

AN ACT in relation to insurance.

**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 Sections 143.11b, 143.14, 143.15, 143.16, 143.17, 143.17a, and 513a11 as follows:

(215 ILCS 5/143.11b)

Sec. 143.11b. Assignment or transfer of property and casualty policies. An assignment or transfer of a policy of insurance to which Section 143.11 applies among or between insurers within an insurance holding company system or insurers under common management or control, or as a result of a merger, acquisition, or restructuring of an insurance company, is not a nonrenewal for purposes of the notification requirements under Sections 143.12 through 143.24. However, in the event of an increase in the renewal premium of 30% or more, change in deductibles or change in coverage that materially alters any policy to which subsection b of Section 143.17a applies, the company shall adhere to the provisions set forth in subsection b of Section 143.17a. A company making an assignment or transfer of a policy among or between insurers within an insurance holding company system or insurers under common management or control, or as a result of a merger, acquisition, or restructuring of an insurance company, shall have delivered to the named insured notice of such assignment or transfer at least 60 days prior to the renewal date. An exact and unaltered copy of the notice shall also be sent to the insured's producer, if known, and agent of record. The assignment or transfer of a policy or policies of insurance among or between insurers shall not occur without the producer or agent of record, or both, having a signed agency contract with the entity to which the policy or policies are to be assigned or

transferred. If there is not a signed agency contract, all of the notice requirements of Sections 143.17 and 143.17a shall apply. Nothing in this Section shall contravene any existing producer and company contract rights. For purposes of this Section, the insured's producer, if known, and agent of record may opt to accept notification of assignment or transfer of policies electronically.

(Source: P.A. 91-800, eff. 6-13-00.)

(215 ILCS 5/143.14) (from Ch. 73, par. 755.14)

Sec. 143.14. Notice of cancellation.

(a) No notice of cancellation of any policy of insurance, to which Section 143.11 applies, shall be effective unless mailed by the company to the named insured and the mortgage or lien holder, at the last mailing address known by the company. The company shall maintain proof of mailing of such notice on a recognized U.S. Post Office form or a form acceptable to the U. S. Post Office or other commercial mail delivery service. A copy of all such notices shall be sent to the insured's broker if known, or the agent of record, ~~and to the mortgagee or lienholder,~~ if known, at the last mailing address known to the company. For purposes of this Section, the mortgage or lien holder, insured's broker, if known, or the agent of record may opt to accept notification electronically.

(b) Whenever a financed insurance contract is cancelled, the insurer shall return whatever gross unearned premiums are due under the insurance contract or contracts not to exceed the unpaid balance due the premium finance company directly to the premium finance company effecting the cancellation for the account of the named insured. The return premium must be mailed to the premium finance company within 60 days. The request for the unearned premium by the premium finance company shall be in the manner of a monthly account, current accounting by producer, policy number, unpaid balance and name of insured for each cancelled amount. In the event the insurance contract or contracts are subject to audit, the insurer shall retain the

right to withhold the return of the portion of premium that can be identified to the contract or contracts until the audit is completed. Within 30 days of the completion of the audit, if a premium retained by the insurer after crediting the earned premium would result in a surplus, the insurer shall return the surplus directly to the premium finance company. If the audit should result in an additional premium due the insurer, the obligation for the collection of this premium shall fall upon the insurer and not affect any other contract or contracts currently being financed by the premium finance company for the named insured.

(c) Whenever a premium finance agreement contains a power of attorney enabling the premium finance company to cancel any insurance contract or contracts in the agreement, the insurer shall honor the date of cancellation as set forth in the request from the premium finance company without requiring the return of the insurance contract or contracts. The insurer may mail to the named insured an acknowledgment of the notice of cancellation from the premium finance company but the named insured shall not incur any additional premium charge for any extension of coverage. The insurer need not maintain proof of mailing of this notice.

(d) All statutory regulatory and contractual restrictions providing that the insurance contract may not be cancelled unless the required notice is mailed to a governmental agency, mortgagee, lienholder, or other third party shall apply where cancellation is effected under a power of attorney under a premium finance agreement. The insurer shall have the right for a premium charge for this extension of coverage.

(Source: P.A. 86-370; 86-437; 86-1028; 87-811; 87-1123.)

