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The cost of Workers' Compensation in Illinois is an issue that is of serious concern to most, if not all, businesses here. But for small and medium sized businesses, the cost of Workers' Compensation really means the cost of Workers' Compensation *insurance*, because small and medium sized employers, for the most part, have to buy insurance in order to meet their statutory liabilities.

For more than twenty-five years, I've been helping Illinois employers reduce the cost of their Workers' Compensation insurance by correcting technical mistakes by insurance companies. And in the course of that consulting work, I've identified some things that could be done to help Illinois employers (particularly smaller employers) reduce the cost of Workers' Compensation insurance that would not involve making changes in the benefits paid to injured workers.

First, I would suggest that Illinois mandate that the NCCI rules regarding changes in classification that apply in other states also apply here. In other states that use the NCCI system, the rules prohibit insurers from adding a more expensive classification code late in the policy term. But NCCI changed the rules for Illinois some years ago, in response to changes in Illinois insurance law. While that Illinois law does give employers some protection against such classification changes on renewal policies, it does not address an initial policy an employer purchases from an insurer. The net effect of the NCCI rule change has been to deprive Illinois employers of an important consumer protection that employers in all other NCCI states enjoy.

Second, I would suggest that Illinois adopt a change in NCCI rules that is currently used by Florida and Georgia. This rule states that a reallocation of payroll among classifications constitutes a change in classification, if all payroll is moved from one classification to another. While this may sound arcane and technical, such a change would provide important protections to many small and medium employers in Illinois. Under current rules, insurers can surprise employers with Workers Compensation premium bills that are much, much higher than the employer had been to originally expect. Insurers do this by means of moving around payroll from inexpensive classifications to expensive ones, when they perform the audit of the policy. Current rules in Illinois allow this deceptive practice, while the rule that has been adopted in Florida and Georgia prohibits it.

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Third, I would recommend that NCCI rules regarding retroactive application of the Contractors Credit program be revised. A few years ago, NCCI revised Illinois rules so that employers who are eligible for a contractors credit can no longer have this important credit calculated retroactively if the employer misses the deadline for filing. In the past, we have helped employers recover significant premium overcharges that had occurred due to missing the deadline for filing the needed form. In response, NCCI changed their rules to prohibit employers from retroactively obtaining this credit. This should be corrected to allow Illinois employers to once again obtain past credits that they legitimately qualify for.

Finally, I would suggest that reforms be considered in the Illinois Assigned Risk Plan. As you may know, many smaller or newer Illinois businesses end up insured through the Assigned Risk Plan because many insurers are reluctant to insure them in the voluntary market. But costs for coverage from the Assigned Risk Plan are dramatically higher than in the voluntary market—often double.

Small employers who are too small to be eligible for an experience modification factor under NCCI rules are particularly victimized by the high cost of the Assigned Risk Plan, as such employers have no possibility to obtain any reduction in premiums based on a good safety record.

Missouri has addressed this issue by making available a safety credit for smaller employers in the Assigned Risk Plan. In Missouri, employers too small to be eligible for experience rating can obtain a 10% credit on their Assigned Risk premiums by participating in the Missouri Injury Management Program. The MIMP provides training and resources to smaller employers to help them reduce their workplace exposures to injury.

It is my hope that these ideas might serve as the basis for providing relief to many Illinois employers, without getting into the contentious issues involving in making changes to the benefits paid to Illinois workers.

Very truly yours,

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