

August 26, 2018

To the Honorable Members of  
The Illinois Senate,  
100th General Assembly:

Today I return Senate Bill 1737 with specific recommendations for change.

This omnibus bill overhauls the Illinois Insurance Code on a number of fronts, including reforming Illinois' handling of reinsurers to conform with best practices, updating our captive insurance law to be more attractive to companies that use this insurance option, and adds flexibility to the process of dividing domestic stock companies. However, it also would impose detrimental new limitations on certain types of health coverage upon Illinois consumers and would overregulate our competitive market for workers' compensation insurance.

Portions of this legislation are both necessary and wise, such as the provisions that bring Illinois in line with national and international accreditation standards for reinsurers. The changes in collateral requirements are based on a tested model and will bring Illinois in equivalence with international regulatory frameworks. Similarly, the updates to the captive insurance regulatory structure are in line with other states, and will help Illinois overcome its competitive disadvantage in attracting the companies that offer this product to Illinois businesses. It also further increases clarity for domestic stock companies undergoing corporate divisions. However, this legislation imposes concerning additional regulatory barriers to short-term limited-duration health plans (STLDs) and workers' compensation insurance.

STLDs have historically been utilized to cover individuals who may be experiencing a gap in longer term coverage options, such as between jobs with employer-sponsored plans. They are exempt from certain mandates under federal law, and often offer participants lower costs, more flexible coverage, and broader access to providers than traditional individual market plans.

This legislation would impose numerous restrictions on these plans, including strict maximum time frames and prohibitions on renewal. I recognize concerns that certain STLDs have not always been clear in their terms and coverage, but ultimately broad restrictions such as those

contained in Senate Bill 1737 will reduce consumer plan choice as well as the availability of STLD options in Illinois. The scope of STLDs has recently been debated at the federal level, and we should look to be consistent with the regulatory structures of other states and the federal government, as further regulation will create barriers to Illinoisans' access to the health care plans that best fit their needs.

This legislation also includes unnecessary new restrictions on rate-setting in the Illinois workers' compensation insurance industry. Illinois has one of the country's most competitive markets for workers' compensation insurance, which has a history of modulating rates through market dynamics. This legislation, much like other workers' compensation legislation passed by the General Assembly in recent years, demonstrates a misunderstanding of the true cost drivers in our system and increases regulation to the detriment of Illinois businesses and individuals, to whom additional costs will inevitably be passed on.

Therefore, pursuant to Section 9(e) of Article IV of the Illinois Constitution of 1970, I hereby return Senate Bill 1737, entitled "AN ACT concerning regulation," with the following recommendation for change:

By deleting Page 1, line 4 through Page 5, line 16; and

On page 5, by replacing line 17 through 22 with the following:

"Section 90. The Illinois Insurance Code is amended by adding Article IIB and Sections 123C-23, 123C-24, 123C-25, 123C-26, 123C-27, and 123C-28 and by changing Sections 121-2.08, 123C-1, 123C-2, 123C-3, 123C-9, 123C-11, 123C-12, 123C-13, 123C-16, 123C-17, 123C-19, 156, and 173.1 as follows:"; and

By deleting Page 99, Line 7 through page 107, line 15; and

By replacing page 107 lines 16 through 19 with:

"(215 ILCS 5/123C-4 rep.)

Section 95. The Illinois Insurance Code is amended by repealing Sections 123C-4."; and

On page 107, by replacing lines 20 through 24 with: "Section 99. Effective date. This Act takes effect upon becoming law.".

With these changes, Senate Bill 1737 will have my approval. I respectfully request your concurrence.

Sincerely,

Bruce Rauner  
GOVERNOR