

1 AN ACT concerning insurance producers.

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 445 and adding Sections 500-5, 500-10,
6 500-15, 500-20, 500-25, 500-30, 500-35, 500-40, 500-45,
7 500-50, 500-55, 500-60, 500-65, 500-70, 500-75, 500-80,
8 500-85, 500-90, 500-95, 500-100, 500-105, 500-110, 500-115,
9 500-120, 500-125, 500-130, 500-135, 500-140, 500-145, and
10 500-150 as follows:

11 (215 ILCS 5/445) (from Ch. 73, par. 1057)

12 Sec. 445. Surplus line.

13 (1) Surplus line defined; surplus line insurer
14 requirements. Surplus line insurance is insurance on an
15 Illinois risk of the kinds specified in Classes 2 and 3 of
16 Section 4 of this Code procured from an unauthorized insurer
17 ~~company~~ or a domestic surplus line insurer as defined in
18 Section 445a after the insurance producer representing the
19 insured or the surplus line producer is unable, after
20 diligent effort, to procure said insurance from insurers
21 ~~companies~~ which are authorized to transact business in this
22 State other than domestic surplus line insurers as defined in
23 Section 445a.

24 Insurance producers may procure surplus line insurance
25 only if licensed as a surplus line producer under this
26 Section and may procure that insurance only from an
27 unauthorized insurer ~~company~~ or from a domestic surplus line
28 insurer as defined in Section 445a:

29 (a) that based upon information available to the
30 surplus line producer has a policyholders surplus of not
31 less than \$15,000,000 determined in accordance with

1 accounting rules that are applicable to authorized
2 insurers companies; and

3 (b) that has standards of solvency and management
4 that are adequate for the protection of policyholders;
5 and

6 (c) where an unauthorized insurer company does not
7 meet the standards set forth in (a) and (b) above, a
8 surplus line producer may, if necessary, procure
9 insurance from that insurer company only if prior written
10 warning of such fact or condition is given to the insured
11 by the insurance producer or surplus line producer.

12 (2) Surplus line producer; license. Any licensed
13 producer who is a resident of this State, or any nonresident
14 who qualifies under Section 500-40, may be licensed as a
15 surplus line producer upon:

16 (a) completing a prelicensing course of study
17 passing--a--written--examination,---The-examination-shall
18 reasonably-test-the-knowledge-of-the-applicant-concerning
19 the-surplus-line-law-and-the-responsibilities-assumed--by
20 a---surplus---line---producer---thereunder. The course
21 examination provided for by this Section shall be
22 conducted under rules and regulations prescribed by the
23 Director. The Director may administer the course
24 examination or may make arrangements, including
25 contracting with an outside educational testing service,
26 for administering the course and collecting the
27 non-refundable application fee provided for in this
28 subsection such--examinations. Any charges assessed by
29 the Director or the educational testing service for
30 administering the course such-examinations shall be paid
31 directly by the individual applicants. Each applicant
32 required to take the course an-examination shall, at-the
33 time--of--request--for--examination, enclose with the
34 application a non-refundable \$10 application fee payable

1 to the Director plus a separate course an--examination
 2 administration fee. If--the--Director--administers--the
 3 examination,--the--application--fee--and--examination
 4 administration--fee--shall--be--combined--and--made--payable--to
 5 the--Director.--If--the--Director--designates--an--outside
 6 testing--service--to--administer--the--examination,--the
 7 applicant--shall--make--a--separate--examination
 8 administration--fee--remittance--payable--to--the--designated
 9 testing--service--for--the--total--fees--the--testing--service
 10 charges--for--each--of--the--various--services--being--requested
 11 by--the--applicant. An applicant who fails to appear for
 12 the course examination as scheduled, or appears but fails
 13 to complete the course pass, shall not be entitled to any
 14 refund, and shall be required to submit a new request to
 15 attend the course for--examination together with all the
 16 requisite fees before being rescheduled for another
 17 course examination at a later date; and

18 (b) payment of an annual license fee of \$200; and

19 (c) procurement of the surety bond required in
 20 subsection (4) of this Section.

21 A Each surplus line producer so licensed shall keep a
 22 separate account of the business transacted thereunder which
 23 shall be open at all times to the inspection of the Director
 24 or his representative.

25 The prelicensing course of study examination requirement
 26 in (a) above shall not apply to insurance producers who were
 27 licensed under the Illinois surplus line law or--individuals
 28 designated--to--act--for--a--partnership,--association--or
 29 corporation--licensed--under--the--Illinois--surplus--line--law on
 30 or before the effective date of this amendatory Act of the
 31 92nd General Assembly February 27, 1985.

32 (3) Taxes and reports.

33 (a) Surplus line tax and penalty for late payment.

34 A Each surplus line producer shall file with the

1 Director on or before February 1 and August 1 of each
2 year a report in the form prescribed by the Director on
3 all surplus line insurance procured from unauthorized
4 insurers during the preceding 6 month period ending
5 December 31 or June 30 respectively, and on the filing of
6 such report shall pay to the Director for the use and
7 benefit of the State a sum equal to 3% of the gross
8 premiums less returned premiums upon all surplus line
9 insurance procured or cancelled during the preceding 6
10 months.

11 Any surplus line producer who fails to pay the full
12 amount due under this subsection is liable, in addition
13 to the amount due, for such penalty and interest charges
14 as are provided for under Section 412 of this Code. The
15 Director, through the Attorney General, may institute an
16 action in the name of the People of the State of
17 Illinois, in any court of competent jurisdiction, for the
18 recovery of the amount of such taxes and penalties due,
19 and prosecute the same to final judgment, and take such
20 steps as are necessary to collect the same.

21 (b) Fire Marshal Tax.

22 Each surplus line producer shall file with the
23 Director on or before March 31 of each year a report in
24 the form prescribed by the Director on all fire insurance
25 procured from unauthorized insurers subject to tax under
26 Section 12 of the Fire Investigation Act and shall pay to
27 the Director the fire marshal tax required thereunder.

28 (c) Taxes and fees charged to insured. The taxes
29 imposed under this subsection and the countersigning fees
30 charged by the Surplus Line Association of Illinois may
31 be charged to and collected from surplus line insureds.

32 (4) Bond. Each surplus line producer, as a condition to
33 receiving a surplus line producer's license, shall execute
34 and deliver to the Director a surety bond to the People of

1 the State in the penal sum of \$20,000, with a surety which is
2 authorized to transact business in this State, conditioned
3 that the surplus line producer will pay to the Director the
4 tax, interest and penalties levied under subsection (3) of
5 this Section.

6 (5) Submission of documents to Surplus Line Association
7 of Illinois. A Each surplus line producer shall submit every
8 insurance contract issued under his or her license to the
9 Surplus Line Association of Illinois for recording and
10 countersignature. The submission and countersignature may be
11 effected through electronic means. The submission insurance
12 contracts-submitted shall set forth:

- 13 (a) the name of the insured;
- 14 (b) the description and location of the insured
15 property or risk;
- 16 (c) the amount insured;
- 17 (d) the gross premiums charged or returned;
- 18 (e) the name of the unauthorized insurer or
19 domestic surplus line insurer as defined in Section 445a
20 from whom coverage has been procured;
- 21 (f) the kind or kinds of insurance procured; and
- 22 (g) amount of premium subject to tax required by
23 Section 12 of the Fire Investigation Act.

24 Proposals, endorsements, and other documents which
25 are incidental to the insurance but which do does not
26 affect the premium charged are exempted from filing and
27 countersignature.

28 The submission of insuring contracts to the Surplus
29 Line Association of Illinois constitutes a certification
30 by the surplus line producer or by the insurance producer
31 who presented the risk to the surplus line producer for
32 placement as a surplus line risk that after diligent
33 effort the required insurance could not be procured from
34 insurers companies which are authorized to transact

1 business in this State other than domestic surplus line
2 insurers as defined in Section 445a and that such
3 procurement was otherwise in accordance with the surplus
4 line law.

5 (6) Countersignature required. It shall be unlawful for
6 an insurance producer to deliver any unauthorized ~~company~~
7 insurer insurance contract or domestic surplus line insurer
8 contract unless such insurance contract is countersigned by
9 the Surplus Line Association of Illinois.

10 (7) Inspection of records. ~~A~~ Each surplus line producer
11 shall maintain separate records of the business transacted
12 under his or her license, including complete copies of
13 surplus line insurance contracts maintained on paper or by
14 electronic means, which records shall be open at all times
15 for inspection by the Director and by the Surplus Line
16 Association of Illinois.

17 (8) Violations and penalties. The Director may suspend
18 or revoke or refuse to renew a surplus line producer license
19 for any violation of this Code. In addition to or in lieu of
20 suspension or revocation, the Director may subject a surplus
21 line producer to a civil penalty of up to \$1,000 for each
22 cause for suspension or revocation. Such penalty is
23 enforceable under subsection (5) of Section 403A of this
24 Code.

25 (9) Director may declare insurer ineligible. If the
26 Director determines that the further assumption of risks
27 might be hazardous to the policyholders of an unauthorized
28 insurer, the Director may order the Surplus Line Association
29 of Illinois not to countersign insurance contracts evidencing
30 insurance in such insurer and order surplus line producers to
31 cease procuring insurance from such insurer.

