

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 456 as follows:

6 (215 ILCS 5/456) (from Ch. 73, par. 1065.3)  
7 Sec. 456. Making of rates.

8 (1) All rates shall be made in accordance with the  
9 following provisions:

10 (a) Due consideration shall be given to past and  
11 prospective loss experience within and outside this  
12 State, to catastrophe hazards, if any, to a reasonable  
13 margin for profit and contingencies, to dividends,  
14 savings, or unabsorbed premium deposits allowed or  
15 returned by companies to their policyholders, members or  
16 subscribers, to past and prospective expenses both  
17 countrywide and those specially applicable to this State,  
18 to underwriting practice and judgment, and to all other  
19 relevant factors within and outside this State.;

20 (b) The systems of expense provisions included in  
21 the rates for use by any company or group of companies  
22 may differ from those of other companies or groups of  
23 companies to reflect the requirements of the operating  
24 methods of the any-such company or group with respect to  
25 any kind of insurance, or with respect to any subdivision  
26 or combination thereof for which subdivision or  
27 combination separate expense provisions are applicable.;

28 (c) Risks may be grouped by classifications for the  
29 establishment of rates and minimum premiums.  
30 Classification rates may be modified to produce rates for  
31 individual risks in accordance with rating plans that

1 which measure variation in hazards or expense provisions,  
2 or both. The such rating plans may measure any  
3 differences among risks that have a probable effect upon  
4 losses or expenses.

5 (d) Rates shall not be excessive, inadequate, or  
6 unfairly discriminatory.

7 (i) A rate in a competitive market is not  
8 excessive. A rate in a noncompetitive market is  
9 excessive if it is likely to produce a long run  
10 profit that is unreasonably high for the insurance  
11 provided or if expenses are unreasonably high in  
12 relation to the services rendered.

13 (ii) A rate is not inadequate unless the such  
14 rate is clearly insufficient to sustain projected  
15 losses and expenses in the class of business to  
16 which it applies and the use of the such rate has  
17 or, if continued, will have the effect of  
18 substantially lessening competition or the tendency  
19 to create monopoly in any market.

20 (iii) Unfair discrimination exists if, after  
21 allowing for practical limitations, price  
22 differentials fail to reflect equitably the  
23 differences in expected losses and expenses. A rate  
24 is not unfairly discriminatory because different  
25 premiums result for policyholders with like  
26 exposures but different expenses, or like expenses  
27 but different loss exposures, so long as the rate  
28 reflects the differences with reasonable accuracy.

29 (e) The rating plan shall contain a mandatory offer  
30 of a deductible applicable only to the medical benefit  
31 under the Workers' Compensation Act. Such deductible  
32 offer shall be in a minimum amount of at least \$1,000 per  
33 accident.

34 (f) Any rating plan or program shall include a rule

1        permitting 2 or more employers with similar risk  
2        characteristics, who participate in a loss prevention  
3        program or safety group, to pool their premium and loss  
4        experience in determining their rate or premium for such  
5        participation in the program.

6        (g) With respect to an employer correctly  
7        classified within the construction industry, the amount  
8        charged for workers' compensation and employers'  
9        liability insurance insuring the employees employed by an  
10       employer in any job category or classification shall be  
11       based upon hours worked by employees in that job category  
12       or classification and shall not be based upon the wages  
13       or salaries paid to the employees.

14       (2) Except to the extent necessary to meet the  
15       provisions of subdivision (d) of subsection (1) of this  
16       Section, uniformity among companies in any matters within the  
17       scope of this Section is neither required nor prohibited.

18       (Source: P.A. 82-939.)