



93RD GENERAL ASSEMBLY
State of Illinois
2003 and 2004

Introduced 02/09/04, by Thomas Holbrook

SYNOPSIS AS INTRODUCED:

215 ILCS 5/155.18

from Ch. 73, par. 767.18

Amends the Illinois Insurance Code. Provides that no company writing medical liability insurance in this State may increase any rates or premiums or cancel any policies of any class of medical liability insurance for a period of 6 months after the effective date of this amendatory Act. Provides an exception to the cancellation limitation. Effective July 1, 2004.

LRB093 20694 SAS 46568 b

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 155.18 as follows:

6 (215 ILCS 5/155.18) (from Ch. 73, par. 767.18)

7 Sec. 155.18. (a) This Section shall apply to insurance on
8 risks based upon negligence by a physician, hospital or other
9 health care provider, referred to herein as medical liability
10 insurance. This Section shall not apply to contracts of
11 reinsurance, nor to any farm, county, district or township
12 mutual insurance company transacting business under an Act
13 entitled "An Act relating to local mutual district, county and
14 township insurance companies", approved March 13, 1936, as now
15 or hereafter amended, nor to any such company operating under a
16 special charter.

17 (b) The following standards shall apply to the making and
18 use of rates pertaining to all classes of medical liability
19 insurance:

20 (1) Rates shall not be excessive or inadequate, as herein
21 defined, nor shall they be unfairly discriminatory. No rate
22 shall be held to be excessive unless such rate is unreasonably
23 high for the insurance provided, and a reasonable degree of
24 competition does not exist in the area with respect to the
25 classification to which such rate is applicable.

26 No rate shall be held inadequate unless it is unreasonably
27 low for the insurance provided and continued use of it would
28 endanger solvency of the company.

29 (2) Consideration shall be given, to the extent applicable,
30 to past and prospective loss experience within and outside this
31 State, to a reasonable margin for underwriting profit and
32 contingencies, to past and prospective expenses both

1 countrywide and those especially applicable to this State, and
2 to all other factors, including judgment factors, deemed
3 relevant within and outside this State.

4 Consideration may also be given in the making and use of
5 rates to dividends, savings or unabsorbed premium deposits
6 allowed or returned by companies to their policyholders,
7 members or subscribers.

8 (3) The systems of expense provisions included in the rates
9 for use by any company or group of companies may differ from
10 those of other companies or groups of companies to reflect the
11 operating methods of any such company or group with respect to
12 any kind of insurance, or with respect to any subdivision or
13 combination thereof.

14 (4) Risks may be grouped by classifications for the
15 establishment of rates and minimum premiums. Classification
16 rates may be modified to produce rates for individual risks in
17 accordance with rating plans which establish standards for
18 measuring variations in hazards or expense provisions, or both.
19 Such standards may measure any difference among risks that have
20 a probable effect upon losses or expenses. Such classifications
21 or modifications of classifications of risks may be established
22 based upon size, expense, management, individual experience,
23 location or dispersion of hazard, or any other reasonable
24 considerations and shall apply to all risks under the same or
25 substantially the same circumstances or conditions. The rate
26 for an established classification should be related generally
27 to the anticipated loss and expense factors of the class.

28 (c) Every company writing medical liability insurance
29 shall file with the Director of Insurance the rates and rating
30 schedules it uses for medical liability insurance.

31 (1) This filing shall occur at least annually and as often
32 as the rates are changed or amended.

33 (2) For the purposes of this Section any change in premium
34 to the company's insureds as a result of a change in the
35 company's base rates or a change in its increased limits
36 factors shall constitute a change in rates and shall require a

1 filing with the Director.

2 (3) It shall be certified in such filing by an officer of
3 the company and a qualified actuary that the company's rates
4 are based on sound actuarial principles and are not
5 inconsistent with the company's experience.

6 (d) If after a hearing the Director finds:

7 (1) that any rate, rating plan or rating system violates
8 the provisions of this Section applicable to it, he may issue
9 an order to the company which has been the subject of the
10 hearing specifying in what respects such violation exists and
11 stating when, within a reasonable period of time, the further
12 use of such rate or rating system by such company in contracts
13 of insurance made thereafter shall be prohibited;

14 (2) that the violation of any of the provisions of this
15 Section applicable to it by any company which has been the
16 subject of hearing was wilful, he may suspend or revoke, in
17 whole or in part, the certificate of authority of such company
18 with respect to the class of insurance which has been the
19 subject of the hearing.

20 (e) Notwithstanding any other provision of this Section,
21 for a period of 6 months after the effective date of this
22 amendatory Act of the 93rd General Assembly, no company writing
23 medical liability insurance in this State may increase any
24 rates or premiums or cancel any policies of any class of
25 medical liability insurance. During this 6 month period, the
26 limitation on the cancellation of policies does not apply to a
27 cancellation under a provision in a policy that was entered
28 into before the effective date of this amendatory Act of the
29 93rd General Assembly.

30 (Source: P.A. 79-1434.)

31 Section 99. Effective date. This Act takes effect July 1,
32 2004.