

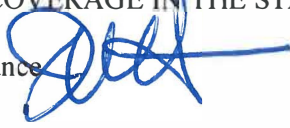


Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

TO: ALL INSURANCE COMPANIES APPROVED TO PROVIDE WORKERS'
COMPENSATION INSURANCE COVERAGE IN THE STATE OF ILLINOIS

FROM: Jennifer Hammer, Director of Insurance 

DATE: October 18, 2018

RE: Company Bulletin #2018-09 Workers' Compensation Rating

The purpose of this Bulletin is to provide guidance for all insurance companies who write workers' compensation coverage in Illinois if they choose to use rate tiering.

Insurance companies authorized to write workers' compensation insurance in Illinois may establish multiple rating tiers to price workers' compensation insurance policies. Companies must file all workers' compensation rates, including multiple rating tiers, with the Illinois Department of Insurance in accordance with 215 ILCS 5/456-457 and 50 Ill. Adm. Code Section 2902.

1. Workers' Compensation Classification Rate Tiering will require:
 - a. a filed program used to determine tier placement;
 - i. Tiering should use objective criteria (not subjective).
 - ii. Tiering should be applied uniformly across all policyholders.
 - iii. When determining rates, the Experience Modification should be considered in the Generalized Linear Model (GLM) and other calculations.
 - iv. Companies filing Tiers should provide a distribution of insureds by Tier.
 - v. Tiering definitions should be fully disclosed to show all factors contributing to the Tiering mechanism.
 - b. all rate pages to be filed; and
 - i. completion of the Company Rate Information within the filing.
 - ii. percentage deviation from the licensed rating organizations recommend rate filing for the overall rate adjustment.
 - c. all rates are not to be excessive, inadequate or unfairly discriminatory.
 - i. In determining compliance with 456(1)(d): *"unfair discrimination exists if, after allowing for practical limitations, price differentials fail to reflect equitably the difference in expected losses and expenses. A rate is not unfairly discriminatory because different premiums result for policyholders with like exposures but different expenses, or like expenses but different loss exposures, so long as the rate reflects the differences with reasonable accuracy"*, data collection resource(s) should be provided within the filing.
2. Proper compliance with all adopted licensed rating organization filings, i.e. statistical data reporting in accordance with 50 Ill. Adm. Code Section 2903.

Questions regarding this bulletin may be directed to DOI.InfoDesk@illinois.gov