32 (10) Service of process upon Director. ~~All~~ Insurance
33 contracts delivered under this Section from unauthorized
34 insurers shall contain a provision designating the Director

1 and his successors in office the true and lawful attorney of
 2 the insurer upon whom may be served all lawful process in any
 3 action, suit or proceeding arising out of such insurance and
 4 ~~further designate the surplus line producer or other resident~~
 5 ~~of this State an agent of the unauthorized insurer to which a~~
 6 ~~copy of such process shall be forwarded by the Director for~~
 7 ~~delivery to the insurer.~~ Service of process made upon the
 8 Director to be valid hereunder must state the name of the
 9 insured, the name of the unauthorized insurer and identify
 10 the contract of insurance. The Director at his option is
 11 authorized to forward a copy of the process to the Surplus
 12 Line Association of Illinois for delivery to the unauthorized
 13 insurer ~~surplus line producer or other designated resident of~~
 14 ~~this State~~ or the Director may deliver the process to the
 15 unauthorized insurer by other means which he considers to be
 16 reasonably prompt and certain.

17 (11) The Illinois Surplus Line law does not apply to
 18 insurance of property and operations of railroads or aircraft
 19 engaged in interstate or foreign commerce, insurance of
 20 vessels, crafts or hulls, cargoes, marine builder's risks,
 21 marine protection and indemnity, or other risks including
 22 strikes and war risks insured under ocean or wet marine forms
 23 of policies.

24 (12) Surplus line insurance procured under this Section,
 25 including insurance procured from a domestic surplus line
 26 insurer, is not subject to the provisions of the Illinois
 27 Insurance Code other than Sections 123, 123.1, 401, 401.1,
 28 402, 403, 403A, 408, 412, 445, 445.1, 445.2, 445.3, 445.4,
 29 and all of the provisions of Article XXXI to the extent that
 30 the provisions of Article XXXI are not inconsistent with the
 31 terms of this Act.

32 (Source: P.A. 90-794, eff. 8-14-98.)

1 Sec. 500-5. Scope of Article. This Article applies to
2 all persons and insurance companies as defined in this Code.
3 This Article does not apply to surplus lines producers
4 licensed pursuant to Section 445 except as provided in
5 Section 500-40 and subsection (b) of Section 500-90 of this
6 Article.

7 (215 ILCS 5/500-10 new)

8 Sec. 500-10. Definitions. In addition to the
9 definitions in Section 2 of the Code, the following
10 definitions apply to this Article:

11 "Business entity" means a corporation, association,
12 partnership, limited liability company, limited liability
13 partnership, or other legal entity.

14 "Car rental limited line licensee" means a person
15 authorized under the provisions of Section 500-105 to sell
16 certain coverages relating to the rental of vehicles.

17 "Home state" means the District of Columbia and any state
18 or territory of the United States in which an insurance
19 producer maintains his or her principal place of residence or
20 principal place of business and is licensed to act as an
21 insurance producer.

22 "Insurance" means any of the lines of authority in
23 Section 500-35, any health care plan under the Health
24 Maintenance Organization Act, or any limited health care plan
25 under the Limited Health Service Organization Act.

26 "Insurance producer" means a person required to be
27 licensed under the laws of this State to sell, solicit, or
28 negotiate insurance.

29 "Insurer" means a company as defined in subsection (e) of
30 Section 2 of this Code, a health maintenance organization as
31 defined in the Health Maintenance Organization Act, or a
32 limited health service organization as defined in the Limited
33 Health Service Organization Act.

1 "License" means a document issued by the Director
2 authorizing an individual to act as an insurance producer for
3 the lines of authority specified in the document or
4 authorizing a business entity to act as an insurance
5 producer. The license itself does not create any authority,
6 actual, apparent, or inherent, in the holder to represent or
7 commit an insurance carrier.

8 "Limited lines insurance" means those lines of insurance
9 defined in Section 500-100 or any other line of insurance
10 that the Director may deem it necessary to recognize for the
11 purposes of complying with subsection (e) of Section 500-40.

12 "Limited lines producer" means a person authorized by the
13 Director to sell, solicit, or negotiate limited lines
14 insurance.

15 "Negotiate" means the act of conferring directly with or
16 offering advice directly to a purchaser or prospective
17 purchaser of a particular contract of insurance concerning
18 any of the substantive benefits, terms, or conditions of the
19 contract, provided that the person engaged in that act either
20 sells insurance or obtains insurance from insurers for
21 purchasers.

22 "Person" means an individual or a business entity.

23 "Rental agreement" means a written agreement setting
24 forth the terms and conditions governing the use of a
25 vehicle provided by a rental company for rental or lease.

26 "Rental company" means a person, or a franchisee of the
27 person, in the business of providing primarily private
28 passenger vehicles to the public under a rental agreement for
29 a period not to exceed 30 days.

30 "Rental period" means the term of the rental agreement.

31 "Renter" means a person obtaining the use of a vehicle
32 from a rental company under the terms of a rental agreement
33 for a period not to exceed 30 days.

34 "Sell" means to exchange a contract of insurance by any

1 means, for money or its equivalent, on behalf of an insurance
2 company.

3 "Solicit" means attempting to sell insurance or asking or
4 urging a person to apply for a particular kind of insurance
5 from a particular company.

6 "Terminate" means the cancellation of the relationship
7 between an insurance producer and the insurer or the
8 termination of a producer's authority to transact insurance.

9 "Uniform Business Entity Application" means the current
10 version of the National Association of Insurance
11 Commissioners' Uniform Business Entity Application for
12 nonresident business entities.

13 "Uniform Application" means the current version of the
14 National Association of Insurance Commissioners' Uniform
15 Application for nonresident producer licensing.

16 "Vehicle" or "rental vehicle" means a motor vehicle
17 of (1) the private passenger type, including passenger
18 vans, mini vans, and sport utility vehicles or (2) the cargo
19 type, including cargo vans, pickup trucks, and trucks
20 with a gross vehicle weight of less than 26,000 pounds the
21 operation of which does not require the operator to possess a
22 commercial driver's license.

23 (215 ILCS 5/500-15 new)

24 Sec. 500-15. License required.

25 (a) A person may not sell, solicit, or negotiate
26 insurance in this State for any class or classes of insurance
27 unless the person is licensed for that line of authority in
28 accordance with this Article.

29 (b) A person may not, for a fee, engage in the business
30 of offering any advice, counsel, opinion, or service with
31 respect to the benefits, advantages, or disadvantages under
32 any policy of insurance that could be issued in Illinois,
33 unless that person is:

1 (1) engaged or employed as an attorney licensed to
2 practice law and performing duties incidental to that
3 position;

4 (2) a licensed insurance producer, limited
5 insurance representative, or temporary insurance producer
6 offering advice concerning a class of insurance as to
7 which he or she is licensed to transact business;

8 (3) a trust officer of a bank performing duties
9 incidental to his or her position;

10 (4) an actuary or a certified public accountant
11 engaged or employed in a consulting capacity, performing
12 duties incidental to that position; or

13 (5) a licensed public adjuster acting within the
14 scope of his or her license.

15 (c) In addition to any other penalty set forth in this
16 Article, an individual who knowingly violates subsection (a)
17 is guilty of a Class A misdemeanor.

18 (d) In addition to any other penalty set forth in this
19 Article, any individual violating subsection (a) or (b) and
20 misappropriating or converting any moneys collected in
21 conjunction with the violation is guilty of a Class 4 felony.

22 (215 ILCS 5/500-20 new)

23 Sec. 500-20. Exceptions to licensing.

24 (a) Nothing in this Article shall be construed to
25 require an insurer to obtain an insurance producer license.
26 In this Section, the term "insurer" does not include an
27 insurer's officers, directors, employees, subsidiaries, or
28 affiliates.

29 (b) A license as an insurance producer shall not be
30 required of the following:

31 (1) an officer, director, or employee of an insurer
32 or of an insurance producer, provided that the officer,
33 director, or employee does not receive any commission on

1 policies written or sold to insure risks residing,
2 located, or to be performed in this State and:

3 (A) the officer's, director's, or employee's
4 activities are executive, administrative,
5 managerial, clerical, or a combination of these, and
6 are only indirectly related to the sale,
7 solicitation, or negotiation of insurance;

8 (B) the officer's, director's, or employee's
9 function relates to underwriting, loss control,
10 inspection, or the processing, adjusting,
11 investigating, or settling of a claim on a contract
12 of insurance; or

13 (C) the officer, director, or employee is
14 acting in the capacity of a special agent or agency
15 supervisor assisting insurance producers if the
16 person's activities are limited to providing
17 technical advice and assistance to licensed
18 insurance producers and do not include the sale,
19 solicitation, or negotiation of insurance;

20 (2) a person who secures and furnishes information
21 for the purpose of group life insurance, group property
22 and casualty insurance, group annuities, or group or
23 blanket accident and health insurance or for the purpose
24 of enrolling individuals under plans, issuing
25 certificates under plans or otherwise assisting in
26 administering plans or who performs administrative
27 services related to mass marketed property and casualty
28 insurance, if no commission is paid to the person for the
29 service;

