



State or Federal Issues Contacts: Please refer to the list of State Relations Executives at the end of this report.

## LEGISLATIVE ACTIVITY—LEGISLATIVE SESSION UPDATES

*This report contains descriptions and/or excerpts of relevant bills that passed the first chamber, passed the second chamber, or were enacted during the specific periods. In addition, a recap of significant legislative and judicial activity impacting the workers compensation system will be included in the first report published each month. This report is issued on a weekly basis throughout the legislative season, and it provides updates on the content of these bills if and when they progress through the legislative process. This report includes bills from states where NCCI provides ratemaking services (see state list under Contact Information) and the US Congress.*

### BILLS ENACTED

There were no relevant workers compensation-related bills enacted within the one-week period ending August 18, 2017.

### BILLS PASSING SECOND CHAMBER

There were no relevant workers compensation-related bills that passed the second chamber within the one-week period ending August 18, 2017.

### BILLS PASSING FIRST CHAMBER

There were no relevant workers compensation-related bills that passed the first chamber within the one-week period ending August 18, 2017.

### BILLS VETOED BY GOVERNOR

The following workers compensation-related bill was vetoed by the governor within the one-week period ending August 18, 2017.

## Illinois

#### HB 2622 was:

- Passed by the first chamber on April 27, 2017
- Included in NCCI's May 5, 2017 **Legislative Activity Report** (RLA-2017-17)
- Passed by the second chamber on May 26, 2017
- Included in NCCI's June 2, 2017 **Legislative Activity Report** (RLA-2017-21)
- Vetoed by the governor on August 18, 2017

**HB 2622** amends section **215 ILCS 5/416 Illinois Workers' Compensation Commission Operations Fund Surcharge** of the Illinois Compiled Statutes Annotated as follows:

#### **215 ILCS 5/416 Illinois Workers' Compensation Commission Operations Fund Surcharge**

...

(h) After the effective date of this amendatory Act of the 100th General Assembly, the Director shall make a loan to the Illinois Employers Mutual Insurance Company of \$10,000,000 from the Illinois Workers' Compensation Commission Operations Fund for the start-up funding and initial capitalization of the Illinois Employers Mutual Insurance Company. The Board of Directors of the Illinois Employers Mutual Insurance Company shall make an application to the Director for the loans, stating the amount to be loaned to the Illinois Employers Mutual Insurance Company. The Illinois Employers Mutual Insurance Company shall repay the loans in full within 5 years after issuance, plus any interest that would have accrued thereon had the loan not occurred.

**HB 2622** also creates a new Article to the Illinois Compiled Statutes Annotated entitled the Illinois Employers Mutual Insurance Company as follows:

**215 ILCS 5/1700. Purpose.**

The purpose of this Article is to establish the Illinois Employers Mutual Insurance Company as a nonprofit, independent public corporation to insure Illinois employers against liability for workers' compensation and occupational disease coverage.

**215 ILCS 5/1705. Definitions.**

As used in this Article:

"Board" means the board of directors of the Illinois Employers Mutual Insurance Company.

"Board director" means a member of the board of directors of the Company.

"Company" means the Illinois Employers Mutual Insurance Company created by this Article.

**215 ILCS 5/1710. Establishment of the Company.**

(a) There is hereby created the Illinois Employers Mutual Insurance Company, which shall be a nonprofit, independent public corporation. The Company shall be operated as a domestic mutual insurance company, subject to all applicable provisions of this Code.

(b) The Company shall issue insurance for workers' compensation and occupational disease. The Company shall not provide any other type of insurance.

(c) The Company shall provide workers' compensation coverage to employers at the highest level of service and savings consistent with reasonable applicable actuarial standards and shall maintain the financial integrity of the Company. The Company shall foster employer involvement in safety initiatives and the creation of workplace safety plans set forth in Section 1740 of this Article.

(d) The Company shall not be considered a State agency or instrumentality of the State for any purpose. Employees of the Company are not employees of the State and are not subject to the Personnel Code. The Company shall not receive any State appropriations or funds, except for an initial loan or loans made pursuant to Section 416 of this Code. The State shall not borrow or otherwise appropriate funds from the Company. The Company or its liabilities shall not be deemed to constitute a debt or a liability of the State or a pledge of the full faith and credit of the State.

