

2000 Insurance Legislation

House Bills

HB 589 (PA 91-0800, effective 6/13/00)—adds Section 215 ILCS 5/143.11b to the Insurance Code to **waive the nonrenewal requirement** of Sections 143.17 and 143.17a to allow the **transfer of property and casualty policies** among or between insurers within an insurance holding company system or insurers under common management, as the result of a merger, acquisition or restructuring of an insurance company. The insurer shall be required to give the insured at least 60 days advance notice of such change. However, if the renewal premium increases by 30% or more or if there are changes in deductibles or changes in coverage that materially alter the policy as outlined by subsection b of Section 143.17a, then the nonrenewal notification of subsection b of Section 143.17a shall be applicable. The assignment or transfer of a policy or policies among insurers shall not occur unless the agent has a signed agency contract with the insurer to which the policy is to be transferred. If no such contract exists then the notice requirements of Sections 143.17 and 143.17a shall apply.

HB 1583 (PA 91-0887, effective 7/6/00)—amends various sections of the Illinois **Pension Code** and the State Employees Group Insurance Act of 1971 to make numerous changes affecting eligibility, benefits, and administration of benefits for various public employees for uniformity purposes. Amends the State Universities Article of the Pension Code to create a specific formula for retirement annuities.

HB 2980 (PA 91-0845, effective 6/22/00)—creates the **Medical Care Savings Account Act of 2000** to replace the repealed Medical Care Savings Account Act (820 ILCS 152/1 et. seq.) which sunset January 1, 2000. Allows an employer to deposit monies into a Medical Care Savings Account (MSA) for purposes of paying medical expenses of the employee and/or his or her dependents. MSAs allow the employer to provide affordable, high deductible catastrophic coverage and deposit the premium savings into a nontaxable medical savings account to pay for routine medical care of the employee. HB 2980 allows the employee to receive an income tax deduction under the Illinois Income Tax Act. The provisions of this bill sunset January 1, 2010.

HB 3926 (PA 91-0808, effective 6/13/00)—amends the **Home Repair and Remodeling Act** (815 ILCS 513/25) to provide that, on and after January 1, 2001, any person engaged in the business of home repair and remodeling shall obtain and maintain in full force during the operation of the business **public liability and property damage insurance** in the amount of \$10,000 per occurrence for home repair or remodeling not in conformance with the law, unless that person has a net worth of not less than \$1 million as determined by the person's most recent financial statement.

HB 4176 (PA 91-0777, effective 1/1/01)—creates the **Uniform Prescription Drug Information Card Act** to require any health benefit plan that issues a card or other technology and provides coverage for prescription drugs, to also issue a prescription drug card. The uniform prescription drug card shall include the following data on the front of the card: the BIN number, processor control number, group number, card issuer identifier, cardholder ID number and cardholder name. The uniform prescription drug card shall include the following data on the back of the card: claims submission names and addresses and help desk telephone numbers and names. HB 4176 defines a health benefit plan to include both individual and group plans written by insurers, health maintenance organizations, voluntary health services plans, multiple employer welfare arrangements (MEWAs), a plan provided by another benefit arrangement and third party administrators for self-insured and state administered plans.

HB 4433 (PA 91-0735, effective 2/2/00)—amends Sections 215 ILCS 105/2, 105/7, 105/8, and 105/11 of the **Comprehensive Health Insurance Plan Act** concerning coverage for **pre-existing conditions**. Excludes benefits during the first six months of coverage only for conditions for which treatment or medical advice was sought during the six-month period immediately preceding the effective date of the coverage rather than conditions for which an ordinarily prudent person would have sought coverage during that time period. HB 4433 also provides coverage for **breast reconstruction** in connection with mastectomies including (1) reconstruction of the breast on which the mastectomy has

been performed; (2) surgery and reconstruction of the other breast to produce a symmetrical appearance; and (3) prostheses and treatment of physical complications at all stages of mastectomy, includ-

ing lymphedemas. The bill also provides specific coverage for **oral surgery** for correction of cleft lip and palate and other craniofacial and maxillofacial birth defects.

Senate Bills

Senate Bill 1326 (PA 91-0860, effective 6/22/00)—clarifies that **mutual insurers** with common management are also included in the definition of inter-affiliate for purposes of this Act.

Senate Bill 1511 (PA 91-0788, effective 6/9/00)—amends the State Employees Group Insurance Act (5 ILCS 355/6.12), the Illinois Insurance Code (215 ILCS 5/370a and renumbers 5/356y to 5/368a), the Health Maintenance Organization Act (215 ILCS 125/5-3), the Limited Health Service Organization Act (215 ILCS 130/4003), and the Voluntary Health Services Plans Act (215 ILCS 165/10) to apply the **timely payment of health care services** by payors to providers to group as well as individual contracts of insurance.