30 (3) an employer or association or its officers,
31 directors, employees, or the trustees of an employee
32 trust plan, to the extent that the employers, officers,
33 employees, directors, or trustees are engaged in the
34 administration or operation of a program of employee

1 benefits for the employer's or association's own
2 employees or the employees of its subsidiaries or
3 affiliates, which program involves the use of insurance
4 issued by an insurer, as long as the employers,
5 associations, officers, directors, employees, or trustees
6 are not in any manner compensated, directly or
7 indirectly, by the company issuing the contracts;

8 (4) employees of insurers or organizations employed
9 by insurers who are engaging in the inspection, rating,
10 or classification of risks or in the supervision of the
11 training of insurance producers and who are not
12 individually engaged in the sale, solicitation, or
13 negotiation of insurance;

14 (5) a person whose activities in this State are
15 limited to advertising without the intent to solicit
16 insurance in this State through communications in printed
17 publications or forms of electronic mass media whose
18 distribution is not limited to residents of this State,
19 provided that the person does not sell, solicit, or
20 negotiate insurance that would insure risks residing,
21 located, or to be performed in this State;

22 (6) a person who is not a resident of this State
23 who sells, solicits, or negotiates a contract of
24 insurance for commercial property and casualty risks to
25 an insured with risks located in more than one state
26 insured under that contract, provided that the person is
27 otherwise licensed as an insurance producer to sell,
28 solicit, or negotiate that insurance in the state where
29 the insured maintains its principal place of business and
30 the contract of insurance insures risks located in that
31 state; or

32 (7) a salaried, full-time employee who counsels or
33 advises his or her employer relative to the insurance
34 interests of the employer or of the subsidiaries or

1 business affiliates of the employer provided that the
2 employee does not sell or solicit insurance or receive a
3 commission.

4 (215 ILCS 5/500-25 new)

5 Sec. 500-25. Application for examination.

6 (a) A resident individual applying for an insurance
7 producer license must pass a written examination unless
8 exempt pursuant to Section 500-45. Both part one and part 2
9 of the examination must be passed within 90 days of each
10 other. The examination shall test the knowledge of the
11 individual concerning the lines of authority for which
12 application is made, the duties and responsibilities of an
13 insurance producer, and the insurance laws and rules of this
14 State. Examinations required by this Section must be
15 developed and conducted under rules prescribed by the
16 Director.

17 (b) The Director may make arrangements, including
18 contracting with an outside testing service, for
19 administering examinations and collecting the nonrefundable
20 fee set forth in Section 500-135.

21 (c) An individual applying for an examination must remit
22 a nonrefundable fee as prescribed by the Director as set
23 forth in Section 500-135, plus a separate remittance payable
24 to the designated testing service for the total fees the
25 testing service charges for each of the various services
26 being requested by the applicant.

27 (d) An individual who fails to appear for the
28 examination as scheduled or fails to pass the examination,
29 must reapply for an examination and remit all required fees
30 and forms before being rescheduled for another examination.

31 (215 ILCS 5/500-30 new)

32 Sec. 500-30. Application for license.

1 (a) An individual applying for a resident insurance
 2 producer license must make application on a form specified by
 3 the Director and declare under penalty of refusal,
 4 suspension, or revocation of the license that the statements
 5 made in the application are true, correct, and complete to
 6 the best of the individual's knowledge and belief. Before
 7 approving the application, the Director must find that the
 8 individual:

9 (1) is at least 18 years of age;

10 (2) has not committed any act that is a ground for
 11 denial, suspension, or revocation set forth in Section
 12 500-70;

13 (3) has completed, if required by the Director, a
 14 pre-licensing course of study for the lines of authority
 15 for which the individual has applied (an individual who
 16 successfully completes the Fire and Casualty
 17 pre-licensing courses also meets the requirements for
 18 Personal Lines-Property and Casualty);

19 (4) has paid the fees set forth in Section 500-135;
 20 and

21 (5) has successfully passed the examinations for
 22 the lines of authority for which the person has applied.

23 (b) A pre-licensing course of study for each class of
 24 insurance for which an insurance producer license is
 25 requested must be established in accordance with rules
 26 prescribed by the Director and must consist of the following
 27 minimum hours:

| <u>Class of Insurance</u> | <u>Number of</u> |
|---|------------------|
| | <u>Hours</u> |
| <u>Life (Class 1 (a))</u> | <u>15.0</u> |
| <u>Accident and Health (Class 1(b) or 2(a))</u> | <u>15.0</u> |
| <u>Fire (Class 3)</u> | <u>15.0</u> |
| <u>Casualty (Class 2)</u> | <u>15.0</u> |
| <u>Personal Lines-Property Casualty</u> | <u>15.0</u> |

1 Motor Vehicle (Class 2(b) or 3(e)) 7.5

2 (c) A business entity acting as an insurance producer
3 must obtain an insurance producer license. Application must
4 be made using the Uniform Business Entity Application. Before
5 approving the application, the Director must find that:

6 (1) the business entity has paid the fees set forth
7 in Section 500-135; and

8 (2) the business entity has designated a licensed
9 producer responsible for the business entity's compliance
10 with the insurance laws and rules of this State.

11 (d) The Director may require any documents reasonably
12 necessary to verify the information contained in an
13 application.

14 (215 ILCS 5/500-35 new)
15 Sec. 500-35. License.

16 (a) Unless denied a license pursuant to Section 500-70,
17 persons who have met the requirements of Sections 500-25 and
18 500-30 shall be issued a 2-year insurance producer license.
19 An insurance producer may receive qualification for a license
20 in one or more of the following lines of authority:

21 (1) Life: insurance coverage on human lives
22 including benefits of endowment and annuities, and may
23 include benefits in the event of death or dismemberment
24 by accident and benefits for disability income.

25 (2) Variable life and variable annuity products:
26 insurance coverage provided under variable life insurance
27 contracts and variable annuities.

28 (3) Accident and health or sickness: insurance
29 coverage for sickness, bodily injury, or accidental death
30 and may include benefits for disability income.

31 (4) Property: insurance coverage for the direct or
32 consequential loss or damage to property of every kind.

33 (5) Casualty: insurance coverage against legal

1 liability, including that for death, injury, or
2 disability or damage to real or personal property.

3 (6) Personal lines: property and casualty insurance
4 coverage sold to individuals and families for primarily
5 noncommercial purposes.

6 (7) Any other line of insurance permitted under
7 State laws or rules.

8 (b) An insurance producer license shall remain in effect
9 unless revoked or suspended as long as the fee set forth in
10 Section 500-135 is paid and education requirements for
11 resident individual producers are met by the due date.

12 (1) Before each license renewal, an insurance
13 producer must satisfactorily complete at least 30 hours
14 of course study in accordance with rules prescribed by
15 the Director. The Director may not approve a course of
16 study unless the course provides for classroom, seminar,
17 or self-study instruction methods. A course given in a
18 combination instruction method of classroom or seminar
19 and self-study shall be deemed to be a self-study course
20 unless the classroom or seminar certified hours meets or
21 exceeds two-thirds of total hours certified for the
22 course. The self-study material used in the combination
23 course must be directly related to and complement the
24 classroom portion of the course in order to be considered
25 for credit. An instruction method other than classroom
26 or seminar shall be considered as self-study
27 methodology. Self-study credit hours require the
28 successful completion of an examination covering the
29 self-study material. The examination may not be
30 self-evaluated. However, if the self-study material is
31 completed through the use of an approved computerized
32 interactive format whereby the computer validates the
33 successful completion of the self-study material, no
34 additional examination is required. The self-study

1 credit hours contained in a certified course shall be
2 considered classroom hours when at least two-thirds of
3 the hours are given as classroom or seminar instruction.

4 (2) An insurance producer license automatically
5 terminates when an insurance producer fails to
6 successfully meet the requirements of item (1) of
7 subsection (b) of this Section. The producer must
8 complete the course in advance of the renewal date to
9 allow the education provider time to report the credit to
10 the Department.

11 (c) A provider of a pre-licensing or continuing
12 education course required by Section 500-30 and this Section
13 must pay a registration fee and a course certification fee
14 for each course being certified as provided by Section
15 500-135.

16 (d) An individual insurance producer who allows his or
17 her license to lapse may, within 12 months after the due date
18 of the renewal fee, be issued a license without the necessity
19 of passing a written examination. However, a penalty in the
20 amount of double the unpaid renewal fee shall be required
21 after the due date.

22 (e) A licensed insurance producer who is unable to
23 comply with license renewal procedures due to military
24 service may request a waiver of those procedures.

25 (f) The license must contain the licensee's name,
26 address, and personal identification number, the date of
27 issuance, the lines of authority, the expiration date, and
28 any other information the Director deems necessary.

29 (g) Licensees must inform the Director by any means
30 acceptable to the Director of a change of address within 30
31 days after the change.

32 (h) In order to assist in the performance of the
33 Director's duties, the Director may contract with a
34 non-governmental entity including the National Association of

1 Insurance Commissioners (NAIC), or any affiliates or
2 subsidiaries that the NAIC oversees, to perform any
3 ministerial functions, including collection of fees, related
4 to producer licensing that the Director and the
5 non-governmental entity may deem appropriate.

