



CITY OF WASHINGTON, ILLINOIS City Council Agenda Communication

Meeting Date: July 3, 2023

Prepared By: Joanie Baxter, CPA – Finance Director 

Agenda Item: Foreign Fire Insurance Resolution

Explanation: Since 1937, the Illinois Municipal League (IML) has collected foreign fire insurance fees on behalf of Illinois fire departments and fire protection districts. Because the City of Washington has a contractual relationship with the fire department and uses the funds for fire-related expenses, the fees have been collected and remitted to the City. A new state law that took effect on January 1, 2023, requires that a resolution be adopted to designate the IML as the collection agency should the City choose to continue this relationship.

A fact sheet is attached that gives more information about the fee and how it is collected. Please note that Staff has received confirmation from IML that a foreign fire insurance board that is referred to in the fact sheet is not required when the fire department is not a City department such as is the case with the City of Washington. The fees are remitted directly to the City as has historically been done and they are used to help pay the fire department expenses funded through the General Fund.

Fiscal Impact: A total of \$37,000 is budgeted as revenue in the General Fund – Fire department for FY 2023-24.

Staff Recommendation: Recommend approval of the Resolution.

Action Requested: Approval of the Resolution on July 3, 2023.

FOREIGN FIRE INSURANCE FEE COLLECTION



Since 1937, the Illinois Municipal League (IML) has collected foreign fire insurance fees on behalf of Illinois fire departments and fire protection districts.

Recent changes to state law through [Public Act \(P.A.\) 102-0740 \(available via this link\)](#), which took effect January 1, 2023, have altered the process by which these fees are assessed, collected and remitted. This fact sheet provides an overview of the fee, and how it may be used for the benefit of fire departments and fire protection districts.

WHAT IS THE FOREIGN FIRE INSURANCE FEE?

P.A. 102-0740 requires all insurance companies not incorporated under the laws of the State of Illinois, and that provide fire insurance for property situated within an Illinois municipality or fire protection district that maintains a fire department, to remit a foreign fire insurance license fee to the foreign fire insurance board within a municipality, or to the secretary of a fire protection district. Previously, the corporate authorities of a municipality or fire protection district were required to adopt an ordinance to levy the fee.

This fee, previously referred to as a foreign fire insurance tax, equals 2% of the fire portion of the insurance policy premium received from fire insurance upon property situated within an Illinois municipality or fire protection district. The fee must be used for the “maintenance, use and benefit of the fire department.”

HOW IS THIS FEE COLLECTED?

Under P.A. 102-0740, the foreign fire insurance board or fire protection district has the sole and exclusive authority to designate an authorized representative or agent to collect the fee on its behalf. IML serves as the default collector of the fee if the board or district does not collect the fee on its own accord or authorize another entity to do so.

We have more than 85 years of experience performing these services, we continue to improve our collection efforts by working directly with insurance carriers to obtain more detailed coverage areas to ensure the maximum amount is returned to each community. We assess a service charge for these services which is paid from overall receipts remitted to each board and fire protection district.

State law provides for collection of the fee based on the year ending each July 1. The collection process normally is completed, and proceeds are distributed, in late September of each year.

WHAT MUST YOU DO?

In order to officially authorize IML to collect and remit this fee, the board of trustees of a foreign fire insurance board or of a fire protection district are encouraged to adopt a resolution naming IML as the authorized agent, and complete and submit a contact information form. Both documents and additional resources are available at firefee.iml.org.

All items should be sent by mail to IML at PO Box 5180, Springfield, Illinois, 62705-5180. Individuals with questions or concerns may contact IML by phone at (217) 525-1220, or by email at firefee@iml.org.



RESOLUTION NO. _____

Synopsis: Adoption of this resolution would allow for collection of the Foreign Fire Insurance Fees by the Illinois Municipal League for remittance to the City of Washington.

FOREIGN FIRE INSURANCE RESOLUTION AUTHORIZING THE ILLINOIS MUNICIPAL LEAGUE TO COLLECT THE 2% FOREIGN FIRE INSURANCE LICENSE FEE FOR REMITTANCE TO THE CITY OF WASHINGTON

WHEREAS, the Foreign Fire Insurance License Fee Act requires insurance carriers not incorporated under the laws of the State of Illinois to pay a foreign fire insurance license fee to Illinois fire departments and Illinois fire protection districts, and

WHEREAS, the Illinois Municipal League has developed a program to collect and distribute the 2% foreign fire insurance license fee paid by insurance carriers to fire departments and fire protection districts, and

WHEREAS, the Foreign Fire Insurance License Fee Act provides that the Illinois Municipal League shall be the default entity to collect foreign fire insurance license fees for any entity entitled to the fees that does not collect the fees on its own accord or through a designee, and

WHEREAS, this program is of benefit to the City of Washington for payment of fire related expenses.

NOW, THEREFORE, BE IT RESOLVED:

SECTION 1. That the Illinois Municipal League is hereby authorized to receive and examine the reports and collect the payments of the two percent (2%) foreign fire insurance license fees tendered to the City by foreign fire insurance companies.

SECTION 2. That the Illinois Municipal League shall keep an accurate and complete record of all such fee payments received from foreign fire insurance companies and the distribution of such payments to the treasurer and that all such records shall be open to inspection during reasonable office hours.

SECTION 3. That the City of Washington hereby authorizes and designates the Illinois Municipal League to act as its sole agent for the collection of the rightfully imposed foreign fire

insurance license fee of two percent (2%) per annum of the gross receipts received as premiums on fire insurance policies on properties within the jurisdiction and hereby agrees to pay as an annual service charge to the Illinois Municipal League five percent (5%) of the fees actually collected, or such other amount as may be necessary and agreed to in writing. The Illinois Municipal League service charge shall be deducted prior to distributing the annual fee proceeds to the City of Washington. The Illinois Municipal League is authorized to take necessary actions and carry on all necessary communication with the foreign fire insurance companies owing fees on behalf of the City. The Illinois Municipal League shall remain the designated agent until notified by the City by adopted resolution rescinding this agreement and engagement.

PASSED AND APPROVED this _____ day of _____, 2023.

AYES: _____

NAYS: _____

Mayor

ATTEST:

City Clerk