Senate Bill 1617 (PA 91-0749, 6/2/00)—adds Section 215 ILCS 5/143.32 to the Illinois Insurance Code to provide that insurance for **private passenger automobiles** must include coverage for the replacement of **child safety seats** if the seats were in use at the time of the accident.

Senate Bill 1657 (PA 91-0756, effective 6/2/00)—amends the Illinois Health Finance Reform Act in Sections 20 ILCS 2215/2-1, 4-1, 4-2, 4-3 and 4-5, to **collect information concerning outpatient surgeries** at hospitals from provider billing forms. Requires the Illinois Health Care Cost Containment Council, in cooperation with the Department of Public Aid, the Department of Insurance, and the Department of Public Health, to establish a system for the collection of the outpatient surgery information. The bill also adds two members to the Council and requires five of thirteen Council members to represent providers (2 physicians, 2 hospitals, and 1 ambulatory surgical treatment center).

Senate Bill 1658 (PA 91-0757, effective 1/1/01)—repeals the existing language and standards for **group workers' compensation pools** under the Workers' Compensation Act (820 ILCS 305/4 amended and 820 ILCS 305/4a repealed), Workers' Compensation Occupational Diseases Act (820

ILCS 310/4 amended and 820 ILCS 310/4a repealed), and the Illinois Insurance Code (215 ILCS 5/464a repealed) to reinstate many of these provisions as a new Article of the Illinois Insurance Code (215 ILCS 5/107a.01 et. seq.). The bill includes provisions to expand the Department's regulatory authority over group workers' compensation pools by making them subject to regulation of financial reporting, annual statements and admitted assets, including stronger obligations, duties, and management standards for directors/trustees of the pools and their administrators. Provides the Director of Insurance the ability to issue corrective orders to subject these pools to similar liquidity and rehabilitation standards as traditional insurers.

Finally, Senate Bill 1658 amends the Workers' Compensation Act by adding 820 ILCS 305/10.1 to permit lump sum settlements for workers compensation disability benefits.

Senate Bill 1701 (PA 91-0796, effective 6/9/00)—amends the Illinois Insurance Code (Sections 215 ILCS 107.02, 107.15a, 107.15b, 107.17, 107.21, 107.26, and 107.29) in relation to **insurance exchanges** to provide authority to establish a privately owned exchange for the reinsurance and insurance of risks. Specifically: removes the statutory creation of an insurance exchange, provides that any insurance exchange that is created is separate and distinct from the state, authorizes the creation of a guaranty mechanism for the protection of policyholders, provides for at least five, rather than five, public trustees for an exchange, authorizes the establishment of a privately owned Immediate Access Security Association separate from the state to manage liquidations of insurance syndicates, and removes the statutory creation of that Association.

Senate Bill 1860 (PA 91-0798, effective 7/9/00)—repeals and restructures various state governing boards and commissions, including abolishing the **Automotive Engineering Advisory Panel** (215 ILCS 5/143.28).

2000 Rulemaking

Rule 1409 (Valuation of Life Insurance Policies Including the Use of Select Mortality Factors) was amended effective **January 1, 2000**, to make it consistent with recent changes to the Triple X NAIC model rule.

Rule 2008 (Minimum Standards for Individual and Group Medicare Supplement Insurance) was amended effective **January 1, 2000**, to incorporate a requirement by the Health Care Financing Administration that co-payments for hospital outpatient department services under Part B of Medicare must be covered under the "core benefits" of a Medicare supplement insurance policy in the same manner as coinsurance for those services. However, the amendment relates to changes in Medicare payment systems that will not take place until sometime in 2000 when HCFA establishes a prospective payment system for hospital outpatient services and procedures. This new system will establish fixed co-payments which will approach 20% of the cost of the services over time.

Rule 5420 (Managed Care & Patient Rights) was **adopted** effective **February 10, 2000**, to implement Public Act 91-617, the Managed Care Reform and Patient Rights Act, to assure the proper provision of information to enrollees by health care plans; the proper treatment of enrollees by health care plans; the proper treatment of health care providers by health care plans; and the proper oversight of health care plans by the Department of Insurance. The rule was **amended** on **July 1, 2000**, to implement the provisions of P.A. 91-617 which empowered the Department to draft regulations for the registration of utilization review programs and to establish fees for such registration.