6 (215 ILCS 5/500-40 new)

7 Sec. 500-40. Nonresident licensing.

8 (a) Unless denied a license pursuant to Section 500-70,
9 a nonresident person shall receive a nonresident producer
10 license if:

11 (1) the person is currently licensed as a resident
12 and in good standing in his or her home state;

13 (2) the person has submitted the proper request for
14 a license and has paid the fees required by Section
15 500-135;

16 (3) the person has submitted or transmitted to the
17 Director the application for a license that the person
18 submitted to his or her home state or, instead of that
19 application, a completed Uniform Application; and

20 (4) the person's home state awards nonresident
21 producer licenses to residents of this State on the same
22 basis.

23 (b) The Director may verify the producer's licensing
24 status through the Producer Database maintained by the
25 National Association of Insurance Commissioners or its
26 affiliates or subsidiaries or by obtaining certification from
27 the public official having supervision of insurance in the
28 applicant's state of residence that the applicant has passed
29 the written examination for the class of insurance applied
30 for.

31 (c) A nonresident producer who moves from one state to
32 another state or a resident producer who moves from this
33 State to another state must file a change of address and

1 provide certification from the new resident state within 30
2 days after the change of legal residence. No fee or license
3 application is required.

4 (d) Notwithstanding any other provision of this Article,
5 a person licensed as a surplus lines producer in his or her
6 home state shall receive a nonresident surplus lines producer
7 license pursuant to subsection (a) of this Section. Except
8 as provided in subsection (a), nothing in this Section
9 supersedes any provision of Section 445 of this Code.

10 (e) Notwithstanding any other provision of this Article,
11 a person licensed as a limited lines producer in his or her
12 home state shall receive a nonresident limited lines producer
13 license, pursuant to subsection (a) of this Section, granting
14 the same scope of authority as granted under the license
15 issued by the producer's home state. For the purposes of
16 this subsection, limited line insurance is any authority
17 granted by the home state that restricts the authority of the
18 license to less than the total authority prescribed in the
19 associated major lines pursuant to items (1) through (5) of
20 subsection (a) of Section 500-35.

21 (215 ILCS 5/500-45 new)

22 Sec. 500-45. Exemption from examination.

23 (a) An individual who applies for an insurance producer
24 license in this State who was previously licensed for the
25 same lines of authority in another state shall not be
26 required to complete any pre-licensing education or
27 examination. This exemption is only available if the person
28 is currently licensed in that state or if the application is
29 received within 90 days after the cancellation of the
30 applicant's previous license and if the prior state issues a
31 certification that, at the time of cancellation, the
32 applicant was in good standing in that state or the state's
33 Producer Database records, maintained by the National

1 Association of Insurance Commissioners, its affiliates, or
2 subsidiaries indicate that the producer is or was licensed in
3 good standing for the line of authority requested.

4 (b) A person licensed as an insurance producer in
5 another state who moves to this State must make application
6 within 90 days after establishing legal residence to become a
7 resident licensee pursuant to Section 500-30. A pre-licensing
8 education or examination is not required of that person to
9 obtain any line of authority previously held in the prior
10 state except when the Director determines otherwise by rule.

11 (215 ILCS 5/500-50 new)

12 Sec. 500-50. Insurance producers; examination
13 statistics.

14 (a) The use of examinations for the purpose of
15 determining qualifications of persons to be licensed as
16 insurance producers has a direct and far-reaching effect on
17 persons seeking those licenses, on insurance companies, and
18 on the public. It is in the public interest and it will
19 further the public welfare to insure that examinations for
20 licensing do not have the effect of unlawfully discriminating
21 against applicants for licensing as insurance producers on
22 the basis of race, color, national origin, or sex.

23 (b) As used in this Section, the following words have
24 the meanings given in this subsection.

25 Examination. "Examination" means the examination in each
26 line of insurance administered pursuant to Section 500-30.

27 Examinee. "Examinee" means a person who takes an
28 examination.

29 Part. "Part" means a portion of an examination for which
30 a score is calculated.

31 Operational item. "Operational item" means a test
32 question considered in determining an examinee's score.

33 Test form. "Test form" means the test booklet or

1 instrument used for a part of an examination.

2 Pretest item. "Pretest item" means a prospective test
3 question that is included in a test form in order to assess
4 its performance, but is not considered in determining an
5 examinee's score.

6 Minority group or examinees. "Minority group" or
7 "minority examinees" means African American, American Indian,
8 Asian, and Hispanic examinees.

9 Correct-answer rate. "Correct-answer rate" for an item
10 means the number of examinees who provided the correct answer
11 on an item divided by the number of examinees who answered
12 the item.

13 Correlation. "Correlation" means a statistical measure of
14 the relationship between performance on an item and
15 performance on a part of the examination.

16 (c) The Director shall ask each examinee to self-report
17 on a voluntary basis on the answer sheet, application form,
18 or by other appropriate means, the following information:

19 (1) race or ethnicity (African American; white;
20 American Indian; Asian; Hispanic; or other);

21 (2) education (8th grade or less; less than 12th
22 grade; high school diploma or G.E.D.; some college, but
23 no 4-year degree; or 4-year degree or more); and

24 (3) gender (male or female).

25 The Director must advise all examinees that they are not
26 required to provide this information, that they will not be
27 penalized for not doing so, and that the Director will use
28 the information provided exclusively for research and
29 statistical purposes and to improve the quality and fairness
30 of the examinations.

31 (d) No later than May 1 of each year, the Director must
32 prepare, publicly announce, and publish an Examination Report
33 of summary statistical information relating to each
34 examination administered during the preceding calendar year.

1 Each Examination Report shall show with respect to each
2 examination:

3 (1) For all examinees combined and separately by
4 race or ethnicity, by educational level, by gender, by
5 educational level within race or ethnicity, by education
6 level within gender, and by race or ethnicity within
7 gender:

8 (A) number of examinees;

9 (B) percentage and number of examinees who
10 passed each part;

11 (C) percentage and number of examinees who
12 passed all parts;

13 (D) mean scaled scores on each part; and

14 (E) standard deviation of scaled scores on
15 each part.

16 (2) For male examinees, female examinees, African
17 American examinees, white examinees, American Indian
18 examinees, Asian examinees, and Hispanic examinees,
19 respectively, with a high school diploma or G.E.D., the
20 distribution of scaled scores on each part.

21 No later than May 1 of each year, the Director must
22 prepare and make available on request an Item Report of
23 summary statistical information relating to each operational
24 item on each test form administered during the preceding
25 calendar year. The Item Report shall show, for each
26 operational item, for all examinees combined and separately
27 for African American examinees, white examinees, American
28 Indian examinees, Asian examinees, Hispanic examinees, and
29 other examinees, the correct-answer rates and correlations.

30 The Director is not required to report separate
31 statistical information for any group or subgroup comprising
32 fewer than 50 examinees.

33 (e) The Director must obtain a regular analysis of the
34 data collected under this Section, and any other relevant

1 information, for purposes of the development of new test
2 forms. The analysis shall continue the implementation of the
3 item selection methodology as recommended in the Final Report
4 of the Illinois Insurance Producer's Licensing Examination
5 Advisory Committee dated November 19, 1991, and filed with
6 the Department unless some other methodology is determined by
7 the Director to be as effective in minimizing differences
8 between white and minority examinee pass-fail rates.

9 (f) The Director has the discretion to set cutoff scores
10 for the examinations, provided that scaled scores on test
11 forms administered after July 1, 1993, shall be made
12 comparable to scaled scores on test forms administered in
13 1991 by use of professionally acceptable methods so as to
14 minimize changes in passing rates related to the presence or
15 absence of or changes in equating or scaling equations or
16 methods or content outlines. Each calendar year, the scaled
17 cutoff score for each part of each examination shall
18 fluctuate by no more than the standard error of measurement
19 from the scaled cutoff score employed during the preceding
20 year.

21 (g) No later than May 1, 2003 and no later than May 1 of
22 every fourth year thereafter, the Director must release to
23 the public and make generally available one representative
24 test form and set of answer keys for each part of each
25 examination.

26 (h) The Director must maintain, for a period of 3 years
27 after they are prepared or used, all registration forms, test
28 forms, answer sheets, operational items and pretest items,
29 item analyses, and other statistical analyses relating to the
30 examinations. All personal identifying information regarding
31 examinees and the content of test items must be maintained
32 confidentially as necessary for purposes of protecting the
33 personal privacy of examinees and the maintenance of test
34 security.

1 (i) In administering the examinations, the Director must
 2 make such accommodations for disabled examinees as are
 3 reasonably warranted by the particular disability involved,
 4 including the provision of additional time if necessary to
 5 complete an examination or special assistance in taking an
 6 examination.

7 (215 ILCS 5/500-55 new)

8 Sec. 500-55. Assumed names. An insurance producer doing
 9 business under any name other than the producer's legal name
 10 must notify the Director before using the assumed name.

