

1 AN ACT concerning insurance.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Insurance Code is amended by
5 changing Section 456 as follows:

6 (215 ILCS 5/456) (from Ch. 73, par. 1065.3)
7 Sec. 456. Making of rates.

8 (1) All rates shall be made in accordance with the
9 following provisions:

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

20 (b) The systems of expense provisions included in
21 the rates for use by any company or group of companies
22 may differ from those of other companies or groups of
23 companies to reflect the requirements of the operating
24 methods of the any-such company or group with respect to
25 any kind of insurance, or with respect to any subdivision
26 or combination thereof for which subdivision or
27 combination separate expense provisions are applicable.;

28 (c) Risks may be grouped by classifications for the
29 establishment of rates and minimum premiums.
30 Classification rates may be modified to produce rates for
31 individual risks in accordance with rating plans that

1 which measure variation in hazards or expense provisions,
2 or both. The Such rating plans may measure any
3 differences among risks that have a probable effect upon
4 losses or expenses.†

5 (d) Rates shall not be excessive, inadequate, or
6 unfairly discriminatory.

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

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

20 (iii) Unfair discrimination exists if, after
21 allowing for practical limitations, price
22 differentials fail to reflect equitably the
23 differences in expected losses and expenses. A rate
24 is not unfairly discriminatory because different
25 premiums result for policyholders with like
26 exposures but different expenses, or like expenses
27 but different loss exposures, so long as the rate
28 reflects the differences with reasonable accuracy.

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

34 (f) Any rating plan or program shall include a rule

1 permitting 2 or more employers with similar risk
2 characteristics, who participate in a loss prevention
3 program or safety group, to pool their premium and loss
4 experience in determining their rate or premium for such
5 participation in the program.

6 (g) With respect to an employer correctly
7 classified within the construction industry, the amount
8 charged for workers' compensation and employers'
9 liability insurance insuring the employees employed by an
10 employer in any job category or classification shall be
11 based upon hours worked by employees in that job category
12 or classification and shall not be based upon the wages
13 or salaries paid to the employees.

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

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