
CHAMBERS GLOBAL PRACTICE GUIDES

Insurance & Reinsurance 2026

Definitive global law guides offering
comparative analysis from top-ranked lawyers

USA – Illinois: Trends and Developments

Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna,
Sarah M. Oligmueller and Christopher L. Gerardi
ArentFox Schiff LLP



USA – ILLINOIS



Trends and Developments

Contributed by:

Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi
ArentFox Schiff LLP

ArentFox Schiff LLP is internationally recognised at the intersection of business and law. With more than 700 lawyers and policy professionals, the firm is a destination for corporations, governments, private individuals and trade associations worldwide. The attorneys are smart in the ways that matter: knowing your business, industry and goals, and using that insight to solve challenges creatively and efficiently. The firm organises around industry groups, not just practice areas, fostering collaboration and assembling the right skills to serve particular sectors and pair sector

depth with technology-enabled project management to drive value and transparency. From offices in Boston, Chicago, Los Angeles, New York, San Francisco and Washington, DC, the attorneys provide counsel to Fortune 500 companies, start-ups, associations and governments. The firm's breadth, reach, knowledge and litigation strength help clients achieve commercial and litigation objectives. Decades of service and results have earned recognition from major legal directories, including Chambers USA.

Authors



Everett J. Cygal is a partner in ArentFox Schiff's complex litigation group. He is a trial lawyer with more than 25 years of experience representing domestic and global insurers and reinsurers in complex,

high-stakes disputes in courts and arbitrations nationwide. He handles sophisticated coverage, reinsurance and arbitration matters, including estoppel, lost-policy claims, advertising-injury disputes and issues of first impression. Everett has secured significant wins involving the Federal Arbitration Act, confidentiality and arbitrator conduct, playing key roles in landmark coverage and reinsurance matters. He is recognised by major legal directories including Chambers USA. Ev is admitted to practice in Illinois, New York, Connecticut and federal courts including the US Supreme Court.



Daniel J. Schufreider is a partner in ArentFox Schiff's complex litigation group, representing clients in various industries with a particular focus in the insurance and reinsurance industries. His experience includes

litigating sensitive insurance coverage disputes, arbitrating complex reinsurance cases and working with expert witnesses in a billion-dollar accounting fraud matter. Dan has been recognised by a major legal directory as "one to watch". Dan earned his JD from the University of Chicago Law School (2015) and his BA from Northwestern University (2011). He is admitted to practice in Illinois and in the US District Court for the Northern District of Illinois, and the Seventh Circuit Court of Appeals.

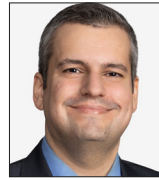
USA – ILLINOIS TRENDS AND DEVELOPMENTS

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP



Jasmine K. Dela Luna is a senior associate in ArentFox Schiff's complex Litigation group, representing clients across multiple industries with a focus on insurance and reinsurance disputes. She

prepares substantive briefs and dispositive motions, manages large-scale discovery, and develops case strategy through all phases of litigation and arbitration. Jasmine has conducted oral advocacy, taken and defended depositions, and examined witnesses, helping clients achieve favourable outcomes in federal and state courts, and in arbitration proceedings. Jasmine earned her JD from the University of Chicago Law School (2019) and her BA, summa cum laude, from DePaul University (2016). She is admitted to practice in Illinois and the US District Court for the Northern District of Illinois.



Christopher L. Gerardi is an associate at ArentFox Schiff focused on complex commercial litigation, including insurance and reinsurance coverage, contract disputes, antitrust and class actions. He manages

matters from early case assessment through discovery, depositions, mediations and dispositive motions in state and federal courts. Before rejoining the firm, he clerked for federal appellate and district judges, drafting bench memoranda, orders and opinions across civil, criminal and administrative matters. Chris earned his JD from Chicago-Kent College of Law (2018) and his BA from DePaul University (2012). He is admitted to practice in Illinois, the US District Court for the Northern District of Illinois, and the Western District of Michigan.



Sarah M. Oligmueller is an associate in ArentFox Schiff's complex litigation group, focusing on complex commercial disputes including insurance and reinsurance coverage, contract disputes and class actions.

