



Sen. William R. Haine

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LRB095 05617 RPM 48717 a

1 AMENDMENT TO SENATE BILL 2694

2 AMENDMENT NO. _____. Amend Senate Bill 2694 by replacing
3 everything after the enacting clause with the following:

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 state,
12 to catastrophe hazards, if any, to a reasonable margin for
13 profit and contingencies, to dividends, savings, or
14 unabsorbed premium deposits allowed or returned by
15 companies to their policyholders, members or subscribers,
16 to past and prospective expenses both countrywide and those

1 specially applicable to this State ~~state~~, to underwriting
2 practice, and judgment and to all other relevant factors
3 within and outside this State. ~~state~~.

4 (b) The systems of expense provisions included in the
5 rates for use by any company or group of companies may
6 differ from those of other companies or groups of companies
7 to reflect the requirements of the operating methods of the
8 ~~any such~~ company or group with respect to any kind of
9 insurance, or with respect to any subdivision or
10 combination thereof for which subdivision or combination
11 separate expense provisions are applicable. ~~+~~

12 (c) Risks may be grouped by classifications for the
13 establishment of rates and minimum premiums.
14 Classification rates may be modified to produce rates for
15 individual risks in accordance with rating plans that ~~which~~
16 measure variation in hazards or expense provisions, or
17 both. The ~~Such~~ rating plans may measure any differences
18 among risks that have a probable effect upon losses or
19 expenses. ~~+~~

20 (d) Rates shall not be excessive, inadequate, or
21 unfairly discriminatory.

22 (i) A rate in a competitive market is not
23 excessive. A rate in a noncompetitive market is
24 excessive if it is likely to produce a long run profit
25 that is unreasonably high for the insurance provided or
26 if expenses are unreasonably high in relation to the

1 services rendered.

2 (ii) A rate is not inadequate unless the ~~such~~ rate
3 is clearly insufficient to sustain projected losses
4 and expenses in the class of business to which it
5 applies and the use of the ~~such~~ rate has or, if
6 continued, will have the effect of substantially
7 lessening competition or the tendency to create
8 monopoly in any market.

9 (iii) Unfair discrimination exists if, after
10 allowing for practical limitations, price
11 differentials fail to reflect equitably the
12 differences in expected losses and expenses. A rate is
13 not unfairly discriminatory because different premiums
14 result for policyholders with like exposures but
15 different expenses, or like expenses but different
16 loss exposures, so long as the rate reflects the
17 differences with reasonable accuracy.

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

22 (f) Any rating plan or program shall include a rule
23 permitting 2 or more employers with similar risk
24 characteristics, who participate in a loss prevention
25 program or safety group, to pool their premium and loss
26 experience in determining their rate or premium for such

1 participation in the program.

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

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

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

15 Section 99. Effective date. This Act takes effect upon
16 becoming law.".