**215 ILCS 5/1715. Board of directors.**

(a) The Company shall be managed by a 7-member board of directors. The board of directors shall be appointed by the Governor with the advice and consent of the Senate. For the initial set of appointments, 2 Board directors shall be appointed to a term ending July 1, 2019, 2 Board directors shall be appointed to a term ending July 1, 2020, 2 Board directors shall be appointed to a term ending July 1, 2021, and one Board director shall be appointed to a term ending July 1, 2022. All initial appointments shall be made by the Governor within 30 days after the effective date of this amendatory Act of the 100th General Assembly. Thereafter, all appointments or reappointments shall be for a 5-year term ending on July 1 of the fifth year. The appointment and reappointment of Board directors by the Governor shall be subject to the provisions of Article 3A of the Illinois Governmental Ethics Act.

(b) A Board director appointed by the Governor must meet all of the following qualifications:

(1) he or she does not have any interest as a stockholder, employee, attorney, agent, broker, or contractor of an insurance entity that writes workers' compensation insurance or whose affiliates write workers' compensation insurance; however, nothing in this Section shall be construed to prohibit an individual who previously had an interest in an insurance entity that writes workers' compensation insurance or whose affiliates write workers' compensation insurance from being appointed to the Board;

(2) he or she is not the spouse or an immediate family member living with a person who has an interest as a stockholder, employee, attorney, agent, broker, or contractor of an insurance entity that writes workers' compensation insurance or whose affiliates write workers' compensation insurance; however, nothing in this Section shall be construed to prohibit an individual who previously had an interest in an insurance entity that writes workers' compensation insurance or whose affiliates write workers' compensation insurance from being appointed to the Board;

(3) he or she is a resident of the State of Illinois;

(4) he or she is of good moral character and has never pleaded guilty to, or been found guilty of, a felony; and

(5) he or she is not a registered lobbyist under the Lobbyist Registration Act.

(c) The Board directors shall elect a chairman from the Board.

(d) The Board is vested with the full power, authority, and jurisdiction over the Company and may perform any necessary or convenient act in the exercise of its power. The Board shall discharge its duties with the care, skill, prudence, and diligence as that of prudent directors acting in a similar enterprise and purpose. The powers of the Board include, but are not limited to:

(1) the ability to enter into contracts;

(2) the purchase of reinsurance; and

(3) the declaration of dividends.

(e) The Board shall develop bylaws which shall be subject to the restrictions set forth in this Article. The bylaws shall provide for a schedule of at least quarterly meetings and set forth rules specifically relating to the conduct of meetings and voting procedures.

(f) The Board shall reflect the ethnic, cultural, and geographical diversity of the State.

**215 ILCS 5/1720. Ratemaking.**

The Board shall have full power and authority to establish rates to be charged by the Company for insurance, subject to the applicable provisions of this Code. The Board shall contract for the services of or hire an independent actuary, who is a member in good standing with the American Academy of Actuaries, to develop and recommend actuarially sound rates. Rates shall be set at amounts sufficient, when invested, to carry all claims to maturity, meet the reasonable expenses of conducting the business of the Company, and maintain a reasonable surplus.

**215 ILCS 5/1725. Guaranty fund.**

The Company shall be subject to Article XXXIV of this Code and shall pay any assessments required for members of the Illinois Insurance Guaranty Fund.

**215 ILCS 5/1730. Chief executive officer.**

(a) The Board shall hire a chief executive officer who shall serve at the pleasure of the Board. The chief executive officer shall not be a member of the Board and must be qualified by education and experience to manage an organization with financial and operational obligations to policyholders and claimants. The compensation of the chief executive officer shall be determined by the Board.

(b) The chief executive officer shall be responsible for conducting the day-to-day operations of the Company, including the hiring of personnel. The chief executive officer shall also maintain an Internet website for the Company, which shall include information regarding the purchase of policies from the Company, as well as any reports required to be published under this Article.

(c) The chief executive officer shall present a proposed operating budget for the Company to the Board for its approval on an annual basis. The operating budget shall include a description of administrative and personnel costs.

**215 ILCS 5/1735. Liability.**

The Board and its employees shall not be personally liable for acts performed in good faith, without the intent to defraud, and made in an official capacity.