Rule 916 (Policy Forms) was amended effective **February 18, 2000**, to expand Exhibit B to include new codes for various new products, delete obsolete codes which will now be contained in Exhibit C, and add more specific product designations in some areas.

Beginning in January 2001, the Department will also require companies to electronically submit all transmittal filing forms made pursuant to this rule. Until then, electronic filing is optional for companies. In July of 2000, the Department mailed to all companies our software program along with instructions and specifications necessary to successfully

make electronic transmittal filings with the Department.

The Department is also making two house-keeping changes. P.A. 90-372 repealed the Pharmaceutical Service Plan Act, effective July 1, 1998, and P.A. 90-177 repealed the Vision Service Plan Act, effective July 23, 1997. As a result, the Department is deleting all references to these two Acts throughout our rule.

Rule 4404 (Portability of Creditable Service Time for Downstate and Suburban Police Pension Funds) was amended effective **April 26, 2000**. The rule concerns the portability of creditable service earned by a police officer in a prior pension fund transferred to the current pension fund pursuant to Sections 3-110 and 110.7 of the Illinois Pension Code and the amount of monies transferred from the prior pension fund to the current pension fund.

Rule 945 (Admitted Assets) was adopted on a permanent basis effective **May 30, 2000**. An emergency rule had been in effect to clarify the definition of "admitted assets" as used in financial statements required by the Illinois Insurance Code and Health Maintenance Organization Act.

Rule 2510 (Annual Privilege Tax) was amended **July 1, 2000**, to clarify which base of business is to be used when allocating the premiums on a unitary group basis for taxation. The company is to use Illinois premium in its calculation.

Rule 2515 (Annual Retaliatory Tax) was amended **July 1, 2000**, to clarify the existing regulations concerning using amounts on a "paid" basis instead of a "liability" basis; explain that cash refunds of the Illinois Corporate and Replacement Income Tax reduce the amount of Illinois Corporate and Replacement Income Tax paid in the year the refund is received for the purposes of calculating retaliatory tax; provide further definition of the amounts to be included in the calculation of the retaliatory tax; and other clarifications.

Rule 2525 (Overpayments, Refunds, Amendments and Penalties) was amended **July 1, 2000**, to provide the procedures by which an overpayment of taxes paid may be used and how such established overpayment may be transferred. It also sets forth the requirements of filing an amended return and

the possible penalties that could be assessed for the failure to make timely payment of fees, charges and taxes. The rule has one illustration which describes the information required in the Notice of Transfer of Overpayments. The amendments clarify current language and set forth the procedure by which an entity can claim a cash refund pursuant to P.A. 91-0643.

Rule 202 (Mortgage Guaranty Insurance) was amended on **September 25, 2000**, to clean up existing regulations and to remove the limitation placed in the definition of "Authorized real estate security" which currently prohibits mortgage insurance companies from offering insurance for 100% value of the real estate.

Rule 1407 (Accelerated Life Benefit/Terminal Illness/Qualified Conditions) was amended on **October 2, 2000**, to correct a currently incomplete reference, and make several minor wording and punctuation changes for the sake of clarity.

Rule 2020 (Reimbursement Provisions for Individual & Group Accident & Health Policies) was amended on **November 1, 2000**, to clarify the Department's position as to how it implements and interprets Article IX and Section 357.19 of the Illinois Insurance Code when considering the approval or disapproval of individual and group accident and health policies.

Rule 3401 (Summary Document & Disclaimer) was amended **November 1, 2000**, to correct the area code prefix for the Guaranty Association in Illustration A.

Rule 4001 (Privacy of Personal Information) was adopted **December 19, 2000**, to implement Article XL of the Illinois Insurance Code (215 ILCS 5/1001) and Title V of the Gramm-Leach-Bliley Act governing the treatment of personal financial information by the licensees of the Illinois Department of Insurance in relation to the compliance date. That Act, which became effective November 13, 2000, requires companies, producers, and other Department licensees to develop privacy policies, develop systems for implementing those policies and protecting personal information of consumers and customers, and provide notices to all customers prior to either the effective date or a later compliance date established by rule by the regulator.

This rule established a compliance date of July 1, 2001, for entities regulated by the Department of Insurance. This date is consistent with the compliance date established by federal regulators responsible for enforcing this Act as it applies to federally regulated financial institutions.

Rule 5101 (Small Employer Carrier Actuarial Certification and Documentation Requirements) was adopted **December 19, 2000**, to set standards for the filing and contents of a small employer carrier actuarial certification required pursuant to Section 30(b) of the Small Employer Health Insurance Rating Act [215 ILCS 93/30(b)].