

**SB2876**



**97TH GENERAL ASSEMBLY**

**State of Illinois**

**2011 and 2012**

**SB2876**

Introduced 2/1/2012, by Sen. William R. Haine

**SYNOPSIS AS INTRODUCED:**

215 ILCS 5/4

from Ch. 73, par. 616

Amends the Illinois Insurance Code in the provision concerning classes of insurance. Provides that the insurance laws of the State, including the Illinois Insurance Code, do not apply to medical fee sharing arrangements between a religious organization and the organization's members or participants if (1) the organization limits its operations to those activities permitted by the provision concerning medical fee sharing arrangements between a religious organization and the organization's members or participants and (2) the medical fee sharing arrangement and organization meet certain criteria. Effective immediately.

LRB097 16449 RPM 61613 b

**A BILL FOR**

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 4 as follows:

6 (215 ILCS 5/4) (from Ch. 73, par. 616)

7 Sec. 4. Classes of insurance. Insurance and insurance  
8 business shall be classified as follows:

9 Class 1. Life, Accident and Health.

10 (a) Life. Insurance on the lives of persons and every  
11 insurance appertaining thereto or connected therewith and  
12 granting, purchasing or disposing of annuities. Policies of  
13 life or endowment insurance or annuity contracts or contracts  
14 supplemental thereto which contain provisions for additional  
15 benefits in case of death by accidental means and provisions  
16 operating to safeguard such policies or contracts against  
17 lapse, to give a special surrender value, or special benefit,  
18 or an annuity, in the event, that the insured or annuitant  
19 shall become totally and permanently disabled as defined by the  
20 policy or contract, or which contain benefits providing  
21 acceleration of life or endowment or annuity benefits in  
22 advance of the time they would otherwise be payable, as an  
23 indemnity for long term care which is certified or ordered by a

1 physician, including but not limited to, professional nursing  
2 care, medical care expenses, custodial nursing care,  
3 non-nursing custodial care provided in a nursing home or at a  
4 residence of the insured, or which contain benefits providing  
5 acceleration of life or endowment or annuity benefits in  
6 advance of the time they would otherwise be payable, at any  
7 time during the insured's lifetime, as an indemnity for a  
8 terminal illness shall be deemed to be policies of life or  
9 endowment insurance or annuity contracts within the intent of  
10 this clause.

11 Also to be deemed as policies of life or endowment  
12 insurance or annuity contracts within the intent of this clause  
13 shall be those policies or riders that provide for the payment  
14 of up to 75% of the face amount of benefits in advance of the  
15 time they would otherwise be payable upon a diagnosis by a  
16 physician licensed to practice medicine in all of its branches  
17 that the insured has incurred a covered condition listed in the  
18 policy or rider.

19 "Covered condition", as used in this clause, means: heart  
20 attack, stroke, coronary artery surgery, life threatening  
21 cancer, renal failure, alzheimer's disease, paraplegia, major  
22 organ transplantation, total and permanent disability, and any  
23 other medical condition that the Department may approve for any  
24 particular filing.

25 The Director may issue rules that specify prohibited policy  
26 provisions, not otherwise specifically prohibited by law,

1 which in the opinion of the Director are unjust, unfair, or  
2 unfairly discriminatory to the policyholder, any person  
3 insured under the policy, or beneficiary.

4 (b) Accident and health. Insurance against bodily injury,  
5 disablement or death by accident and against disablement  
6 resulting from sickness or old age and every insurance  
7 appertaining thereto, including stop-loss insurance. Stop-loss  
8 insurance is insurance against the risk of economic loss issued  
9 to a single employer self-funded employee disability benefit  
10 plan or an employee welfare benefit plan as described in 29  
11 U.S.C. 100 et seq.

12 (b-5) The insurance laws of this State, including this  
13 Code, do not apply to medical fee sharing arrangements between  
14 a religious organization and the organization's members or  
15 participants if (1) the organization limits its operations to  
16 those activities permitted by this subsection (b-5) and (2) the  
17 medical fee sharing arrangement and organization meet all of  
18 the following criteria:

19 (i) the organization is described in Section 501(c)(3)  
20 of the Internal Revenue Code and is exempt from taxation  
21 under Section 501(a) of the Internal Revenue Code;

22 (ii) members of the organization share a common set of  
23 religious beliefs, hold a bona fide conviction that the  
24 acquisition of insurance is contrary to such ethical or  
25 religious beliefs, and share medical expenses among  
26 members in accordance with those beliefs;

1           (iii) members of the organization retain membership  
2 even after they develop a medical condition;

3           (iv) the arrangement between the organization and its  
4 members is limited to the sharing of medical fees directly  
5 between members;