11 (215 ILCS 5/500-60 new)

12 Sec. 500-60. Temporary licensing.

13 (a) The Director may issue a temporary insurance
 14 producer license for a period not to exceed 180 days and, at
 15 the discretion of the Director, may renew the temporary
 16 producer license for an additional 180 days without requiring
 17 an examination if the Director deems that the temporary
 18 license is necessary for the servicing of an insurance
 19 business in the following cases:

20 (1) to the surviving spouse or court-appointed
 21 personal representative of a licensed insurance producer
 22 who dies or becomes mentally or physically disabled to
 23 allow adequate time for the sale of the insurance
 24 business owned by the producer or for the recovery or
 25 return of the producer to the business or to provide for
 26 the training and licensing of new personnel to operate
 27 the producer's business;

28 (2) to a member or employee of a business entity
 29 licensed as an insurance producer, upon the death or
 30 disability of an individual designated in the business
 31 entity application or the license; or

32 (3) to the designee of a licensed insurance

1 producer entering active service in the armed forces of
2 the United States of America.

3 (b) The Director may by order limit the authority of any
4 temporary licensee in any way deemed necessary to protect
5 insureds and the public. The Director may require the
6 temporary licensee to have a suitable sponsor who is a
7 licensed producer or insurer and who assumes responsibility
8 for all acts of the temporary licensee and may impose other
9 similar requirements designed to protect insureds and the
10 public. The Director may by order revoke a temporary license
11 if the interest of insureds or the public are endangered. A
12 temporary license may not continue after the owner or the
13 personal representative disposes of the business.

14 (c) Before any temporary insurance producer license is
15 issued, there must be filed with the Director a written
16 application by the person desiring the license in the form,
17 with the supplements, and containing the information that
18 the Director requires. License fees, as provided for in
19 Section 500-135, must be paid upon the issuance of the
20 original temporary insurance producer license, but not for
21 any renewal thereof.

22 (215 ILCS 5/500-65 new)

23 Sec. 500-65. Temporary insurance producer license for an
24 applicant.

25 (a) The Director may grant a temporary insurance
26 producer license to an applicant for an insurance producer
27 license, without requiring an examination, for a period of 90
28 days, when the applicant otherwise meets the requirements of
29 this Article. During that 90-day period, the applicant must
30 be enrolled in a training course or training program
31 conducted by or on behalf of the appointing insurance company
32 and be in the process of fulfilling the pre-licensing
33 requirements of Sections 500-25 and 500-30.

1 (b) An individual applicant may not hold more than one
2 temporary insurance producer license during his or her
3 lifetime.

4 (c) The Director may refuse to grant temporary insurance
5 producer licenses to applicants from an insurance company
6 when during a 6-month period more than 50% of that company's
7 temporary insurance producer license holders have failed to
8 obtain insurance producer licenses prior to the expiration of
9 their temporary insurance producer licenses.

10 (d) Before the Director approves any temporary insurance
11 producer license, the insurance company requesting the
12 license must file with the Director an application and the
13 fee required by Section 500-135. The application must be made
14 on the form and in the manner the Director requires.

15 (215 ILCS 5/500-70 new)

16 Sec. 500-70. License denial, nonrenewal, or revocation.

17 (a) The Director may place on probation, suspend,
18 revoke, or refuse to issue or renew an insurance producer's
19 license or may levy a civil penalty in accordance with this
20 Section or take any combination of actions, for any one or
21 more of the following causes:

22 (1) providing incorrect, misleading, incomplete, or
23 materially untrue information in the license application;

24 (2) violating any insurance laws, or violating any
25 rule, subpoena, or order of the Director or of another
26 state's insurance commissioner;

27 (3) obtaining or attempting to obtain a license
28 through misrepresentation or fraud;

29 (4) improperly withholding, misappropriating or
30 converting any moneys or properties received in the
31 course of doing insurance business;

32 (5) intentionally misrepresenting the terms of an
33 actual or proposed insurance contract or application for

1 insurance;

2 (6) having been convicted of a felony;

3 (7) having admitted or been found to have committed
4 any insurance unfair trade practice or fraud;

5 (8) using fraudulent, coercive, or dishonest
6 practices, or demonstrating incompetence,
7 untrustworthiness or financial irresponsibility in the
8 conduct of business in this State or elsewhere;

9 (9) having an insurance producer license, or its
10 equivalent, denied, suspended, or revoked in any other
11 state, province, district or territory;

12 (10) forging a name to an application for insurance
13 or to a document related to an insurance transaction;

14 (11) improperly using notes or any other reference
15 material to complete an examination for an insurance
16 license;

17 (12) knowingly accepting insurance business from an
18 individual who is not licensed;

19 (13) failing to comply with an administrative or
20 court order imposing a child support obligation;

21 (14) failing to pay state income tax or penalty or
22 interest or comply with any administrative or court order
23 directing payment of state income tax or failed to file a
24 return or to pay any final assessment of any tax due to
25 the Department of Revenue; or

26 (15) failing to make satisfactory repayment to the
27 Illinois Student Assistance Commission for a delinquent
28 or defaulted student loan.

29 (b) If the action by the Director is to nonrenew,
30 suspend, or revoke a license or to deny an application for a
31 license, the Director shall notify the applicant or licensee
32 and advise, in writing, the applicant or licensee of the
33 reason for the suspension, revocation, denial or nonrenewal
34 of the applicant's or licensee's license. The applicant or

1 licensee may make written demand upon the Director within 30
2 days after the date of mailing for a hearing before the
3 Director to determine the reasonableness of the Director's
4 action. The hearing must be held within not fewer than 20
5 days nor more than 30 days after the mailing of the notice of
6 hearing and shall be held pursuant to 50 Ill. Adm. Code 2402.

7 (c) The license of a business entity may be suspended,
8 revoked, or refused if the Director finds, after hearing,
9 that an individual licensee's violation was known or should
10 have been known by one or more of the partners, officers, or
11 managers acting on behalf of the partnership, corporation,
12 limited liability company, or limited liability partnership
13 and the violation was neither reported to the Director nor
14 corrective action taken.

15 (d) In addition to or instead of any applicable denial,
16 suspension, or revocation of a license, a person may, after
17 hearing, be subject to a civil penalty of up to \$5,000 for
18 each cause for denial, suspension, or revocation, however,
19 the civil penalty may total no more than \$20,000.

20 (e) The Director has the authority to enforce the
21 provisions of and impose any penalty or remedy authorized by
22 this Article against any person who is under investigation
23 for or charged with a violation of this Code or rules even if
24 the person's license or registration has been surrendered or
25 has lapsed by operation of law.

26 (f) Upon the suspension, denial, or revocation of a
27 license, the licensee or other person having possession or
28 custody of the license shall promptly deliver it to the
29 Director in person or by mail. The Director shall publish
30 all suspensions, denials, or revocations after the
31 suspensions, denials, or revocations become final in a
32 manner designed to notify interested insurance companies and
33 other persons.

34 (g) A person whose license is revoked or whose

1 application is denied pursuant to this Section is ineligible
 2 to apply for any license for 3 years after the revocation or
 3 denial. A person whose license as an insurance producer has
 4 been revoked, suspended, or denied may not be employed,
 5 contracted, or engaged in any insurance related capacity
 6 during the time the revocation, suspension, or denial is in
 7 effect.

8 (215 ILCS 5/500-75 new)

9 Sec. 500-75. Disclosure. A policy the solicitation of
 10 which involves an insurance producer, limited insurance
 11 representative, or temporary insurance producer must identify
 12 the name of the producer, representative, or firm. An
 13 individual life or accident and health application and a
 14 master policy application for life or accident and health
 15 group coverages must bear the name and signature of the
 16 licensee who solicited and wrote the application.

17 (215 ILCS 5/500-80 new)

18 Sec. 500-80. Commissions.

19 (a) An insurer or insurance producer may not pay a
 20 commission, service fee, brokerage, or other valuable
 21 consideration to a person for selling, soliciting, or
 22 negotiating insurance in this State if that person is
 23 required to be licensed under this Article and is not so
 24 licensed at the time of selling, soliciting, or negotiating
 25 the insurance.

26 (b) A person may not accept a commission, service fee,
 27 brokerage, or other valuable consideration for selling,
 28 soliciting, or negotiating insurance in this State if that
 29 person is required to be licensed under this Article and is
 30 not so licensed.

31 (c) Renewal or other deferred commissions may be paid to
 32 a person for selling, soliciting, or negotiating insurance in

1 this State if the person was required to be licensed under
2 this Article at the time of the sale, solicitation, or
3 negotiation and was so licensed at that time.

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

9 (e) Except as to commissions deductible from premiums on
10 insurance policies or contracts for insurance, an insurance
11 producer or business entity does not have any right to
12 compensation from an insured or prospective insured for or on
13 account of the transaction of insurance business unless the
14 right to compensation is stated on a separate written
15 memorandum that clearly specifies the amount or extent of the
16 service fee and that is provided to the applicant or insured
17 before the performance of the service or the issuance of the
18 policy, whichever is first. A copy of the memorandum must be
19 maintained by any producer who collects or receives the
20 service fee or any portion of the service fee. If the
21 compensation or service fee exceeds 10% of the premium amount
22 or potential premium amount of the contract or policy, the
23 memorandum shall include the signature of the insured or
24 prospective insured acknowledging the compensation or service
25 fee.

26 (f) Any compensation or service fee received on a
27 contract or policy that is later canceled, within the first
28 half of the contract or policy period, for any reason must be
29 returned to the insured by the insurance producer or business
30 entity at a prorated amount. The prorated amount shall be
31 based on the length of the term of the policy or contract
32 compared to the time that contract or policy was in force
33 such that the amount returned reflects the portion of the
34 term of the contract or policy during which the contract was

1 not in force. There shall be no compensation or service fee
2 assessed or received on a contract or policy by the insurance
3 producer or business entity for processing such cancellation.