She has experience preparing for and assisting with arbitration hearings, taking depositions and cross-examining a fact witness, and regularly drafts pleadings, motions, briefs and discovery. Sarah previously served as a judicial extern to Judge Franklin U Valderrama in the Cook County Chancery Division. Sarah earned her JD, cum laude (2020) from Chicago-Kent College of Law, and her MBA (2016) and BS (2015) from Nebraska Wesleyan University. She is admitted to practice in Illinois and the US District Court for the Northern District of Illinois.

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP

ArentFox Schiff LLP

233 South Wacker Drive
Suite 7100
Chicago, IL 60606
USA

Tel: +1 312 258 5500
Fax: +1 312 258 5600
Email: daniel.schufreider@afslaw.com
Web: www.afslaw.com



Introduction

In 2025, Illinois law saw significant developments relevant to the insurance and reinsurance industries. Chief among these is *Griffith Foods*, in which the Seventh Circuit certified to the Illinois Supreme Court the question of whether a standard pollution exclusion applied to the insured's emission of pollutants subject to a permit issued by the Illinois Environmental Protection Agency (IEPA). The Illinois Supreme Court will soon decide this issue in a landmark case for the insurance industry.

Other notable cases decided in state and federal courts have provided guidance on Illinois law impacting the insurance industry, including whether a coverage disagreement may be resolved through appraisal, whether certain policy exclusions applied to claims against insureds under the Illinois Biometric Information Privacy Act (BIPA) and whether businesses could seek business interruption coverage resulting from COVID-19 shutdowns.

This article discusses *Griffith Foods* in detail and highlights a handful of other decisions and developments impacting Illinois insurance and reinsurance law this past year.

Griffith Foods Int'l Inc. v Nat'l Union Fire Ins. Co. of Pittsburgh, PA, 2026 IL 131710 (on certification by 134 F.4th 483 (7th Cir. 2025))

What role does the existence of a government permit authorising emissions have in the application of a standard CGL policy's pollution exclusion? Under the Illinois Supreme Court's 23 January 2026 decision answering a certified question from the Seventh

Circuit, the answer is none: if an emission constitutes "pollution" as defined in a policy, it makes no difference if the emission is permitted (*Griffith Foods Int'l, Inc. v Nat'l Union Fire Ins. Co. of Pittsburgh, PA*, 2026 IL 131710, ¶ 31).

The Illinois Supreme Court held that whether the pollution is government permitted is irrelevant to the exclusion's applicability. The ruling is a highly significant victory for Illinois insurers whose policies have pollution exclusions, as it significantly limits defence obligations and may leave policyholders exposed for pollution liabilities even when emissions remain within government-permitted bounds.

Underlying tort litigation

Beginning in September 2018, over 800 people living or working in the suburb of Willowbrook, Illinois, sued *Griffith Foods International* and *Sterigenics US LLC* ("Griffith Foods" and "Sterigenics", respectively) in Illinois state court for injuries arising from the emission of ethylene oxide (EtO) – a carcinogen – in amounts allowed by a permit issued by the IEPA, from a facility owned by Griffith Foods (and subsequently owned by Sterigenics). The complaints allege that Griffith Foods and Sterigenics intentionally emitted EtO into the air in Willowbrook over a span of 35 years as part of their regular operation of sterilising medical equipment. The state court consolidated the high volume of suits, and the plaintiffs brought a "Master Complaint".

National Union Fire Insurance Company ("National Union") was among the 13 insurers that issued CGL policies to Griffith Foods and Sterigenics during the time when the Willowbrook facility was operational,

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP

having issued two policies effective between September 1983 and September 1985. The policies contained standard duty-to-defend and pollution-exclusion provisions. The duty-to-defend clause requires National Union to “defend any suit against the insured seeking damages on account of... bodily injury”. The pollution exclusion excludes coverage for bodily injuries caused by “the discharge, dispersal, release or escape of... toxic chemicals, liquids or gases... contaminants or pollutants into or upon land, the atmosphere or any water course or body of water”.

Insurance coverage dispute

In 2021, Griffith Foods and Sterigenics invoked the insurance policies and demanded that National Union defend them in the ongoing Illinois litigation. National Union denied coverage and refused to defend. Griffith Foods and Sterigenics sued National Union in the US District Court for the Northern District of Illinois, seeking judicial declarations that National Union had a duty to defend Griffith and Sterigenics in the underlying suits and to indemnify them for any liability resulting from those suits. At issue was whether National Union had a duty to defend Griffith Foods and Sterigenics based on the allegations of the Master Complaint. The District Court ruled in favour of Griffith Foods and Sterigenics, concluding that the pollution exclusion in National Union’s policies did not apply because the companies emitted EtO pursuant to a permit issued by the IEPA.

