



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

SB2262

Introduced 2/14/2008, by Sen. William R. Haine

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/456

from Ch. 73, par. 1065.3

Amends the Illinois Insurance Code. Provides that with respect to employers correctly classified within the construction industry, the amount charged to the insured for workers' compensation and employers' liability insurance shall be based upon hours worked by employees in specific job categories or classifications, not the wages or salaries paid to the employees. Makes several technical corrections. Effective immediately.

LRB095 19217 KBJ 45472 b

1 AN ACT concerning regulation.

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 456 as follows:

6 (215 ILCS 5/456) (from Ch. 73, par. 1065.3)

7 Sec. 456. Making of rates. (1) All rates shall be made in  
8 accordance with the following provisions:

9 (a) Due consideration shall be given to past and  
10 prospective loss experience within and outside this state, to  
11 catastrophe hazards, if any, to a reasonable margin for profit  
12 and contingencies, to dividends, savings, or unabsorbed  
13 premium deposits allowed or returned by companies to their  
14 policyholders, members or subscribers, to past and prospective  
15 expenses both countrywide and those specially applicable to  
16 this State ~~state~~, to underwriting practice, and judgment and to  
17 all other relevant factors within and outside this State.  
18 ~~state,~~

19 (b) The systems of expense provisions included in the rates  
20 for use by any company or group of companies may differ from  
21 those of other companies or groups of companies to reflect the  
22 requirements of the operating methods of the ~~any such~~ company  
23 or group with respect to any kind of insurance, or with respect

1 to any subdivision or combination thereof for which subdivision  
2 or combination separate expense provisions are applicable. ~~+~~

3 (c) Risks may be grouped by classifications for the  
4 establishment of rates and minimum premiums. Classification  
5 rates may be modified to produce rates for individual risks in  
6 accordance with rating plans that ~~which~~ measure variation in  
7 hazards or expense provisions, or both. The ~~Such~~ rating plans  
8 may measure any differences among risks that have a probable  
9 effect upon losses or expenses. ~~+~~

10 (d) Rates shall not be excessive, inadequate, ~~+~~ or unfairly  
11 discriminatory.

12 (i) A rate in a competitive market is not excessive. A rate  
13 in a noncompetitive market is excessive if it is likely to  
14 produce a long run profit that is unreasonably high for the  
15 insurance provided or if expenses are unreasonably high in  
16 relation to the services rendered.

17 (ii) A rate is not inadequate unless the ~~such~~ rate is  
18 clearly insufficient to sustain projected losses and expenses  
19 in the class of business to which it applies and the use of the  
20 ~~such~~ rate has or, if continued, will have the effect of  
21 substantially lessening competition or the tendency to create  
22 monopoly in any market.

23 (iii) Unfair discrimination exists if, after allowing for  
24 practical limitations, price differentials fail to reflect  
25 equitably the differences in expected losses and expenses. A  
26 rate is not unfairly discriminatory because different premiums

1 result for policyholders with like exposures but different  
2 expenses, or like expenses but different loss exposures, so  
3 long as the rate reflects the differences with reasonable  
4 accuracy.

5 (e) The rating plan shall contain a mandatory offer of a  
6 deductible applicable only to the medical benefit under the  
7 Workers' Compensation Act. Such deductible offer shall be in a  
8 minimum amount of at least \$1,000 per accident.

9 (f) Any rating plan or program shall include a rule  
10 permitting 2 or more employers with similar risk  
11 characteristics, who participate in a loss prevention program  
12 or safety group, to pool their premium and loss experience in  
13 determining their rate or premium for such participation in the  
14 program.

15 (g) With respect to an employer correctly classified within  
16 the construction industry, the amount charged for workers'  
17 compensation and employers' liability insurance insuring the  
18 employees employed by an employer in any job category or  
19 classification shall be based upon hours worked by employees in  
20 that job category or classification and shall not be based upon  
21 the wages or salaries paid to the employees.

22 (2) Except to the extent necessary to meet the provisions  
23 of subdivision (d) of subsection (1) of this Section,  
24 uniformity among companies in any matters within the scope of  
25 this Section is neither required nor prohibited.

26 (Source: P.A. 82-939.)

1           Section 99. Effective date. This Act takes effect upon  
2           becoming law.