all
15 reasonable and necessary expenses such as the costs of
16 administration, underwriting, taxes, commissions, and
17 claims adjusting, that are incurred due to participation
18 in this pilot program. For purposes of this paragraph,
19 "losses incurred" means claims paid, claims incurred and
20 reported, and claims incurred but not yet reported. In
21 assessing loss reserves, the Director shall only allow
22 loss reserves that are estimated from actual losses in
23 the pilot program or comparable data by a licensed
24 statistical agent, as adjusted to reflect coverage
25 provided in this pilot program.

26 (2) Rates shall be set so as to result in no
27 projected subsidy of the pilot program by those
28 policyholders of insurers issuing policies under the
29 pilot program who are not participants in the pilot
30 program.

31 (3) Commencing on January 1, 2003, and annually
32 thereafter, the Illinois Automobile Insurance Plan shall
33 submit the loss and expense data, together with a
34 proposed rate for the low-cost automobile policy for the

1 pilot program, to the Director for approval in accordance
2 with this Article. The Director shall act on the
3 recommendation within 90 days.

4 (215 ILCS 5/613.20 new)

5 Sec. 613.20. Eligibility requirements. A low-cost
6 automobile insurance policy under the pilot program shall
7 only be available for purchase by persons who satisfy all of
8 the following eligibility requirements:

9 (1) The person shall be in a household with a gross
10 annual household income that does not exceed 150% of the
11 federal poverty level.

12 (2) The person shall be no less than 19 years of
13 age and have been continuously licensed to drive an
14 automobile for the previous 3 years.

15 (3) The person shall have not more than one of
16 either, but not both, of the following within the
17 previous 3 years:

18 (A) A property damage only accident in which
19 the driver was principally at fault.

20 (B) A moving violation under the Illinois
21 Vehicle Code.

22 (4) The person shall not have on record within the
23 previous 3 years, an at-fault accident involving bodily
24 injury or death.

25 (5) The person shall not have a felony or
26 misdemeanor conviction for a violation of the Illinois
27 Vehicle Code on his or her motor vehicle record.

28 (6) The person shall not be a college student
29 claimed as a dependent of another person for federal or
30 State income tax purposes.

31 (215 ILCS 5/613.25 new)

32 Sec. 613.25. Application.

1 LIABLE AND RESPONSIBLE FOR THOSE LOSSES.

2 THIS POLICY PROVIDES LIABILITY COVERAGE FOR INJURIES OR
3 DEATH CAUSED TO OTHER PERSONS IN THE TOTAL AMOUNT OF \$10,000
4 PER PERSON IN ANY ONE ACCIDENT, AND UP TO A TOTAL AMOUNT OF
5 \$20,000 FOR ALL PERSONS IN ANY ONE ACCIDENT. THE POLICY ALSO
6 PROVIDES UP TO A TOTAL AMOUNT OF \$3,000 IN LIABILITY COVERAGE
7 FOR PROPERTY DAMAGE IN ANY ONE ACCIDENT. IF YOU WANT MORE
8 INSURANCE COVERAGE, YOU MUST REQUEST A DIFFERENT POLICY.

9 THIS POLICY ALSO DOES NOT COVER DAMAGE TO YOUR OWN
10 VEHICLE, LOSSES RESULTING FROM YOUR BODILY INJURY OR DEATH,
11 OR COVERAGE FOR LOSSES CAUSED BY AN UNINSURED OR UNDERINSURED
12 DRIVER. HOWEVER, THESE OTHER COVERAGES MAY BE AVAILABLE AT
13 EXTRA COST THROUGH OTHER INSURERS.

14 THIS POLICY DOES NOT COVER ANY OTHER DRIVER IN YOUR
15 HOUSEHOLD WHO:

- 16 (1) IS UNDER 19 YEARS OF AGE; OR
- 17 (2) HAS LESS THAN 3 YEARS OF CONTINUOUSLY LICENSED
18 DRIVING EXPERIENCE; OR

19 (3) HAS MORE THAN ONE OF EITHER, OR BOTH, OF THE
20 FOLLOWING:

21 (A) A PROPERTY DAMAGE ONLY ACCIDENT IN WHICH
22 THE DRIVER WAS PRINCIPALLY AT FAULT.

- 23 (B) A POINT FOR A MOVING VIOLATION; OR
- 24 (4) HAS IN THE PREVIOUS 3 YEARS AN AT-FAULT
25 ACCIDENT INVOLVING BODILY INJURY OR DEATH; OR

26 (5) HAS A FELONY OR MISDEMEANOR CONVICTION FROM A
27 VIOLATION OF THE ILLINOIS VEHICLE CODE ON HIS OR HER
28 MOTOR VEHICLE RECORD."

29 (b) When the licensed producer establishes delivery of
30 the disclosure form specified in subsection (a) by obtaining
31 the signature of the applicant or insured, there shall be a
32 conclusive presumption that the licensed producer has
33 complied with the disclosure requirements of this Section.

(215 ILCS 5/613.35 new)

Sec. 613.35. Producer compensation. For a low-cost automobile insurance policy issued pursuant to the pilot program, licensed producers shall be entitled to the same commission rate as is paid for other policies under the Illinois Automobile Insurance for private passenger, nonfleet risks under. No other fees of any kind may be charged or collected in this regard, and the sale of a low-cost policy under this Article shall not be conditioned on the purchase of any other product or service.

