

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 adding
5 Section 155.44 as follows:

6 (215 ILCS 5/155.44 new)

7 Sec. 155.44. Financial requirements; large deductible
8 agreements for workers' compensation insurance.

9 (a) An insurer shall:

10 (1) require full collateralization of the outstanding
11 obligations owed under a large deductible agreement by
12 using one of the following methods:

13 (A) a surety bond issued by a surety insurer
14 authorized to transact business by the Department and
15 whose financial strength and size ratings from A.M.
16 Best Company are not less than "A" and "V",
17 respectively;

18 (B) an irrevocable letter of credit issued by a
19 financial institution with an office physically
20 located within the State and the deposits of which are
21 federally insured; or

22 (C) cash or securities held in trust by a third
23 party or by the insurer and subject to a trust

1 agreement for the express purpose of securing the
2 policyholder's obligation under a large deductible
3 agreement, provided that if the assets are held by the
4 insurer those assets are not commingled with the
5 insurer's other assets; and

6 (2) limit the size of the policyholder's obligations
7 under a large deductible agreement to no greater than 20%
8 of the total net worth of the policyholder at each policy
9 inception, as determined by an audited financial statement
10 as of the most recently available fiscal year end.

11 (b) As used in this Section, "insurer" means any insurer
12 authorized to issue a workers' compensation policy covering
13 risks located in this State that has an A.M. Best Company
14 rating below "A-" and does not have at least \$200,000,000 in
15 surplus.

16 (c) As used in this Section, "large deductible agreement"
17 means any combination of one or more policies, endorsements,
18 contracts, or security agreements which provide for the
19 policyholder to bear the risk of loss of \$100,000 or greater
20 per claim or occurrence covered under a policy of workers'
21 compensation insurance and which may be subject to the
22 aggregate limit of policyholder reimbursement obligations.

23 (d) Except when approved by the Director of Insurance, any
24 insurer determined to be in a financially hazardous condition
25 pursuant to Article XII 1/2 or XIII of this Code by the
26 Director of Insurance in this State or the equivalent in any

1 other state is prohibited from issuing or renewing a policy
2 that includes a large deductible agreement.

3 (e) This Section applies to large deductible agreements
4 issued or renewed by any insurer on or after January 1, 2016.

5 Section 99. Effective date. This Act takes effect on July
6 1, 2015.