

AN ACT concerning insurance.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Illinois Insurance Code is amended by adding Section 155.44 as follows:

(215 ILCS 5/155.44 new)

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

(a) An insurer shall:

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

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

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

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

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

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

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

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

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

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SB1805 Enrolled

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

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

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