



Illinois Department of Insurance

BRUCE RAUNER
Governor

JAMES A. STEPHENS
Acting Director

TO: ALL LICENSED PROPERTY AND CASUALTY INSURANCE COMPANIES

FROM: James Stephens, Acting Director of Insurance *JAS*

DATE: June 18, 2015

RE: CB 2015-09 Industrial Insured Definition

Insurance policies issued to those qualifying as industrial insureds are not subject to the policy form filing requirements of Section 143 of the Illinois Insurance Code ("Code"). 215 ILCS 5/143(3). Effective January 1, 2015, the standard for the industrial insured exemption has changed due to the passage of Public Act 98-0978 ("Act"). Effective January 1, 2015, the standard for the industrial insured exemption has changed due to the passage of Public Act 98-0978 ("Act"). The Act now conforms to the definition of industrial insured as it is defined in section 5/445(1) regarding the surplus lines commercial insured exemption. The Department intends to follow this new standard when determining the applicability of the industrial insured exemption to the policy form filing requirements. More specifically, the Act amended subsection 121-2.08(a) of the Code so that the definition of an industrial insured is now the following.

"Industrial insured" means an insured:

- I. that procures the insurance of any risk or risks of the kinds specified in Classes 2 and 3 of Section 4 of this Code by use of the services of a full-time employee who is a qualified risk manager or the services of a regularly and continuously retained consultant who is a qualified risk manager;
- II. that procures the insurance directly from an unauthorized insurer without the services of an intermediary insurance producer; and
- III. that is an exempt commercial purchaser whose home state is Illinois.

Further, section 445 of the Code defines exempt commercial purchaser as follows:

"Exempt commercial purchaser" means any person purchasing commercial insurance that, at the time of placement, meets the following requirements:

- A. The person employs or retains a qualified risk manager to negotiate insurance coverage.
- B. The person has paid aggregate nationwide commercial property and casualty insurance premiums in excess of \$100,000 in the immediately preceding 12 months.
- C. The person meets at least one of the following criteria:

(I) The person possesses a net worth in excess of \$20,000,000, as such amount is adjusted pursuant to the provision in this definition concerning percentage change.

(II) The person generates annual revenues in excess of \$50,000,000, as such amount is adjusted pursuant to the provision in this definition concerning percentage change.

(III) The person employs more than 500 full-time or full-time equivalent employees per individual insured or is a member of an affiliated group employing more than 1,000 employees in the aggregate.

(IV) The person is a not-for-profit organization or public entity generating annual budgeted expenditures of at least \$30,000,000, as such amount is adjusted pursuant to the provision in this definition concerning percentage change.

(V) The person is a municipality with a population in excess of 50,000 persons.

Effective on January 1, 2015 and each fifth January 1 occurring thereafter, the amounts in sub items (I), (II), and (IV) of item (c) of this definition shall be adjusted to reflect the percentage change for such 5-year period in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

If you have any questions, please contact John Gatlin at john.gatlin@illinois.gov.