National Union appealed, and the Seventh Circuit certified the following question to the Illinois Supreme Court: “[W]hat relevance, if any, does a permit or regulation authorizing emissions (generally or at particular levels) play in assessing the application of a pollution exclusion within a standard-form CGL policy?” (*Griffith Foods Int’l Inc.*, 134 F.4th at 493).

The parties’ positions

National Union argued three main points to the Illinois Supreme Court.

1) The text of the pollution exclusion unambiguously creates no exception for emissions pursuant to a permit or regulation.

2) The Illinois Supreme Court’s precedent in *Am States Ins. Co. v Koloms*, 177 Ill. 2d 473, 686 N.E.2d 73 (1997), precludes a government-authorised exception, as the Court in *Koloms* held that the pollution exclusion applies to “traditional environmental pollution”. The Court defined that term with reference to where the pollution occurs – “into the environment” – not why it occurs.

3) Creating an unwritten exception for government-authorised emissions would harm Illinois businesses and residents.

Griffith Foods and Sterigenics countered with the following arguments.

1) National Union cannot show that at the time it refused to defend, the pollution exclusion’s application to permitted emissions was clear and free from doubt.

2) National Union failed to prove that the pollution exclusion clearly and unambiguously applies to authorised emissions, given the exclusion’s text and drafting history.

3) Post-*Koloms* precedent in the Illinois intermediate appellate court found the applicability of a pollution exclusion to permitted emissions to be ambiguous, supporting policyholders, not National Union.

The Supreme Court decision

The Illinois Supreme Court began its analysis by reviewing the cases that prompted the certified question. In *Koloms*, the Illinois Supreme Court held that the standard CGL pollution exclusion applies only to traditional environmental contamination; carbon monoxide from a broken furnace did not qualify, so the insurer owed a defence (*Am. States Ins. Co. v Koloms*, 177 Ill. 2d 473, 494, 687 N.E.2d 72, 82 (1997)).

In *Imperial Marble*, the Illinois Appellate Court found ambiguity as to whether the exclusion bars coverage for emissions authorised by permit; resolving the ambiguity in favour of the insured, it held that the insurer must provide a defence (*Erie Ins. Exch. v Imperial Marble Corp.*, 2011 IL App (3d) 100380, ¶ 23, 957 N.E.2d 1214, 1221, overruled by *Griffith Foods Int’l*,

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP

Inc. v Nat'l Union Fire Ins. Co. of Pittsburgh, PA, 2026 IL 131710, ¶ 23).

Country Mutual followed *Imperial Marbl e* and held the exclusion inapplicable to permitted emissions (*Country Mut. Ins. Co. v Bible Pork, Inc.*, 2015 IL App (5th) 140211, ¶ 43, 42 N.E.3d 958, 970, overruled by *Griffith Foods Int'l, Inc. v Nat'l Union Fire Ins. Co. of Pittsburgh, PA*, 2026 IL 131710, ¶ 43). By contrast, in *Scottsdale Indem. Co. v Vill. of Crestwood*, 673 F.3d 715, 721 (7th Cir. 2012), the Seventh Circuit applied the exclusion despite regulatory compliance, explaining that the suits alleged injuries caused by the contaminant, which triggered the exclusion.

Against this background, the Illinois Supreme Court applied the policy's plain language to effectuate the parties' intent and held the following:

- the EtO emissions are “traditional environmental pollution” (*Koloms*) or “pollution harms as ordinarily understood” (*Scottsdale*) that squarely fit within the policy's pollution exclusion, which bars coverage for litigation involving “discharge... into... the atmosphere”; and
- the IEPA permit of the EtO emissions changes nothing about this analysis (2026 IL 131710, ¶ 25).

The court emphasised that the pollution exclusion said nothing about permitted or authorised pollution and cautioned that courts “must not inject terms and conditions different from those agreed upon by the parties”. It further reasoned that the permit did not change the character or substance of the EtO emissions as pollution. Declining to apply the exclusion because the pollution was permitted, the court noted, would undermine the exclusion's purpose – containing costly environmental litigation, while separate pollution liability policies are available to cover environmental lawsuits.

In sum, whether the emissions were permitted is irrelevant to the exclusion's applicability.