(215 ILCS 5/143.15) (from Ch. 73, par. 755.15)

Sec. 143.15. Mailing of cancellation notice. All notices of cancellation of insurance as defined in subsections (a), (b) and (c) of Section 143.13 must be mailed at least 30 days prior to the effective date of cancellation to the named insured and

mortgagee or lien holder, if known, at the last mailing address known to the company. All notices of cancellation shall include a specific explanation of the reason or reasons for cancellation. However, where cancellation is for nonpayment of premium, the notice of cancellation must be mailed at least 10 days before the effective date of the cancellation. For purposes of this Section, the mortgagee or lien holder, if known, may opt to accept notification electronically.

(Source: P.A. 89-669, eff. 1-1-97.)

(215 ILCS 5/143.16) (from Ch. 73, par. 755.16)

Sec. 143.16. Mailing of cancellation notice. All notices of cancellation of insurance to which Section 143.11 applies, except for those defined in subsections (a), (b) and (c) of Section 143.13 must be mailed at least 30 days prior to the effective date of cancellation during the first 60 days of coverage. After the coverage has been effective for 61 days or more, all notices must be mailed at least 60 days prior to the effective date of cancellation. All such notices shall include a specific explanation of the reason or reasons for cancellation and shall be mailed to the named insured and mortgagee or lien holder, if known, at the last mailing address known to the company. However, where cancellation is for nonpayment of premium, the notice of cancellation must be mailed at least 10 days before the effective date of the cancellation. For purposes of this Section, the mortgagee or lien holder, if known, may opt to accept notification electronically.

(Source: P.A. 89-669, eff. 1-1-97.)

(215 ILCS 5/143.17) (from Ch. 73, par. 755.17)

Sec. 143.17. Notice of intention not to renew.

a. No company shall fail to renew any policy of insurance, as defined in subsections (a), (b), (c), and (h) of Section 143.13, to which Section 143.11 applies, unless it shall send by mail to the named insured at least 30 days advance notice of

its intention not to renew. The company shall maintain proof of mailing of such notice on a recognized U.S. Post Office form or a form acceptable to the U. S. Post Office or other commercial mail delivery service. An exact and unaltered copy of such notice shall also be sent to the insured's broker, if known, or the agent of record and to the mortgagee or lien holder at the last mailing address known by the company. However, where cancellation is for nonpayment of premium, the notice of cancellation must be mailed at least 10 days before the effective date of the cancellation.

b. This Section does not apply if the company has manifested its willingness to renew directly to the named insured. Such written notice shall specify the premium amount payable, including any premium payment plan available, and the name of any person or persons, if any, authorized to receive payment on behalf of the company. If no person is so authorized, the premium notice shall so state. The notice of nonrenewal and the proof of mailing shall be effected on the same date.

b-5. This Section does not apply if the company manifested its willingness to renew directly to the named insured. However, no company may impose changes in deductibles or coverage for any policy forms applicable to an entire line of business enumerated in subsections (a), (b), (c), and (h) of Section 143.13 to which Section 143.11 applies unless the company mails to the named insured written notice of the change in deductible or coverage at least 60 days prior to the renewal or anniversary date. An exact and unaltered copy of the notice shall also be sent to the insured's broker, if known, or the agent of record.

c. Should a company fail to comply with (a) or (b) of this Section, the policy shall terminate only on the effective date of any similar insurance procured by the insured with respect to the same subject or location designated in both policies.

d. Renewal of a policy does not constitute a waiver or estoppel with respect to grounds for cancellation which existed

before the effective date of such renewal.

e. In all notices of intention not to renew any policy of insurance, as defined in Section 143.11 the company shall provide a specific explanation of the reasons for nonrenewal.

f. For purposes of this Section, the insured's broker, if known, or the agent of record and the mortgagee or lien holder may opt to accept notification electronically.

(Source: P.A. 91-597, eff. 1-1-00.)