6           (v) the organization facilitates the payment of the  
7 medical expenses of its members through contributions made  
8 directly from one member to another without accepting such  
9 funds or depositing with or transferring such funds to a  
10 third party, or comingling contributions submitted by  
11 members for the medical expenses of other members;

12           (vi) the organization and its members do not assume any  
13 risk or make any promise of payment by the organization or  
14 its members;

15           (vii) the organization provides to its members, within  
16 30 days after enrollment, a complete set of its rules for  
17 the sharing of medical expenses, the process for the filing  
18 of complaints and appeals of decisions made by the  
19 organization, and a complete list of all potential  
20 out-of-pocket expenses associated with the submission of a  
21 medical expense that may be the member's responsibility;

22           (viii) the organization clearly identifies and  
23 separately collects contributions from members for the  
24 operations or expenses of the organization and informs its  
25 members that any contributions made for the operations or  
26 expenses of the organization shall not be used for the

1 payment of the medical expenses of its members;

2 (ix) within 60 days after the effective date of this  
3 amendatory Act of the 97th General Assembly, and by March 1  
4 of each year, the organization files with the Department a  
5 copy of its medical fee sharing arrangement and a letter  
6 from the organization certifying compliance with each of  
7 the requirements of this subsection (b-5);

8 (x) the organization or a predecessor organization has  
9 been in existence in this State at all times since December  
10 31, 1999, and medical expenses of its members have been  
11 shared continuously and without interruption in this State  
12 since at least December 31, 1999;

13 (xi) the organization conducts an annual audit that is  
14 performed by an independent certified public accounting  
15 firm in accordance with generally accepted accounting  
16 principles and is made available to the public upon  
17 request;

18 (xii) the organization includes the following  
19 statement, in writing, on or accompanying all applications  
20 and guideline materials: "Notice: The organization  
21 facilitating the sharing of medical expenses is not an  
22 insurance company, and neither its guidelines nor plan of  
23 operation constitute or create an insurance policy. Any  
24 assistance you receive with your medical bills will be  
25 totally voluntary. As such, participation in the  
26 organization or a subscription to any of its documents

1 should never be considered to be insurance. Whether or not  
2 you receive any payments for medical expenses and whether  
3 or not this organization continues to operate, you are  
4 always personally responsible for the payment of your own  
5 medical bills."; and

6 (xiii) any membership card or similar document issued  
7 by the organization and any written communication sent by  
8 the organization to a hospital, physician, or other health  
9 care provider shall include a statement that the  
10 organization does not issue health insurance and that the  
11 member or participant is personally liable for payment of  
12 his or her medical bills.

13 (c) Legal Expense Insurance. Insurance which involves the  
14 assumption of a contractual obligation to reimburse the  
15 beneficiary against or pay on behalf of the beneficiary, all or  
16 a portion of his fees, costs, or expenses related to or arising  
17 out of services performed by or under the supervision of an  
18 attorney licensed to practice in the jurisdiction wherein the  
19 services are performed, regardless of whether the payment is  
20 made by the beneficiaries individually or by a third person for  
21 them, but does not include the provision of or reimbursement  
22 for legal services incidental to other insurance coverages. The  
23 insurance laws of this State, including this Act do not apply  
24 to:

25 (i) Retainer contracts made by attorneys at law with  
26 individual clients with fees based on estimates of the

1 nature and amount of services to be provided to the  
2 specific client, and similar contracts made with a group of  
3 clients involved in the same or closely related legal  
4 matters;

5 (ii) Plans owned or operated by attorneys who are the  
6 providers of legal services to the plan;

7 (iii) Plans providing legal service benefits to groups  
8 where such plans are owned or operated by authority of a  
9 state, county, local or other bar association;

10 (iv) Any lawyer referral service authorized or  
11 operated by a state, county, local or other bar  
12 association;

13 (v) The furnishing of legal assistance by labor unions  
14 and other employee organizations to their members in  
15 matters relating to employment or occupation;

16 (vi) The furnishing of legal assistance to members or  
17 dependents, by churches, consumer organizations,  
18 cooperatives, educational institutions, credit unions, or  
19 organizations of employees, where such organizations  
20 contract directly with lawyers or law firms for the  
21 provision of legal services, and the administration and  
22 marketing of such legal services is wholly conducted by the  
23 organization or its subsidiary;

24 (vii) Legal services provided by an employee welfare  
25 benefit plan defined by the Employee Retirement Income  
26 Security Act of 1974;



1           (viii) Any collectively bargained plan for legal  
2 services between a labor union and an employer negotiated  
3 pursuant to Section 302 of the Labor Management Relations  
4 Act as now or hereafter amended, under which plan legal  
5 services will be provided for employees of the employer  
6 whether or not payments for such services are funded to or  
7 through an insurance company.