(215 ILCS 5/613.40 new)

Sec. 613.40. Limitation on cancellation and nonrenewal.

(a) A low-cost automobile insurance policy issued pursuant to the pilot program may be canceled only for the following reasons:

(1) nonpayment of premium;

(2) fraud or material misrepresentation affecting the policy or the insured;

(3) the purchase of additional automobile liability insurance coverage in violation of subsection (a) of Section 613.45; or

(4) the purchase or maintenance of automobile liability insurance coverage other than a low-cost policy for any additional vehicles in the insured's household, in violation of subsection (b) of Section 613.45.

(b) A policy may be nonrenewed only for the following reasons:

(1) a substantial increase in the hazard insured against;

(2) the insured no longer meets the applicable eligibility requirements. In this regard, the eligibility of an insured shall be recertified by the Illinois Automobile Insurance Plan after the first year of

1 eligibility, and annually thereafter by the insurer that
2 issued the policy.

3 (215 ILCS 5/613.45 new)

4 Sec. 613.45. Additional liability coverage prohibited.

5 (a) An insured under the pilot program shall not
6 purchase automobile liability insurance coverage that is in
7 addition to the liability coverage provided by the low-cost
8 policy. However, the insured may purchase any other
9 additional type of automobile insurance coverage, such as
10 uninsured motorist coverage or collision coverage outside the
11 plan.

12 (b) An insured under the pilot program shall not
13 purchase or maintain any automobile liability insurance
14 coverage other than a low-cost policy for any additional
15 vehicles in the insured's household.

16 (c) No more than 2 low-cost policies are permitted in an
17 insured's household.

18 (215 ILCS 5/613.50 new)

19 Sec. 613.50. Implementation of the pilot program.

20 (a) The pilot program is authorized to commence
21 operations on January 1, 2002, but shall be fully operational
22 no later than July 1, 2002.

23 (b) To this end, the Director shall adopt rules to
24 implement the provisions of this Article within 60 days after
25 the effective date of this amendatory Act of the 92nd General
26 Assembly. The regulations shall be adopted as emergency rules
27 in accordance with the Illinois Administrative Procedure Act.

28 (215 ILCS 5/613.55 new)

29 Sec. 613.55. Minimum required amount of insurance.
30 Notwithstanding the coverage amounts required by Section
31 7-203 of the Illinois Vehicle Code, a low-cost automobile

1 policy issued under the pilot program shall satisfy the
2 financial responsibility requirements of the Illinois Safety
3 and Family Financial Responsibility Law.

4 (215 ILCS 5/613.60 new)

5 Sec. 613.60. Report on the pilot program. The Illinois
6 Automobile Insurance Plan shall report to the General
7 Assembly on an annual basis, commencing January 1, 2003, and
8 at those additional times as it deems prudent, on the status
9 of the pilot program.

10 (215 ILCS 5/613.95 new)

11 Sec. 613.95. Repeal of Article. This Article is repealed
12 on January 1, 2005.

13 Section 10. The Illinois Vehicle Code is amended by
14 changing Section 7-203 as follows:

15 (625 ILCS 5/7-203) (from Ch. 95 1/2, par. 7-203)

16 Sec. 7-203. Requirements as to policy or bond. No such
17 policy or bond referred to in Section 7-202 shall be
18 effective under this Section unless issued by an insurance
19 company or surety company authorized to do business in this
20 State, except that if such motor vehicle was not registered
21 in this State, or was a motor vehicle which was registered
22 elsewhere than in this State at the effective date of the
23 policy or bond, or the most recent renewal thereof, such
24 policy or bond shall not be effective under this Section
25 unless the insurance company or surety company, if not
26 authorized to do business in this State, shall execute a
27 power of attorney authorizing the Secretary of State to
28 accept service on its behalf of notice or process in any
29 action upon such policy or bond arising out of such motor
30 vehicle accident. However, every such policy or bond is

1 subject, if the motor vehicle accident has resulted in bodily
2 injury or death, to a limit, exclusive of interest and costs,
3 of not less than \$20,000 because of bodily injury to or death
4 of any one person in any one motor vehicle accident and,
5 subject to said limit for one person, to a limit of not less
6 than \$40,000 because of bodily injury to or death of 2 or
7 more persons in any one motor vehicle accident, and, if the
8 motor vehicle accident has resulted in injury to or
9 destruction of property, to a limit of not less than \$15,000
10 because of injury to or destruction of property of others in
11 any one motor vehicle accident. Notwithstanding any other
12 provision of this Section, an automobile insurance policy
13 issued in compliance with Article XXXV 1/2 of the Illinois
14 Insurance Code shall be deemed to meet the requirements of
15 this Section.

16 Upon receipt of a written motor vehicle accident report
17 from the Administrator the insurance company or surety
18 company named in such notice shall notify the Administrator
19 within such time and in such manner as the Administrator may
20 require, in case such policy or bond was not in effect at the
21 time of such motor vehicle accident.

22 (Source: P.A. 85-730.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.