4 (215 ILCS 5/500-85 new)

5 Sec. 500-85. Notification of termination; immunity;
6 confidentiality.

7 (a) An insurer or authorized representative of an
8 insurer that terminates the appointment, employment,
9 contract, or other insurance business relationship with a
10 producer must notify the Director within 30 days following
11 the effective date of the termination, using a format
12 prescribed by the Director, if the reason for termination is
13 one of the reasons set forth in Section 500-70 or the insurer
14 has knowledge the producer was found by a court, government
15 body, or self-regulatory organization authorized by law to
16 have engaged in any of the activities in Section 500-70. Upon
17 written request by the Director, the insurer must provide
18 additional information, documents, records, or other data
19 pertaining to the termination or activity of the producer.

20 (b) The insurer or the authorized representative of the
21 insurer must promptly notify the Director in a format
22 acceptable to the Director if, upon further review or
23 investigation, the insurer discovers additional information
24 that would have been reportable to the Director in accordance
25 with subsection (a) had the insurer then known of its
26 existence.

27 (c) Within 15 days after making the notification
28 required by subsections (a) and (b), the insurer must mail a
29 copy of the notification to the producer at his or her last
30 known address. If the producer is terminated for cause for
31 any of the reasons listed in Section 500-70, the insurer must
32 provide a copy of the notification to the producer at his or
33 her last known address by certified mail, return receipt

1 requested, postage prepaid or by overnight delivery using a
2 nationally recognized carrier.

3 Within 30 days after the producer has received the
4 original or additional notification, the producer may file
5 written comments concerning the substance of the notification
6 with the Director. The producer must, by the same means,
7 simultaneously send a copy of the comments to the reporting
8 insurer, and the comments shall become a part of the
9 Director's file and accompany every copy of a report
10 distributed or disclosed for any reason about the producer as
11 permitted under this Code.

12 (d) There shall be no liability on the part of, nor
13 shall a cause of action of any nature arise against, an
14 insurer, the authorized representative of the insurer, a
15 producer, the Director, or an organization of which the
16 Director is a member for any information, documents, records,
17 or statements provided pursuant to this Section.

18 (e) An insurer, the authorized representative of the
19 insurer, or a producer that fails to report as required under
20 the provisions of this Section or that is found to have
21 reported with malicious intent by a court of competent
22 jurisdiction may, after notice and hearing, have its license
23 or certificate of authority suspended or revoked and may be
24 subjected to a civil penalty.

25 (215 ILCS 5/500-90 new)

26 Sec. 500-90. Reciprocity.

27 (a) The Director shall waive any requirements for a
28 nonresident license applicant with a valid license from his
29 or her home state, except the requirements imposed by Section
30 500-40 of this Article, if the applicant's home state awards
31 nonresident licenses to residents of this State on the same
32 basis.

33 (b) A nonresident producer's satisfaction of his or her

1 home state's continuing education requirements for licensed
2 insurance producers shall constitute satisfaction of this
3 State's continuing education requirements if the non-resident
4 producer's home state recognizes the satisfaction of its
5 continuing education requirements imposed upon producers from
6 this State on the same basis.

7 (215 ILCS 5/500-95 new)

8 Sec. 500-95. Reporting of actions. An individual who,
9 while licensed as an insurance producer, is convicted of a
10 felony, must report the conviction to the Director within 30
11 days after the entry date of the judgment. Within that
12 30-day period, the individual must also provide the Director
13 with a copy of the judgment, the probation or commitment
14 order, and any other relevant documents.

15 (215 ILCS 5/500-100 new)

16 Sec. 500-100. Limited lines producer license.

17 (a) An individual who is at least 18 years of age and
18 whom the Director considers to be competent, trustworthy, and
19 of good business reputation may obtain a limited lines
20 producer license for one or more of the following classes:

21 (1) insurance on baggage or limited travel health,
22 accident, or trip cancellation insurance sold in
23 connection with transportation provided by a common
24 carrier;

25 (2) industrial life insurance, as defined in
26 Section 228 of this Code;

27 (3) industrial accident and health insurance, as
28 defined in Section 368 of this Code;

29 (4) insurance issued by a company organized under
30 the Farm Mutual Insurance Company Act of 1986;

31 (5) legal expense insurance;

32 (6) enrollment of recipients of public aid or

1 medicare in a health maintenance organization;

2 (7) a limited health care plan issued by an
3 organization having a certificate of authority under the
4 Limited Health Service Organization Act.

5 (b) The application for a limited lines producer license
6 must be submitted on a form prescribed by the Director by a
7 designee of the insurance company, health maintenance
8 organization, or limited health service organization
9 appointing the limited insurance representative. The
10 insurance company, health maintenance organization, or
11 limited health service organization must pay the fee required
12 by Section 500-135.

13 (c) A limited lines producer may represent more than one
14 insurance company, health maintenance organization, or
15 limited health service organization.

16 (d) An applicant who has met the requirements of this
17 Section shall be issued a perpetual limited lines producer
18 license.

19 (e) A limited lines producer license shall remain in
20 effect as long as the appointing insurance company pays the
21 respective fee required by Section 500-135 prior to January 1
22 of each year, unless the license is revoked or suspended
23 pursuant to Section 500-70. Failure of the insurance company
24 to pay the license fee or to submit the required documents
25 shall cause immediate termination of the limited line
26 insurance producer license with respect to which the failure
27 occurs.

28 (f) A limited lines producer license may be terminated
29 by the insurance company or the licensee.

30 (g) A person whom the Director considers to be
31 competent, trustworthy, and of good business reputation may
32 be issued a car rental limited line license. A car rental
33 limited line license for a rental company shall remain in
34 effect as long as the car rental limited line licensee pays

1 the respective fee required by Section 500-135 prior to the
2 next fee date unless the car rental license is revoked or
3 suspended pursuant to Section 500-70. Failure of the car
4 rental limited line licensee to pay the license fee or to
5 submit the required documents shall cause immediate
6 suspension of the car rental limited line license. A car
7 rental limited line license for rental companies may be
8 voluntarily terminated by the car rental limited line
9 licensee. The license fee shall not be refunded upon
10 termination of the car rental limited line license by the car
11 rental limited line licensee.

12 (h) A limited lines producer issued a license pursuant
13 to this Section is not subject to the requirements of Section
14 500-30.

15 (i) A limited lines producer license must contain the
16 name, address and personal identification number of the
17 licensee, the date the license was issued, general
18 conditions relative to the license's expiration or
19 termination, and any other information the Director considers
20 proper. A limited line producer license, if applicable, must
21 also contain the name and address of the appointing insurance
22 company.

23 (215 ILCS 5/500-105 new)

24 Sec. 500-105. Car rental limited line license for rental
25 companies.

26 (a) A rental company must obtain a producer license or
27 obtain a car rental limited line license before offering or
28 selling insurance in connection with and incidental to the
29 rental of vehicles. The sale of the insurance may occur at
30 the rental office or by preselection of coverage in a master,
31 corporate, group rental, or individual agreement. The
32 following general categories of coverage may be offered or
33 sold:

1 (1) personal accident insurance covering the risks
2 of travel including, but not limited to, accident and
3 health insurance that provides coverage, as applicable,
4 to renters and other rental vehicle occupants for
5 accidental death or dismemberment and reimbursement for
6 medical expenses resulting from an accident that occurs
7 during the rental period;

8 (2) liability insurance, including uninsured and
9 underinsured motorist coverage, that provides coverage,
10 as applicable, to renters and other authorized drivers
11 of rental vehicles for liability arising from the
12 operation of the rental vehicle;

13 (3) personal effects insurance that provides
14 coverage, as applicable, to renters and other vehicle
15 occupants for the loss of, or damage to, personal effects
16 that occurs during the rental period;

17 (4) roadside assistance and emergency sickness
18 protection programs; and

19 (5) any other travel or auto-related coverage that
20 a rental company offers in connection with and incidental
21 to the rental of vehicles.

22 (b) Insurance may not be offered by a car rental limited
23 line producer pursuant to this Section unless:

24 (1) the rental company has applied for and obtained
25 a car rental limited line license;

26 (2) the rental period of the rental agreement does
27 not exceed 30 consecutive days;

28 (3) at every rental location where rental
29 agreements are executed, brochures or other written
30 materials are readily available to the prospective renter
31 that:

32 (A) summarize clearly and correctly, the
33 material terms of coverage offered to renters,
34 including the identity of the insurer;

1 (B) disclose that the coverage offered by the
2 rental company may provide a duplication of coverage
3 already provided by a renter's personal automobile
4 insurance policy, homeowner's insurance policy,
5 personal liability insurance policy, or other source
6 of coverage;

7 (C) state that the purchase by the renter of
8 the kinds of coverage specified in this Section is
9 not required in order to rent a vehicle; and

10 (D) describe the process for filing a claim in
11 the event the renter elects to purchase coverage and
12 in the event of a claim; and

13 (4) evidence of coverage in the rental agreement is
14 disclosed to every renter who elects to purchase such
15 coverage.

