

June 2017

## Illinois Governor to Consider Legislative Reform of Workers' Compensation Law

Facing mounting pressure to resolve the gridlock that has plagued the General Assembly for the past two years, Illinois legislators again considered substantial changes to the Illinois Workers' Compensation system. In the final days of the Illinois General Assembly's Spring Session, legislative Democrats passed two measures that could have an immediate impact on Workers' Compensation insurers if signed into law. [House Bill 2525](#) (Sen. Kwame Raoul, D-Chicago/Rep. Jay Hoffman, D-Collinsville) and [House Bill 2622](#) (Sen. Daniel Biss, D-Evanston/Rep. Laura Fine, D-Glenview) each propose substantial changes to the Workers' Compensation landscape in Illinois.

House Bill 2525 grants the Director of the Illinois Department of Insurance broad authority to approve rate filings. Under this bill, every insurer must pre-file with the Director every manual of classifications, every manual of rules and rates, every rating plan, and every modification it intends to use at least 30 days before they become effective. A filing will not be effective until it is approved by the Director within 30 days.

If the Director disapproves the filing, a company shall be given a hearing. If, as a result of the disapproval, the company has no legally effective rates, the Director can specify interim rates. The interim rates must be high enough to protect the interests of the insurer, but the Director may order that a portion of the premiums be placed in an escrow account so that overcharges can be appropriately distributed.

In addition to establishing an annual review process, House Bill 2525 also allows insureds to file a request for review with the Department at any time. The Director can order an adjustment if he or she determines that the premium is excessive.

Finally, House Bill 2525 also establishes a Workers' Compensation Premium Rates Task Force, charged with studying NCCI's recommendations for premium rates and the extent to which Illinois employers' actual premiums reflect those rates. The Task Force will consist of 12 members. Two members will be appointed by each of the legislative leaders and the Governor will appoint four members who represent retailers, manufacturers, labor, and injured workers. Findings and recommendations are to be reported to the General Assembly by the end of 2017.

Should the Governor approve House Bill 2525, the bill will become effective immediately.

House Bill 2525 presents a sharp departure from current practices in Illinois. While filings with the Director are presently required, they are not subject to preapproval. House Bill 2525 would broadly expand the power of the Director and Department of Insurance to oversee Workers' Compensation rates.

While House Bill 2525 represents an overhaul of the rate-setting process, House Bill 2622 takes a different tact. This bill creates the Illinois Employers Mutual Insurance Company as an independent, non-profit, public corporation to issue insurance for Workers' Compensation and occupational disease. The company will be backed by an initial loan of \$10,000,000 from the state that is repayable within 5 years.

While the company is characterized as a public company, the bill specifies that it is not a state agency, its employees will not be state employees, and its debts are not backed by the full faith and credit of the state. The company will be managed by a seven-member Board of Directors, appointed by the Governor with the advice and consent of the Senate. The Board of Directors will hire a Chief Executive Officer to be responsible for the day-to-day operations.

Like House Bill 2525, this bill has an immediate effective date, should it be approved by the Governor.

As Illinois enters its third year without a state budget, Democrats and Republicans have been unable to reach agreement on bipartisan reform to the Workers' Compensation system. In the absence of a bipartisan agreement, Democrats advanced these proposals. However, without substantial Republican support, they are likely to be vetoed by Governor Bruce Rauner. In order to override his veto, Democrats will need to obtain 36 votes in the Senate and 71 in the House of Representatives. With 37 Democrats in the Senate, Democrats may be able to reach the requisite number of votes for an override. However, they remain short of the necessary 71 votes in the House. As a result, it seems unlikely that an override of an expected veto can occur.

The Illinois budget situation remains unsettled. Governor Rauner continues to insist on various elements of his [Turnaround Agenda](#), including reforms to the Workers' Compensation system, as a component of any agreement. Illinois Democrats remain reluctant to agree to the Governor's proposals. Given this impasse, Workers' Compensation reform is likely to remain on the legislative agenda for the foreseeable future.

This *GT Alert* was prepared by **Fred E. Karlinsky** and **Adam Braun**. Questions about this information can be directed to:

- > [Fred E. Karlinsky](#) | +1 954.768.8278 | [karlinskyf@gtlaw.com](mailto:karlinskyf@gtlaw.com)
- > [Adam Braun](#) | +1 312.456.8456 | [brauna@gtlaw.com](mailto:brauna@gtlaw.com)
- > Or your [Greenberg Traurig](#) attorney

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