8           Class 2. Casualty, Fidelity and Surety.

9           (a) Accident and health. Insurance against bodily injury,  
10 disablement or death by accident and against disablement  
11 resulting from sickness or old age and every insurance  
12 appertaining thereto, including stop-loss insurance. Stop-loss  
13 insurance is insurance against the risk of economic loss issued  
14 to a single employer self-funded employee disability benefit  
15 plan or an employee welfare benefit plan as described in 29  
16 U.S.C. 1001 et seq.

17           (b) Vehicle. Insurance against any loss or liability  
18 resulting from or incident to the ownership, maintenance or use  
19 of any vehicle (motor or otherwise), draft animal or aircraft.  
20 Any policy insuring against any loss or liability on account of  
21 the bodily injury or death of any person may contain a  
22 provision for payment of disability benefits to injured persons  
23 and death benefits to dependents, beneficiaries or personal  
24 representatives of persons who are killed, including the named  
25 insured, irrespective of legal liability of the insured, if the  
26 injury or death for which benefits are provided is caused by

1 accident and sustained while in or upon or while entering into  
2 or alighting from or through being struck by a vehicle (motor  
3 or otherwise), draft animal or aircraft, and such provision  
4 shall not be deemed to be accident insurance.

5 (c) Liability. Insurance against the liability of the  
6 insured for the death, injury or disability of an employee or  
7 other person, and insurance against the liability of the  
8 insured for damage to or destruction of another person's  
9 property.

10 (d) Workers' compensation. Insurance of the obligations  
11 accepted by or imposed upon employers under laws for workers'  
12 compensation.

13 (e) Burglary and forgery. Insurance against loss or damage  
14 by burglary, theft, larceny, robbery, forgery, fraud or  
15 otherwise; including all householders' personal property  
16 floater risks.

17 (f) Glass. Insurance against loss or damage to glass  
18 including lettering, ornamentation and fittings from any  
19 cause.

20 (g) Fidelity and surety. Become surety or guarantor for any  
21 person, copartnership or corporation in any position or place  
22 of trust or as custodian of money or property, public or  
23 private; or, becoming a surety or guarantor for the performance  
24 of any person, copartnership or corporation of any lawful  
25 obligation, undertaking, agreement or contract of any kind,  
26 except contracts or policies of insurance; and underwriting

1 blanket bonds. Such obligations shall be known and treated as  
2 suretyship obligations and such business shall be known as  
3 surety business.

4 (h) Miscellaneous. Insurance against loss or damage to  
5 property and any liability of the insured caused by accidents  
6 to boilers, pipes, pressure containers, machinery and  
7 apparatus of any kind and any apparatus connected thereto, or  
8 used for creating, transmitting or applying power, light, heat,  
9 steam or refrigeration, making inspection of and issuing  
10 certificates of inspection upon elevators, boilers, machinery  
11 and apparatus of any kind and all mechanical apparatus and  
12 appliances appertaining thereto; insurance against loss or  
13 damage by water entering through leaks or openings in  
14 buildings, or from the breakage or leakage of a sprinkler,  
15 pumps, water pipes, plumbing and all tanks, apparatus, conduits  
16 and containers designed to bring water into buildings or for  
17 its storage or utilization therein, or caused by the falling of  
18 a tank, tank platform or supports, or against loss or damage  
19 from any cause (other than causes specifically enumerated under  
20 Class 3 of this Section) to such sprinkler, pumps, water pipes,  
21 plumbing, tanks, apparatus, conduits or containers; insurance  
22 against loss or damage which may result from the failure of  
23 debtors to pay their obligations to the insured; and insurance  
24 of the payment of money for personal services under contracts  
25 of hiring.

26 (i) Other casualty risks. Insurance against any other

1 casualty risk not otherwise specified under Classes 1 or 3,  
2 which may lawfully be the subject of insurance and may properly  
3 be classified under Class 2.

4 (j) Contingent losses. Contingent, consequential and  
5 indirect coverages wherein the proximate cause of the loss is  
6 attributable to any one of the causes enumerated under Class 2.  
7 Such coverages shall, for the purpose of classification, be  
8 included in the specific grouping of the kinds of insurance  
9 wherein such cause is specified.

10 (k) Livestock and domestic animals. Insurance against  
11 mortality, accident and health of livestock and domestic  
12 animals.

13 (l) Legal expense insurance. Insurance against risk  
14 resulting from the cost of legal services as defined under  
15 Class 1(c).

16 Class 3. Fire and Marine, etc.

17 (a) Fire. Insurance against loss or damage by fire, smoke  
18 and smudge, lightning or other electrical disturbances.