16 (c) Car rental company franchisees must apply for a car
17 rental limited line license independent of the franchisor if
18 insurance provided pursuant to this Section is offered by the
19 franchisee.

20 (d) A car rental limited line license issued under this
21 Section shall also authorize any employee of the car rental
22 limited line licensee to act individually on behalf and under
23 the supervision of the car rental limited line licensee with
24 respect to the kinds of coverage specified in this Section.

25 (e) A rental company licensed pursuant to this Section
26 must conduct a training program in which employees being
27 trained shall receive basic instruction about the kinds of
28 coverage specified in this Section and offered for purchase
29 by prospective renters of rental vehicles.

30 (f) Notwithstanding any other provision of this Section
31 or any rule adopted by the Director, a car rental limited
32 line producer pursuant to this Section is not required to
33 treat moneys collected from renters purchasing insurance when
34 renting vehicles as funds received in a fiduciary capacity,

1 provided that the charges for coverage shall be itemized and
2 be ancillary to a rental transaction.

3 (g) The sale of insurance not in conjunction with a
4 rental transaction shall not be permitted.

5 (h) A car rental limited line producer under this
6 Section may not advertise, represent, or otherwise hold
7 itself or any of its employees out as licensed insurers,
8 insurance producers, insurance agents, or insurance brokers.

9 (i) Direct commissions may not be paid to rental car
10 company employees by the insurer or the customer purchasing
11 insurance products. The rental car company may include
12 insurance products in an overall employee performance
13 compensation incentive program.

14 (j) An application for a car rental limited line license
15 must be made on a form specified by the Director.

16 (215 ILCS 5/500-110 new)

17 Sec. 500-110. Regulatory examinations.

18 (a) The Director may examine any applicant for or holder
19 of an insurance producer license, limited line producer
20 license or temporary insurance producer license or any
21 business entity.

22 (b) All persons being examined, as well as their
23 officers, directors, insurance producers, limited lines
24 producers, and temporary insurance producers must provide to
25 the Director convenient and free access, at all reasonable
26 hours at their offices, to all books, records, documents, and
27 other papers relating to the persons' insurance business
28 affairs. The officers, directors, insurance producers,
29 limited lines producers, temporary insurance producers, and
30 employees must facilitate and aid the Director in the
31 examinations as much as it is in their power to do so.

32 (c) The Director may designate an examiner or examiners
33 to conduct any examination under this Section. The Director

1 or his or her designee may administer oaths and examine
2 under oath any individual relative to the business of the
3 person being examined.

4 (d) The examiners designated by the Director under this
5 Section may make reports to the Director. A report alleging
6 substantive violations of this Article or any rules
7 prescribed by the Director must be in writing and be based
8 upon facts ascertained from the books, records, documents,
9 papers, and other evidence obtained by the examiners or from
10 sworn or affirmed testimony of or written affidavits from
11 the person's officers, directors, insurance producers,
12 limited lines producer, temporary insurance producers, or
13 employees or other individuals, as given to the examiners.
14 The report of an examination must be verified by the
15 examiners.

16 (e) If a report is made, the Director must either
17 deliver a duplicate of the report to the person being
18 examined or send the duplicate by certified or registered
19 mail to the person's address of record. The Director shall
20 afford the person an opportunity to demand a hearing with
21 reference to the facts and other evidence contained in the
22 report. The person may request a hearing within 14 calendar
23 days after he or she receives the duplicate of the
24 examination report by giving the Director written notice of
25 that request, together with a written statement of the
26 person's objections to the report. The Director must, if
27 requested to do so, conduct a hearing in accordance with
28 Sections 402 and 403 of this Code. The Director must issue
29 a written order based upon the examination report and upon
30 the hearing, if a hearing is held, within 90 days after the
31 report is filed, or within 90 days after the hearing if a
32 hearing is held. If the report is refused or otherwise
33 undeliverable, or a hearing is not requested in a timely
34 fashion, the right to a hearing is waived. After the hearing

1 or the expiration of the time period in which a person may
2 request a hearing, if the examination reveals that the person
3 is operating in violation of any law, rule, or prior order,
4 the Director in the written order may require the person to
5 take any action the Director considers necessary or
6 appropriate in accordance with the report or examination
7 hearing. The order is subject to review under the
8 Administrative Review Law.

9 (f) The Director may adopt reasonable rules to further
10 the purposes of this Section.

11 (g) A person who violates or aids and abets any
12 violation of a written order issued under this Section shall
13 be guilty of a business offense and his or her license may be
14 revoked or suspended pursuant to Section 500-70 of this
15 Article and he or she may be subjected to a civil penalty of
16 not more than \$10,000.

17 (215 ILCS 5/500-115 new)

18 Sec. 500-115. Financial responsibilities.

19 (a) Any money that an insurance producer, limited line
20 producer, temporary insurance producer, business entity, or
21 surplus line producer receives for soliciting, negotiating,
22 effecting, procuring, renewing, continuing, or binding
23 policies of insurance shall be held in a fiduciary capacity
24 and shall not be misappropriated, converted, or improperly
25 withheld. An insurance company that delivers to any
26 insurance producer in this State a policy or contract for
27 insurance pursuant to the application or request of an
28 insurance producer, authorizes the producer to collect or
29 receive on its behalf payment of any premium that is due on
30 the policy or contract for insurance at the time of its
31 issuance or delivery and any premium that becomes due on the
32 policy or contract not more than 90 days thereafter.

33 (b) An insurer that issues a policy of insurance shall

1 be deemed to have received payment of the premium if the
2 insured paid any insurance producer requesting the coverage.
3 The insurer shall be responsible to the insured for any
4 return premium.

5 (c) In the case of open accounts receivable with the
6 balance payable to an insurance producer within a specified
7 period of 90 days or less, where the balance is not fully
8 paid within that period, a late charge not exceeding 1.5% per
9 month may be added by the insurance producer to the unpaid
10 balance to induce payment of the premium.

11 (d) If an insurance producer or surplus line producer
12 knowingly misappropriates or converts to his or her own use
13 or illegally withholds fiduciary moneys in the amount of \$150
14 or less, he or she is guilty of a Class A misdemeanor for a
15 first offense and a Class 4 felony for subsequent
16 conversions, misappropriations, and withholdings of that
17 nature. If an insurance producer or surplus line producer
18 knowingly misappropriates or converts to his or her own use
19 or illegally withholds premiums in excess of \$150, he or she
20 is guilty of a Class 3 felony.

21 (215 ILCS 5/500-120 new)

22 Sec. 500-120. Conflicts of interest; inactive status.

23 (a) A person, partnership, association, or corporation
24 licensed by the Department who, due to employment with any
25 unit of government that would cause a conflict of interest
26 with the holding of that license, notifies the Director in
27 writing on forms prescribed by the Department and, subject to
28 rules of the Department, makes payment of applicable
29 licensing renewal fees, may elect to place the license on an
30 inactive status.

31 (b) A licensee whose license is on inactive status may
32 have the license restored by making application to the
33 Department on such form as may be prescribed by the

1 Department. The application must be accompanied with a fee of
2 \$50 plus the current applicable license fee.

3 (c) A license may be placed on inactive status for a
4 2-year period, and upon request, the inactive status may be
5 extended for a successive 2-year period not to exceed a
6 cumulative 4-year inactive period. After a license has been
7 on inactive status for 4 years or more, the licensee must
8 meet all of the standards required of a new applicant before
9 the license may be restored to active status.

10 (d) If requests for inactive status are not renewed as
11 set forth in subsection (c), the license will be taken off
12 the inactive status and the license will lapse immediately.

13 (215 ILCS 5/500-125 new)

14 Sec. 500-125. Controlled business.

15 (a) An insurance producer license may not be granted or
16 extended to any person if the Director has reasonable cause
17 to believe:

18 (1) that during either of the 2 calendar years
19 immediately preceding the extension date of the license
20 the aggregate amount of premiums on insurance represented
21 by controlled business exceeded the aggregate amount of
22 premiums on all other insurance business of the licensee;
23 or

24 (2) that during the 12-month period immediately
25 following the issuance or extension of the license, if so
26 issued or extended, the aggregate amount of premiums on
27 controlled business would exceed the aggregate amount of
28 premiums on all other insurance business of the applicant
29 or licensee.

30 (b) Controlled business means insurance procured or to
31 be procured by or through the person upon:

32 (1) his own life, person, property or risks, or
33 those of his spouse; or

1 (2) the life, person, property, or risks of his
2 employer or his own business.

3 (215 ILCS 5/500-130 new)

4 Sec. 500-130. Bond required of insurance producers.

5 (a) An insurance producer who places insurance either
6 directly or indirectly with an insurer with which the
7 insurance producer does not have an agent contact must
8 maintain in force while licensed a bond in favor of the
9 people of the State of Illinois executed by an authorized
10 surety company and payable to any party injured under the
11 terms of the bond. The bond shall be continuous in form and
12 in the amount of \$2,500 or 5% of the premiums brokered in the
13 previous calendar year, whichever is greater, but not to
14 exceed \$50,000 total aggregate liability. The bond shall be
15 conditioned upon full accounting and due payment to the
16 person or company entitled thereto, of funds coming into the
17 insurance producer's possession as an incident to insurance
18 transactions under the license or surplus line insurance
19 transactions under the license as a surplus line producer.