**215 ILCS 5/1740. Workplace safety plan.**

(a) The chief executive officer shall formulate, implement, and monitor a workplace safety plan for all policyholders. This plan shall include written guidance to reduce workplace accidents, prevent injuries, and promote safe working conditions. Each plan shall have clearly stated safety objectives for the policyholder.

(b) Employees of the Company shall have access to the premises of any policyholder for the purpose of examining the safety conditions of the workplace. The Company may terminate a policy if there is a refusal by the policyholder to permit on-site examinations by the Company or if the policyholder disregards or fails to comply with the safety objectives set forth by the Company in the workplace safety plan.

**215 ILCS 5/1745. Investments.**

(a) The Company shall formulate and adopt an investment policy that safeguards the value of all assets and maximizes investment potential. All investments by the Company shall be subject to the applicable restrictions for domestic mutual insurers set forth in this Code.

(b) The Company may retain an independent investment counsel who shall be subject to standards applicable to fiduciaries responsible for safeguarding the assets of a corporation.

**215 ILCS 5/1750. Dividends.**

(a) The Company may declare a dividend in accordance with the requirements set forth in this Code.

(b) Dividends may be distributed in the form of premium discounts, dividends, or a combination of dividends and discounts.

(c) In addition to any requirements for dividends set forth in this Code, dividends may only be distributed if:

(1) the initial funding of the Company has been repaid in full;

(2) an independent actuarial report of the prior year's operations has been completed and reviewed by the Board;

(3) the Company has met all expenses for administration and claims for the prior year; and

(4) adequate reserves exist to pay all claims.

**215 ILCS 5/1755. Sale of policies.**

The Company shall administer the sale of policies for workers' compensation and occupational disease coverage. The Company shall utilize the Internet and other technologies to the greatest extent possible in order to facilitate the purchase of a policy for employers in this State.

**215 ILCS 5/1760. Auditing requirements.**

(a) The Company shall be subject to all examinations and audits required under this Code.

(b) The Board shall retain a competent and independent firm of certified public accountants to perform an annual audit of the performance and management of the Company and an audit of the accounts, funds, and securities of the Company. The costs of these audits shall be paid for by the Company. The audits shall be published on the Company's Internet website.

**215 ILCS 5/1765. Annual report.**

(a) On July 1, 2018, the Board shall prepare and submit a report to the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House, and the Minority Leader of the House. This report shall describe the progress of the Company to date in establishing its operations as a domestic mutual insurance company in this State providing workers' compensation and occupational disease coverage. This report shall include the information required in subsection (b) of this Section, if available.

(b) Beginning July 1, 2019 and continuing every July 1 thereafter, the Board shall prepare and submit a report to the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House, and the Minority Leader of the House. This report shall contain, at a minimum, the following information:

(1) a summary of the most recent audits performed pursuant to Section 1760 of this Code;

(2) statistical and actuarial data related to the determination of premium rate levels; and

(3) the incidence of work-related injuries and costs related to those injuries.

(c) The reports required under this Section shall be submitted electronically and posted on the Internet website of the Company.

**Contact Information**

If you have any questions about the legislation or proposals mentioned, please contact the appropriate NCCI state relations executive (listed below) or a representative of your local insurance trade association.

<b>State</b>	<b>State Relations Executive</b>	<b>Phone Number</b>
IN, NC, SC, TN	Amy Quinn	803-356-0851
MO, NE, OK, SD	Carla Townsend	314-843-4001
HI	Carolyn Pearl	808-524-6239
IA, KY	Clarissa Preston	561-945-4517
DC, MD, VA, WV	David Benedict	804-380-3005
FL	Jeff Eddinger	561-893-3133
CT, ME, NH, RI, VT	Laura Backus Hall	802-454-1800
AL, GA, LA, MS	Laura Hart Bryan	225-618-8168
AK, AZ, CO, NM, UT	Maggie Karpuk	818-707-8374
ID, MT, NV, OR	Peter Burton	610-964-8852
AR, IL, KS, TX	Terri Robinson	501-333-2835
Federal Issues	Tim Tucker	202-403-8526

This report is informational and is not intended to provide an interpretation of state and federal legislation.