



## 93RD GENERAL ASSEMBLY

### State of Illinois

2003 and 2004

SB3385

Introduced 5/31/2004, by Sen. John J. Cullerton

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/143e new  
625 ILCS 5/7-317

from Ch. 95 1/2, par. 7-317

Amends the Illinois Insurance Code. Provides that an insurer that delivers, issues for delivery, or renews a policy of automobile insurance in this State may offer each person who purchases automobile insurance coverage from that insurer a choice between a mile-based rating plan and a time-based rating plan for coverage for losses caused by collision or other driving-related accidents. Provides guidelines for the mile-based rating plans. Amends the Vehicle Code to include a reference to the mile-base rating plans.

LRB093 22375 AMC 51617 b

FISCAL NOTE ACT  
MAY APPLY

1 AN ACT concerning automobile 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 adding  
5 Section 143e as follows:

6 (215 ILCS 5/143e new)

7 Sec. 143e. Mile-based rating plans.

8 (a) As used in this Section:

9 "Insurer" means any person duly licensed in this State as  
10 an insurance company pursuant to Articles II, III, III 1/2, IV,  
11 V, VI, and XVII of this Code.

12 "Mile-based rating plan" means a rating plan for which a  
13 unit of exposure is one mile traveled by the insured motor  
14 vehicle.

15 "Time-based rating plan" means a rating plan for which a  
16 unit of exposure is a unit of time.

17 (a) An insurer that delivers, issues for delivery, or  
18 renews a policy of automobile insurance, as defined in  
19 subsection (a) of Section 143.13, in this State on or after the  
20 effective date of this amendatory Act of the 93rd General  
21 Assembly may offer each person who purchases automobile  
22 insurance coverage from that insurer a choice between a  
23 mile-based rating plan and a time-based rating plan for  
24 coverage for losses caused by collision or other  
25 driving-related accidents.

26 The insurer may require a person purchasing coverage to use  
27 the same rating plan for all vehicles covered under the  
28 person's automobile insurance policy.

29 (b) Each insurer that offers the mile-based rating plan  
30 under this Section shall annually file with the Director for  
31 the Director's approval a schedule of the insurer's premium  
32 rates for automobile insurance based on the mile-based rating

1 plan and the time-based rating plan used by that insurer. The  
2 insurer shall file with the rate schedule a statement of any  
3 fee to be charged to policyholders or applicants for insurance  
4 for participation in the mile-based rating plan.

5 (c) The Director shall analyze the premium rates filed by  
6 an insurer under subsection (b). If the Director determines  
7 that the filed rates are excessive in comparison to the premium  
8 rates charged for similar coverage under a time-based rating  
9 plan used by the insurer, the Director shall reject the rates  
10 after notice to the insurer and an opportunity for a hearing.  
11 The Director must notify the insurer that the rates are  
12 rejected not later than the 60th day after the date on which  
13 the rates are filed under subsection (b). An insurer may not  
14 use rates rejected by the Director under this subsection.

15 (d) The Director shall:

16 (1) compile information regarding:

17 (A) the number of insurers writing motor vehicle  
18 insurance based on mile-based rating plans;

19 (B) the geographic areas of this state in which  
20 mile-based rating plans are used; and

21 (C) the premium rates for mile-based rating plans  
22 compared to standard time-based rating plans; and

23 (2) analyze the effect of mile-based rating plans on:

24 (A) premium rates offered for motor vehicle  
25 insurance based on time-based rating plans; and

26 (B) the number of uninsured motorists in this  
27 State.

28 (e) The Director shall adopt rules as necessary or  
29 appropriate to govern the use of a mile-based rating plan under  
30 this Section, including rules regarding:

31 (1) prepayment arrangements;

32 (2) proof of financial responsibility;

33 (3) auditing of the odometer of a vehicle for the  
34 purpose of determining whether coverage is in force; and

35 (4) policy forms.

1 Section 10. The Illinois Vehicle Code is amended by  
2 changing Section 7-317 as follows:

3 (625 ILCS 5/7-317) (from Ch. 95 1/2, par. 7-317)

4 Sec. 7-317. "Motor vehicle liability policy" defined. (a)  
5 Certification. -A "motor vehicle liability policy", as that  
6 term is used in this Act, means an "owner's policy" or an  
7 "operator's policy" of liability insurance, certified as  
8 provided in Section 7-315 or Section 7-316 as proof of  
9 financial responsibility for the future, and issued, except as  
10 otherwise provided in Section 7-316, by an insurance carrier  
11 duly authorized to transact business in this State, to or for  
12 the benefit of the person named therein as insured.

13 (b) Owner's Policy. --Such owner's policy of liability  
14 insurance:

15 1. Shall designate by explicit description or by  
16 appropriate reference, all motor vehicles with respect to which  
17 coverage is thereby intended to be granted;

18 2. Shall insure the person named therein and any other  
19 person using or responsible for the use of such motor vehicle  
20 or vehicles with the express or implied permission of the  
21 insured;

22 3. Shall insure every named insured and any other person  
23 using or responsible for the use of any motor vehicle owned by  
24 the named insured and used by such other person with the  
25 express or implied permission of the named insured on account  
26 of the maintenance, use or operation of any motor vehicle owned  
27 by the named insured, within the continental limits of the  
28 United States or the Dominion of Canada against loss from  
29 liability imposed by law arising from such maintenance, use or  
30 operation, to the extent and aggregate amount, exclusive of  
31 interest and cost, with respect to each motor vehicle, of  
32 \$20,000 for bodily injury to or death of one person as a result  
33 of any one accident and, subject to such limit as to one  
34 person, the amount of \$40,000 for bodily injury to or death of  
35 all persons as a result of any one accident and the amount of

1 \$15,000 for damage to property of others as a result of any one  
2 accident.