20 (b) Authorized insurance producers of a business entity
21 may meet the requirements of this Section with a bond in the
22 name of the business entity, continuous in form, and in the
23 amounts set forth in subsection (a) of this Section.
24 Insurance producers may meet the requirements of this Section
25 with a bond in the name of an association. An individual
26 producer remains responsible for assuring that a producer
27 bond is in effect and is for the correct amount. The
28 association must have been in existence for 5 years, have
29 common membership, and been formed for a purpose other than
30 obtaining a bond.

31 (c) The surety may cancel the bond and be released from
32 further liability thereunder upon 30 days' written notice in
33 advance to the principal. The cancellation does not affect

1 any liability incurred or accrued under the bond before the
2 termination of the 30-day period.

3 (d) The producer's license may be revoked if the
4 producer acts without a bond that is required under this
5 Section.

6 (e) If a party injured under the terms of the bond
7 requests the producer to provide the name of the surety and
8 the bond number, the producer must provide the information
9 within 3 working days after receiving the request.

10 (f) An association may meet the requirements of this
11 Section for all of its members with a bond in the name of the
12 association that is continuous in form and in the amounts set
13 forth in subsection (a) of this Section.

14 (215 ILCS 5/500-135 new)

15 Sec. 500-135. Fees.

16 (a) The fees required by this Article are as follows:

17 (1) a fee of \$150 payable once every 2 years for an
18 insurance producer license;

19 (2) a fee of \$25 for the issuance of a temporary
20 insurance producer license;

21 (3) a fee of \$50 payable once every 2 years for a
22 business entity;

23 (4) an annual \$25 fee for a limited line producer
24 license issued under items (1) through (7) of subsection
25 (a) of Section 500-100;

26 (5) a \$25 application fee for the processing of a
27 request to take the written examination for an insurance
28 producer license;

29 (6) an annual registration fee of \$500 for
30 registration of an education provider;

31 (7) a certification fee of \$25 for each certified
32 pre-licensing or continuing education course and an
33 annual fee of \$10 for renewing the certification of each

1 such course;

2 (8) a fee of \$50 payable once every 2 years for a
3 car rental limited line license;

4 (9) a fee of \$150 payable once every 2 years for a
5 limited lines license other than the licenses issued
6 under items (1) through (7) of subsection (a) of Section
7 500-100 or a car rental limited line license.

8 (b) Except as otherwise provided, all fees paid to and
9 collected by the Director under this Section shall be paid
10 promptly after receipt thereof, together with a detailed
11 statement of such fees, into a special fund in the State
12 Treasury to be known as the Insurance Producer Administration
13 Fund. The moneys deposited into the Insurance Producer
14 Administration Fund may be used only for payment of the
15 expenses of the Department in the execution, administration,
16 and enforcement of the insurance laws of this State, and
17 shall be appropriated as otherwise provided by law for the
18 payment of those expenses with first priority being any
19 expenses incident to or associated with the administration
20 and enforcement of this Article.

21 (215 ILCS 5/500-140 new)

22 Sec. 500-140. Injunctive relief. A person required to be
23 licensed under this Article but failing to obtain a valid and
24 current license under this Article constitutes a public
25 nuisance. The Director may report the failure to obtain a
26 license to the Attorney General, whose duty it is to apply
27 forthwith by complaint on relation of the Director in the
28 name of the people of the State of Illinois, for injunctive
29 relief in the circuit court of the county where the failure
30 to obtain a license occurred to enjoin that person from
31 failing to obtain a license. Upon the filing of a verified
32 petition in the court, the court, if satisfied by affidavit
33 or otherwise that the person is required to have a license

1 and does not have a valid and current license, may enter a
2 temporary restraining order without notice or bond, enjoining
3 the defendant from acting in any capacity that requires such
4 license. A copy of the verified complaint shall be served
5 upon the defendant, and the proceedings shall thereafter be
6 conducted as in other civil cases. If it is established that
7 the defendant has been, or is engaged in any unlawful
8 practice, the court may enter an order or judgment
9 perpetually enjoining the defendant from further engaging in
10 such practice. In all proceedings brought under this
11 Section, the court, in its discretion, may apportion the
12 costs among the parties, including the cost of filing the
13 complaint, service of process, witness fees and expenses,
14 court reporter charges, and reasonable attorney fees. In
15 case of the violation of any injunctive order entered under
16 the provisions of this Section, the court may summarily try
17 and punish the offender for contempt of court. The
18 injunctive relief available under this Section is in addition
19 to and not in lieu of all other penalties and remedies
20 provided in this Code.

21 (215 ILCS 5/500-145 new)

22 Sec. 500-145. Rules. The Director may, in accordance
23 with Section 401 of this Code, promulgate reasonable rules as
24 are necessary or proper to carry out the purposes of this
25 Article.

26 (215 ILCS 5/500-150 new)

27 Sec. 500-150. Severability. The provisions of this
28 Article are severable under Section 1.31 of the Statute on
29 Statutes.

30 (215 ILCS 5/490.1 rep.)

31 (215 ILCS 5/491.1 rep.)

- 1 (215 ILCS 5/492.2 rep.)
- 2 (215 ILCS 5/493.2 rep.)
- 3 (215 ILCS 5/494.1 rep.)
- 4 (215 ILCS 5/494.2 rep.)
- 5 (215 ILCS 5/495.1 rep.)
- 6 (215 ILCS 5/495.2 rep.)
- 7 (215 ILCS 5/496.2 rep.)
- 8 (215 ILCS 5/497.1 rep.)
- 9 (215 ILCS 5/498.1 rep.)
- 10 (215 ILCS 5/499.1 rep.)
- 11 (215 ILCS 5/500.1 rep.)
- 12 (215 ILCS 5/501.2 rep.)
- 13 (215 ILCS 5/502.2 rep.)
- 14 (215 ILCS 5/503.1 rep.)
- 15 (215 ILCS 5/504 rep.)
- 16 (215 ILCS 5/504.1 rep.)
- 17 (215 ILCS 5/505.1 rep.)
- 18 (215 ILCS 5/505.2 rep.)
- 19 (215 ILCS 5/506.1 rep.)
- 20 (215 ILCS 5/507.1 rep.)
- 21 (215 ILCS 5/508.1 rep.)
- 22 (215 ILCS 5/508.2 rep.)
- 23 (215 ILCS 5/509.1 rep.)
- 24 (215 ILCS 5/510.2 rep.)
- 25 (215 ILCS 5/511.1 rep.)

26 Section 10. The Illinois Insurance Code is amended by
 27 repealing Sections 490.1, 491.1, 492.2, 493.2, 494.1, 494.2,
 28 495.1, 495.2, 496.2, 497.1, 498.1, 499.1, 500.1, 501.2,
 29 502.2, 503.1, 504, 504.1, 505.1, 505.2, 506.1, 507.1, 508.1,
 30 508.2, 509.1, 510.2, and 511.1.

31 Section 99. Effective date. This Act takes effect
 32 January 1, 2002.

1 INDEX

2 Statutes amended in order of appearance

- 3 215 ILCS 5/500-5 new
- 4 215 ILCS 5/500-10 new
- 5 215 ILCS 5/500-15 new
- 6 215 ILCS 5/500-20 new
- 7 215 ILCS 5/500-25 new
- 8 215 ILCS 5/500-30 new
- 9 215 ILCS 5/500-35 new
- 10 215 ILCS 5/500-40 new
- 11 215 ILCS 5/500-45 new
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- 25 215 ILCS 5/500-115 new
- 26 215 ILCS 5/500-120 new
- 27 215 ILCS 5/500-125 new
- 28 215 ILCS 5/500-130 new
- 29 215 ILCS 5/500-135 new
- 30 215 ILCS 5/500-140 new
- 31 215 ILCS 5/500-145 new
- 32 215 ILCS 5/500-150 new
- 33 215 ILCS 5/490.1 rep.
- 34 215 ILCS 5/491.1 rep.

- 1 215 ILCS 5/492.2 rep.
- 2 215 ILCS 5/493.2 rep.
- 3 215 ILCS 5/494.1 rep.
- 4 215 ILCS 5/494.2 rep.
- 5 215 ILCS 5/495.1 rep.
- 6 215 ILCS 5/495.2 rep.
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- 8 215 ILCS 5/497.1 rep.
- 9 215 ILCS 5/498.1 rep.
- 10 215 ILCS 5/499.1 rep.
- 11 215 ILCS 5/500.1 rep.
- 12 215 ILCS 5/501.2 rep.
- 13 215 ILCS 5/502.2 rep.
- 14 215 ILCS 5/503.1 rep.
- 15 215 ILCS 5/504 rep.
- 16 215 ILCS 5/504.1 rep.
- 17 215 ILCS 5/505.1 rep.
- 18 215 ILCS 5/505.2 rep.
- 19 215 ILCS 5/506.1 rep.
- 20 215 ILCS 5/507.1 rep.
- 21 215 ILCS 5/508.1 rep.
- 22 215 ILCS 5/508.2 rep.
- 23 215 ILCS 5/509.1 rep.
- 24 215 ILCS 5/510.2 rep.
- 25 215 ILCS 5/511.1 rep.