



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB1647

Introduced 2/19/2009, by Sen. William R. Haine

SYNOPSIS AS INTRODUCED:

215 ILCS 5/1402
215 ILCS 5/1407

Amends the Illinois Insurance Code. Provides that the definition for "financial institution" includes any farm credit lending institution, including, but not limited to, a farm credit bank, farm credit association, or production credit association, whether operating under the authority of the federal Farm Credit Administration or any similar federal or State authority, and any subsidiary of that farm credit lending institution. Provides that no discount on or return of any portion of a premium or commission, whether in the form of a rebate or as part of any dividend or other financial consideration offered to a customer of any financial institution, may be offered or paid if that discount or return would provide an incentive for the customer to purchase an insurance policy, to purchase additional insurance coverage, or to obtain credit from or through a particular financial institution. Effective immediately.

LRB096 08490 RPM 18610 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 Sections 1402 and 1407 as follows:

6 (215 ILCS 5/1402)

7 Sec. 1402. Definitions. For the purposes of this Article:

8 "Financial institution" means:

9 (1) a State bank, a national bank, or an out-of-state
10 bank, as those terms are defined in the Illinois Banking
11 Act, or any subsidiary of a State bank, a national bank, or
12 an out-of-state bank;

13 (2) a foreign banking corporation, as that term is
14 defined in the Foreign Banking Office Act, or any
15 subsidiary of a foreign banking corporation;

16 (3) a corporate fiduciary, as that term is defined in
17 the Corporate Fiduciary Act;

18 (4) a savings bank organized under the Savings Bank
19 Act, an out-of-state savings bank chartered under the laws
20 of a state other than Illinois, a territory of the United
21 States, or the District of Columbia, or a federal savings
22 bank organized under federal law, or any subsidiary of a
23 savings bank, an out-of-state savings bank or a federal

1 savings bank;

2 (5) an association or federal association, as those
3 terms are defined in the Illinois Savings and Loan Act of
4 1985, or any subsidiary of an association or federal
5 association;

6 (6) an out-of-state savings and loan association
7 chartered under the laws of a state other than Illinois, a
8 territory of the United States or the District of Columbia,
9 or a federal savings and loan association organized under
10 federal law whose principal business office is located
11 outside of Illinois, or any subsidiary of an out-of-state
12 savings and loan association or federal savings and loan
13 association whose principal business office is located
14 outside of Illinois; ~~or~~

15 (7) a credit union as defined in the Illinois Credit
16 Union Act, or any subsidiary of a credit union; or -

17 (8) any farm credit lending institution, including,
18 but not limited to, a farm credit bank, farm credit
19 association, and production credit association, whether
20 operating under the authority of the federal Farm Credit
21 Administration or any similar federal or State authority,
22 and any subsidiary of that farm credit lending institution.

23 To the extent that any entity other than a financial
24 institution conducts insurance activities in this State on
25 behalf of or on the premises of the financial institution, such
26 entity shall be subject to this Article for the purposes of

1 those activities.

2 "Insurance" means all lines of insurance defined and
3 regulated as insurance under this Code, but for the purposes of
4 this Article, "insurance" shall not include the following lines
5 of insurance, provided that this paragraph shall not be deemed
6 to preclude or otherwise limit regulation of the following
7 lines of insurance pursuant to and to the extent otherwise
8 provided by any other insurance law of this State:

9 (1) credit life, credit accident and health, credit
10 involuntary unemployment, credit casualty and credit
11 property insurance;

12 (2) extended service contracts and warranty
13 agreements;

14 (3) insurance obtained by the debtor to provide payment
15 for the difference between the remaining balance on a loan
16 or other extension of credit and the amount of insurance
17 coverage on the collateral securing the loan or other
18 extension of credit;

19 (4) insurance placed by a financial institution on
20 collateral used in connection with a loan or other
21 extension of credit when a debtor breaches the contractual
22 obligation to provide that insurance;

23 (5) title insurance regulated by the Title Insurance
24 Act; and

25 (6) private mortgage insurance and financial guarantee
26 insurance.

1 (Source: P.A. 90-41, eff. 10-1-97.)

2 (215 ILCS 5/1407)

3 Sec. 1407. Rebating and discounting.

4 (a) No financial institution may offer a rebate on an
5 insurance product in violation of Section 151 of this Code. No
6 discount on or return of any portion of a premium or
7 commission, whether in the form of a rebate or as part of any
8 dividend or other financial consideration offered to a customer
9 of any financial institution, may be offered or paid if that
10 discount or return would provide an incentive for the customer
11 to purchase an insurance policy, to purchase additional
12 insurance coverage, or to obtain credit from or through a
13 particular financial institution.

14 (b) No financial institution may offer a discount on a loan
15 or extension of credit for the purpose of inducing the customer
16 to purchase insurance required in connection with the loan or
17 extension of credit.

18 (Source: P.A. 90-41, eff. 10-1-97.)

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.