3 (c) Operator's Policy. --When an operator's policy is  
4 required, it shall insure the person named therein as insured  
5 against the liability imposed by law upon the insured for  
6 bodily injury to or death of any person or damage to property  
7 to the amounts and limits above set forth and growing out of  
8 the use or operation by the insured within the continental  
9 limits of the United States or the Dominion of Canada of any  
10 motor vehicle not owned by him.

11 (d) Required Statements in Policies. --Every motor vehicle  
12 liability policy must specify the name and address of the  
13 insured, the coverage afforded by the policy, the premium  
14 charged therefor, the policy period if the policy premium is  
15 computed using a time-based rating plan or the amount of miles  
16 covered if the policy premium is computed using a mile-based  
17 rating plan, and the limits of liability, and shall contain an  
18 agreement that the insurance thereunder is provided in  
19 accordance with the coverage defined in this Act, as respects  
20 bodily injury and death or property damage or both, and is  
21 subject to all the provisions of this Act.

22 (e) Policy Need Not Insure Workers' Compensation. --Any  
23 liability policy or policies issued hereunder need not cover  
24 any liability of the insured assumed by or imposed upon the  
25 insured under any workers' compensation law nor any liability  
26 for damage to property in charge of the insured or the  
27 insured's employees.

28 (f) Provisions Incorporated in Policy. --Every motor  
29 vehicle liability policy is subject to the following provisions  
30 which need not be contained therein:

31 1. The liability of the insurance carrier under any such  
32 policy shall become absolute whenever loss or damage covered by  
33 the policy occurs and the satisfaction by the insured of a  
34 final judgment for such loss or damage shall not be a condition  
35 precedent to the right or obligation of the carrier to make  
36 payment on account of such loss or damage.

1           2. No such policy may be cancelled or annulled as respects  
2 any loss or damage, by any agreement between the carrier and  
3 the insured after the insured has become responsible for such  
4 loss or damage, and any such cancellation or annulment shall be  
5 void.

6           3. The insurance carrier shall, however, have the right to  
7 settle any claim covered by the policy, and if such settlement  
8 is made in good faith, the amount thereof shall be deductible  
9 from the limits of liability specified in the policy.

10          4. The policy, the written application therefor, if any,  
11 and any rider or endorsement which shall not conflict with the  
12 provisions of this Act shall constitute the entire contract  
13 between the parties.

14          (g) Excess or Additional Coverage. --Any motor vehicle  
15 liability policy may, however, grant any lawful coverage in  
16 excess of or in addition to the coverage herein specified or  
17 contain any agreements, provisions, or stipulations not in  
18 conflict with the provisions of this Act and not otherwise  
19 contrary to law.

20          (h) Reimbursement Provision Permitted. --The policy may  
21 provide that the insured, or any other person covered by the  
22 policy shall reimburse the insurance carrier for payment made  
23 on account of any loss or damage claim or suit involving a  
24 breach of the terms, provisions or conditions of the policy;  
25 and further, if the policy shall provide for limits in excess  
26 of the limits specified in this Act, the insurance carrier may  
27 plead against any plaintiff, with respect to the amount of such  
28 excess limits of liability, any defense which it may be  
29 entitled to plead against the insured.

30          (i) Proration of Insurance Permitted. --The policy may  
31 provide for the pro-rating of the insurance thereunder with  
32 other applicable valid and collectible insurance.

33          (j) Binders. --Any binder pending the issuance of any  
34 policy, which binder contains or by reference includes the  
35 provisions hereunder shall be sufficient proof of ability to  
36 respond in damages.

1 (k) Copy of Policy to Be Filed with Department of  
2 Insurance--Approval. --A copy of the form of every motor  
3 vehicle liability policy which is to be used to meet the  
4 requirements of this Act must be filed, by the company offering  
5 such policy, with the Department of Insurance, which shall  
6 approve or disapprove the policy within 30 days of its filing.  
7 If the Department approves the policy in writing within such 30  
8 day period or fails to take action for 30 days, the form of  
9 policy shall be deemed approved as filed. If within the 30 days  
10 the Department disapproves the form of policy filed upon the  
11 ground that it does not comply with the requirements of this  
12 Act, the Department shall give written notice of its decision  
13 and its reasons therefor to the carrier and the policy shall  
14 not be accepted as proof of financial responsibility under this  
15 Act.

16 (l) Insurance Carrier Required to File Certificate. --An  
17 insurance carrier who has issued a motor vehicle liability  
18 policy or policies or an operator's policy meeting the  
19 requirements of this Act shall, upon the request of the insured  
20 therein, deliver to the insured for filing, or at the request  
21 of the insured, shall file direct, with the Secretary of State  
22 a certificate, as required by this Act, which shows that such  
23 policy or policies have been issued. No insurance carrier may  
24 require the payment of any extra fee or surcharge, in addition  
25 to the insurance premium, for the execution, delivery or filing  
26 of such certificate.

27 (m) Proof When Made By Endorsement. --Any motor vehicle  
28 liability policy which by endorsement contains the provisions  
29 required hereunder shall be sufficient proof of ability to  
30 respond in damages.

31 (Source: P.A. 85-730.)