19 (b) Elements. Insurance against loss or damage by  
20 earthquake, windstorms, cyclone, tornado, tempests, hail,  
21 frost, snow, ice, sleet, flood, rain, drought or other weather  
22 or climatic conditions including excess or deficiency of  
23 moisture, rising of the waters of the ocean or its tributaries.

24 (c) War, riot and explosion. Insurance against loss or  
25 damage by bombardment, invasion, insurrection, riot, strikes,  
26 civil war or commotion, military or usurped power, or explosion

1 (other than explosion of steam boilers and the breaking of fly  
2 wheels on premises owned, controlled, managed, or maintained by  
3 the insured.)

4 (d) Marine and transportation. Insurance against loss or  
5 damage to vessels, craft, aircraft, vehicles of every kind,  
6 (excluding vehicles operating under their own power or while in  
7 storage not incidental to transportation) as well as all goods,  
8 freights, cargoes, merchandise, effects, disbursements,  
9 profits, moneys, bullion, precious stones, securities, choses  
10 in action, evidences of debt, valuable papers, bottomry and  
11 respondentia interests and all other kinds of property and  
12 interests therein, in respect to, appertaining to or in  
13 connection with any or all risks or perils of navigation,  
14 transit, or transportation, including war risks, on or under  
15 any seas or other waters, on land or in the air, or while being  
16 assembled, packed, crated, baled, compressed or similarly  
17 prepared for shipment or while awaiting the same or during any  
18 delays, storage, transshipment, or reshipment incident  
19 thereto, including marine builder's risks and all personal  
20 property floater risks; and for loss or damage to persons or  
21 property in connection with or appertaining to marine, inland  
22 marine, transit or transportation insurance, including  
23 liability for loss of or damage to either arising out of or in  
24 connection with the construction, repair, operation,  
25 maintenance, or use of the subject matter of such insurance,  
26 (but not including life insurance or surety bonds); but, except

1 as herein specified, shall not mean insurances against loss by  
2 reason of bodily injury to the person; and insurance against  
3 loss or damage to precious stones, jewels, jewelry, gold,  
4 silver and other precious metals whether used in business or  
5 trade or otherwise and whether the same be in course of  
6 transportation or otherwise, which shall include jewelers'  
7 block insurance; and insurance against loss or damage to  
8 bridges, tunnels and other instrumentalities of transportation  
9 and communication (excluding buildings, their furniture and  
10 furnishings, fixed contents and supplies held in storage)  
11 unless fire, tornado, sprinkler leakage, hail, explosion,  
12 earthquake, riot and civil commotion are the only hazards to be  
13 covered; and to piers, wharves, docks and slips, excluding the  
14 risks of fire, tornado, sprinkler leakage, hail, explosion,  
15 earthquake, riot and civil commotion; and to other aids to  
16 navigation and transportation, including dry docks and marine  
17 railways, against all risk.

18 (e) Vehicle. Insurance against loss or liability resulting  
19 from or incident to the ownership, maintenance or use of any  
20 vehicle (motor or otherwise), draft animal or aircraft,  
21 excluding the liability of the insured for the death, injury or  
22 disability of another person.

23 (f) Property damage, sprinkler leakage and crop. Insurance  
24 against the liability of the insured for loss or damage to  
25 another person's property or property interests from any cause  
26 enumerated in this class; insurance against loss or damage by

1 water entering through leaks or openings in buildings, or from  
2 the breakage or leakage of a sprinkler, pumps, water pipes,  
3 plumbing and all tanks, apparatus, conduits and containers  
4 designed to bring water into buildings or for its storage or  
5 utilization therein, or caused by the falling of a tank, tank  
6 platform or supports or against loss or damage from any cause  
7 to such sprinklers, pumps, water pipes, plumbing, tanks,  
8 apparatus, conduits or containers; insurance against loss or  
9 damage from insects, diseases or other causes to trees, crops  
10 or other products of the soil.

11 (g) Other fire and marine risks. Insurance against any  
12 other property risk not otherwise specified under Classes 1 or  
13 2, which may lawfully be the subject of insurance and may  
14 properly be classified under Class 3.

15 (h) Contingent losses. Contingent, consequential and  
16 indirect coverages wherein the proximate cause of the loss is  
17 attributable to any of the causes enumerated under Class 3.  
18 Such coverages shall, for the purpose of classification, be  
19 included in the specific grouping of the kinds of insurance  
20 wherein such cause is specified.

21 (i) Legal expense insurance. Insurance against risk  
22 resulting from the cost of legal services as defined under  
23 Class 1(c).

24 (Source: P.A. 90-741, eff. 8-13-98; 90-810, eff. 1-6-99.)

25 Section 99. Effective date. This Act takes effect upon  
26 becoming law.