Impact of the Supreme Court's decision

The Illinois Supreme Court's decision has far-reaching implications. Insurance companies now have firm footing to avoid millions in defence costs (and subse-

quent potential indemnity) for liability stemming from government-permitted emissions. And those insurance companies will no longer have to plan to prospectively exclude government-permitted pollution from their policies altogether. Meanwhile, commercial policyholders who expected coverage for such emissions will have to look elsewhere for environmental litigation coverage, even if they abide by the pollution limitations set by their state permit. Environmental litigation will likely increase in the months ahead, as parties examine *Griffith Foods* for guidance or distinction.

Other Notable 2025 Decisions Impacting Illinois Insurance Law

Chicago Rest. Mgmt. Grp., LLC v Great Am. Ins. Co., 2025 IL App (1st) 232353, 264 N.E.3d 528, 543, appeal denied, No 131664, 2025 WL 2720428 (Ill. Sept. 24, 2025)

Owners of Chicago Cut Steakhouse and restaurant developer Chicago Group (“Plaintiffs”) sought insurance coverage from Great American Insurance Company (“Great American”) for costs associated with a 2019 arbitration demand made against Plaintiffs. This 2019 arbitration demand came on the heels of a 2018 lawsuit in which Chicago Cut investors sought corporate records. Great American denied Plaintiffs' request on the basis that the arbitration demand's tort and breach of contract claim constituted “Related Wrongful Acts” under the insurance policy's terms. The circuit court found, and the appellate court affirmed, that the 2018 suit and 2019 arbitration demand did not involve “Related Wrongful Acts” that had to be reported to Great American during the policy period in effect at the time of the 2018 initial suit, as there was no underlying “common nexus” or “causal connection” between the two events.

Rahimzadeh v Ace American Ins. Co., 142 F.4th 972 (7th Cir. 2025)

In *Rahimzadeh v Ace American Ins. Co.*, the Seventh Circuit held that an occupancy requirement in a corporate automobile insurance policy to trigger underinsured motorist (UIM) coverage did not violate Illinois public policy. Ace American Insurance Company (“Ace”) denied Mr Rahimzadeh's UIM claim submitted under his employer's corporate automobile policy because Mr Rahimzadeh was riding a bicycle when hit by a vehicle and was not in a covered automobile.

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP

The policy explicitly required a person to be “‘occupying’ a covered ‘auto’” to trigger UIM coverage. Relying on *Galarza v Direct Auto Ins. Co.*, 2022 IL App (1st) 211595, aff’d, 2023 IL 129031, which held that an occupancy requirement in a personal automobile policy violated Illinois public policy, Mr Rahimzadeh argued that Ace’s occupancy requirement also violated Illinois public policy. The District Court, however, distinguished between commercial and personal automobile policies and dismissed the case. The District Court relied on *Stark v Illinois Emcasco Ins. Co.*, 373 Ill. App. 3d 804 (2007), which upheld an occupancy requirement in a commercial automobile policy. The Seventh Circuit affirmed dismissal, holding that Mr Rahimzadeh was not entitled to UIM coverage under his employer’s commercial auto insurance policy.

Tower Crossing Condo. Ass’n, Inc. v Affiliated FM Ins. Co., No 21 C 6228, 2025 WL 3063487 (N.D. Ill. Nov. 3, 2025)

In *Tower Crossing Condo. Ass’n, Inc. v Affiliated FM Ins. Co.*, the District Court granted summary judgment in favour of Affiliated FM Insurance Company (“Affiliated FM”), holding that Tower Crossing Condominium Association, Inc.’s (“Tower Crossing”) complaint was time-barred under the policy. The property policy required Tower Crossing to submit “signed and sworn proof of loss”. It required all lawsuits to be initiated within two years after the date of loss, which could be tolled “by the number of days between the date the proof of loss was filed until the date the claim is denied in whole or in part”. Before the suit limitations period was set to expire, Affiliated FM extended the deadline to file suit to 2 October 2021. The lawsuit was filed on 19 November 2021. Tower Crossing argued that the proof of loss they submitted on 1 October 2021 tolled the suit limitations period in the policy. Tower Crossing conceded, however, that the October submission affixed a notarised signature from an earlier, unsubmitted draft of the proof of loss, but argued that the transferred signature met the policy’s “sworn” requirement. The court disagreed, finding that the October document itself was not notarised. The court, therefore, granted summary judgment in favour of Affiliated FM, reasoning that when an insurance policy calls for a “sworn” proof of loss, the insured must submit a notarised proof of loss “given under oath”.