(215 ILCS 5/143.17a) (from Ch. 73, par. 755.17a)

Sec. 143.17a. Notice of intention not to renew.

a. No company shall fail to renew any policy of insurance, to which Section 143.11 applies, except for those defined in subsections (a), (b), (c), and (h) of Section 143.13, unless it shall send by mail to the named insured at least 60 days advance notice of its intention not to renew. The company shall maintain proof of mailing of such notice on one of the following forms: a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service. An exact and unaltered copy of such notice shall also be sent to the insured's broker, if known, or the agent of record and to the mortgagee or lien holder at the last mailing address known by the company. However, where cancellation is for nonpayment of premium, the notice of cancellation must be mailed at least 10 days before the effective date of the cancellation.

b. This Section does not apply if the company has manifested its willingness to renew directly to the named insured. Provided, however, that no company may increase the renewal premium on any policy of insurance to which Section 143.11 applies, except for those defined in subsections (a), (b), (c), and (h) of Section 143.13, by 30% or more, nor impose changes in deductibles or coverage that materially alter the policy, unless the company shall have mailed or delivered to the named insured written notice of such increase or change in deductible or coverage at least 60 days prior to the renewal or

anniversary date. The increase in premium shall be the renewal premium based on the known exposure as of the date of the quotation compared to the premium as of the last day of coverage for the current year's policy, annualized. The premium on the renewal policy may be subsequently amended to reflect any change in exposure or reinsurance costs not considered in the quotation. An exact and unaltered copy of such notice shall also be sent to the insured's broker, if known, or the agent of record. If an insurer fails to provide the notice required by this subsection, then the company must extend the current policy under the same terms, conditions, and premium to allow 60 days notice of renewal and provide the actual renewal premium quotation and any change in coverage or deductible on the policy. Proof of mailing or proof of receipt may be proven by a sworn affidavit by the insurer as to the usual and customary business practices of mailing notice pursuant to this Section or may be proven consistent with Illinois Supreme Court Rule 236.

c. Should a company fail to comply with the non-renewal notice requirements of subsection a., the policy shall be extended for an additional year or until the effective date of any similar insurance procured by the insured, whichever is less, on the same terms and conditions as the policy sought to be terminated, unless the insurer has manifested its intention to renew at a different premium that represents an increase not exceeding 30%.

d. Renewal of a policy does not constitute a waiver or estoppel with respect to grounds for cancellation which existed before the effective date of such renewal.

e. In all notices of intention not to renew any policy of insurance, as defined in Section 143.11 the company shall provide a specific explanation of the reasons for nonrenewal.

f. For purposes of this Section, the insured's broker, if known, or the agent of record and the mortgagee or lien holder may opt to accept notification electronically.

(Source: P.A. 93-477, eff. 8-8-03.)

(215 ILCS 5/513a11) (from Ch. 73, par. 1065.60a11)

Sec. 513a11. Cancellation requirements upon default.

(a) When a premium finance agreement contains a power of attorney enabling the premium finance company to cancel any insurance contract or contracts listed in the premium finance agreement, the insurance contract or contracts shall not be cancelled by the premium finance company unless the request for cancellation is effectuated under this Section.

(b) Not less than 10 days written notice shall be mailed to the named insured of the intent of the premium finance company to cancel the insurance contract unless the default is cured within the 10 day period.

(c) After expiration of the 10 day period, the premium finance company may request, in the name of the named insured, cancellation of the insurance contract or contracts by mailing or hand delivering to the insurer a request for cancellation, and the insurance contract shall be cancelled as if the request for cancellation had been submitted by the named insured, but without requiring the return of the insurance contract or contracts. The premium finance company shall also mail a copy of the request for cancellation to the named insured at his last known address.

(d) All statutory, regulatory, and contractual restrictions providing that the insurance contract may not be cancelled unless notice is given to a governmental agency, mortgagee, or other third party shall apply where cancellation is effected under provisions of this Section. The insurer shall give the notice to any governmental agency, mortgagee, or other third party on or before the fifth business day after it receives the notice of cancellation from the premium finance company. For purposes of this Section, any governmental agency, mortgagee, or other third party may opt to receive notices electronically.

(e) In the event that the collection of return premiums for the account of the named insured results in a surplus over the

amount due from the named insured, the premium finance company shall refund the excess to the named insured; however, no refund is required if it amounts to less than \$5.

(f) All cancellation provisions required of the premium finance company and insurer are applicable to any policy to which Section 143.11 applies.

(Source: P.A. 87-811.)