Zhao v State Farm Fire & Cas. Co., 2025 IL App (2d) 240723

In *Zhao v State Farm Fire & Cas. Co.*, the Second District Appellate Court held that a disagreement regarding the scope of covered damage may be resolved through appraisal. Ms Zhao submitted an insurance claim under her homeowner’s policy with State Farm for hail damage to her home. State Farm sent an estimate and issued an actual value payment for the replacement of gutters, downspouts and aluminium wraps on certain window frames and trim. Ms Zhao received a second assessment that determined the hail damage was extensive enough to require replacement of all windows, and she invoked her right to the appraisal process pursuant to the insurance contract. When State Farm refused to participate in the appraisal process, Ms Zhao filed suit to compel State Farm to participate in the appraisal process. State Farm asserted that the alleged loss to the windows was not caused by hail damage, but rather by other conditions not covered under the policy, and thus, the appraisal process is not appropriate when the scope of coverage is in dispute. The trial court compelled State Farm to partake in the appraisal process, reasoning that the dispute involved the amount of loss as opposed to the scope of coverage, and State Farm appealed. The Second District affirmed, finding that whether the windows were damaged by the hailstorm was an issue of loss, not coverage, and that “resolving some questions of causation will be necessarily included in the appraisal process”.

Gillespie v State Farm Fire and Casualty Insurance Company, 2025CH10454, Illinois Circuit Court, Chancery Division (Cook County)

On 10 October 2025, the Illinois Attorney General, on behalf of the Director of Insurance, filed a chancery action to compel State Farm entities (including a reinsurance affiliate) to produce nationwide, zip code-level homeowner data under financial and market conduct examination warrants. The complaint invokes the director’s examination powers and confidentiality sharing authorities across multiple Insurance Code provisions and seeks injunctive relief compelling production. State Farm objected to producing data about policies insuring properties located outside of Illinois on the grounds that the director might violate confidentiality protections for the data if State Farm pro-

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP

duced it. On 12 December, the director filed a motion for summary judgment, which the court stayed pending further order on 15 December.

Any ensuing orders will set important precedents on:

- the director's ability to demand out-of-state policy data accessible in Illinois from domestics and affiliates;
- the scope of market conduct and holding company examination authority, including access to third party data "by contractual relationships" or "other methods"; and
- the interplay between confidentiality safeguards and compelled production in co-ordinated state-based regulation.

For insurers and reinsurers with Illinois domiciles or significant Illinois operations, early rulings in this case will inform examination response protocols, record-keeping and enterprise risk reporting practices.

Citizens Ins. Co. of Am. v Mullins Food Products, Inc., 135 F.4th 1082, 1094 (7th Cir. 2025)

This case is the most recent in a line of Seventh Circuit cases involving the application of policy exclusions to claims against insureds under BIPA. Citizens Insurance Company of America brought suit against its insured, Mullins Food Products, Inc., seeking a declaratory judgment that it did not have any duty to defend or indemnify Mullins in an underlying action alleging violations of BIPA. The District Court granted summary judgment to Citizens on the basis of two separate policy exclusions: an "Access or Disclosure" exclusion that barred coverage for injuries arising out of disclosure of personal information; and a "Statutory Violations Exclusions" that barred coverage for injuries arising from violations of the Telephone Consumer Protection Act (TCPA), the CAN-SPAM Act of 2003 and the Fair Credit Reporting Act (FCRA), and also included a catch-all exclusion for "any federal, state or local statute, ordinance or regulation, other than the TCPA, CAN-SPAM Act of 2003 or FCRA... that addresses, prohibits, or limits" the distribution of material or information.

On appeal, the Seventh Circuit agreed that the "Access or Disclosure" exclusion, which appeared in

only two of the three policies at issue, barred coverage for the BIPA claims. However, the court reversed the District Court with respect to the Statutory Violation Exclusion that appeared in all three policies. Applying Illinois and Seventh Circuit precedent involving similar exclusions, as well as traditional statutory canons of construction, the court concluded that BIPA was not included in the catch-all exclusion because it was "patently different in kind" from the other statutes specifically mentioned: the TCPA, the CAN-SPAM Act and the FCRA. Having found that the exclusion did not apply, the court remanded the case for the District Court to decide whether Mullins had provided timely notice of the underlying litigation, which was a factual dispute that needed to be resolved to determine whether Citizens breached its duty to defend.

In re Socy. Ins. Co. COVID-19 Bus. Interruption Protec. Ins. Litig., No 20 C 02005, 2025 WL 2156594, at *1 (N.D. Ill. July 30, 2025)

Another decision in a seemingly endless line of lawsuits brought by insured businesses against their insurers seeking coverage for loss of income incurred as a result of shutdowns during the COVID-19 pandemic. This opinion relates to a multi-district litigation (MDL) against Society Insurance Company, based on its denial of business income interruption coverage for a number of restaurant and hospitality industry plaintiffs. Like many similar policies, the business income coverage provisions in Society's policies stated that they applied for losses caused by "direct physical loss". Although the District Court had previously denied Society's attempts to dismiss the cases against it and found that the coronavirus and shutdown orders could trigger coverage, the court reversed course and granted Society's renewed motion to dismiss based on a string of more recent decisions denying such claims. For the portion of the MDL governed by Illinois law, the court applied the controlling decision from the Seventh Circuit in *Sandy Point Dental, P.C. v Cincinnati Insurance Company*, 20 F.4th 327 (7th Cir. 2021), where the Seventh Circuit held as a matter of Illinois law that the policy term "direct physical loss" required some "physical alteration to property" for coverage to apply. While the Court noted that shut-down orders during the pandemic may have meant businesses' "preferred use" of their premises was limited, their properties had

Contributed by: Everett J. Cygal, Daniel J. Schufreider, Jasmine K. Dela Luna, Sarah M. Oligmueller and Christopher L. Gerardi, ArentFox Schiff LLP

not been physically altered nor rendered “completely uninhabitable”, meaning that coverage was not available. Applying this reasoning and predicting that the Illinois Supreme Court would follow *Sandy Point*, the District Court held that the plaintiffs’ claims against Society failed under Illinois law.

ISMIE Mut. Ins. Co. v Pergament, 2025 IL App (1st) 230787 (June 16, 2025)

This coverage dispute arose from the settlement of an underlying negligence action brought by Taryn and Doug Kessel against their medical provider, Eugene Pergament, MD. Dr Pergament’s insurer, ISMIE Mutual Insurance Company (ISMIE), commenced this separate lawsuit seeking a declaration that it owed no indemnity in connection with the settlement because the settlement agreement did not actually require Dr Pergament to pay anything to resolve the Kessels’ underlying lawsuit. Rather, the settlement called for Dr Pergament to assign his rights under his ISMIE policy to the Kessels. The policy provided that ISMIE would pay any amounts the insured was “legally obligated to pay as ‘damages’ because of any ‘claim’ against the ‘insured’”. The trial court entered summary judgment in favour of ISMIE, and the Illinois Appellate Court affirmed, holding that ISMIE owed no indemnity obligation for the settlement of the underlying lawsuit based on the language of the policy, because the insured was not actually “legally obligated” to pay anything under the terms of the settlement.

PMC Cas. Corp. v Virginia Sur. Co., Inc., No 24 C 7795, 2025 WL 2962523 (N.D. Ill. Oct. 19, 2025)

The insurance company parties in this complex reinsurance dispute have reached a settlement in principle, while a third party is in the process of appealing the District Court’s denial of its motion to intervene in the case. Protect My Car, which sold a form of extended vehicle warranties, obtained insurance from Virginia Surety, which in turn entered into a reinsurance agreement with PMC Casualty to reinsure its own obligations to Protect My Car. In exchange, PMC Casualty was to receive any net positive reserves created by the service contracts, including any surplus premiums Virginia Surety received as a result of a service contract being cancelled mid-term. PMC Casualty Corp. filed this federal action accusing Virginia Surety Corp. of failing to pay some USD20 million in allegedly owed reserves. At the same time, third-party Paylink Payment Plans Inc. sued Protect My Car and Virginia Surety in state court, alleging that Protect My Car failed to repay PayLink for its financing of the underlying vehicle contracts. PayLink also moved to intervene in the federal District Court case, but the District Court denied its request. That motion to intervene is now on appeal and pending before the Seventh Circuit. But in the meantime, PMC and Virginia Surety have notified the court that they have entered into a settlement in principle. That settlement, and potential dismissal of the action, may moot the current pending appeal.

CHAMBERS GLOBAL PRACTICE GUIDES

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Rob.Thomson@chambers.com