

1 AN ACT concerning payment of insurance claims.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 224 and 357.9a as follows:

6 (215 ILCS 5/224) (from Ch. 73, par. 836)

7 Sec. 224. Standard provisions for life policies.†

8 (1) After the first day of July, 1937, no policy of life
9 insurance other than industrial, group or annuities and pure
10 endowments with or without return of premiums or of premiums
11 and interest, may be issued or delivered in this State,
12 unless such policy contains in substance the following
13 provisions:

14 (a) A provision that all premiums after the first shall
15 be payable in advance either at the home office of the
16 company or to an agent of the company, upon delivery of a
17 receipt signed by one or more of the officers who shall be
18 designated in the policy, when such receipt is requested by
19 the policyholder.

20 (b) A provision that the insured is entitled to a grace
21 period either of 30 days or of one month within which the
22 payment of any premium after the first may be made, subject
23 at the option of the company to an interest charge not in
24 excess of 6% per annum for the number of days of grace
25 elapsing before the payment of the premium, during which
26 period of grace the policy shall continue in force, but in
27 case the policy becomes a claim during the grace period
28 before the overdue premium is paid, or the deferred premiums
29 of the current policy year, if any, are paid, the amount of
30 such premium or premiums with interest thereon may be
31 deducted in any settlement under the policy.

1 (c) A provision that the policy, together with the
2 application therefor, a copy of which shall be endorsed upon
3 or attached to the policy and made a part thereof, shall
4 constitute the entire contract between the parties and that
5 after it has been in force during the lifetime of the insured
6 a specified time, not later than 2 years from its date, it
7 shall be incontestable except for nonpayment of premiums and
8 except at the option of the company, with respect to
9 provisions relative to benefits in the event of total and
10 permanent disability, and provisions which grant additional
11 insurance specifically against death by accident and except
12 for violations of the conditions of the policy relating to
13 naval or military service in time of war or for violation of
14 an express condition, if any, relating to aviation, (except
15 riding as a fare-paying passenger of a commercial air line
16 flying on regularly scheduled routes between definitely
17 established airports) in which case the liability of the
18 company shall be fixed at a definitely determined amount not
19 less than the full reserve for the policy and any dividend
20 additions; provided that the application therefor need not be
21 attached to or made a part of any policy containing a clause
22 making the policy incontestable from date of issue.

23 (d) A provision that if it is found at any time before
24 final settlement under the policy that the age of the insured
25 (or the age of the beneficiary, if considered in determining
26 the premium) has been misstated, the amount payable under the
27 policy shall be such as the premium would have purchased at
28 the correct age or ages, according to the company's published
29 rate at date of issue.

30 (e) A provision that the policy shall participate
31 annually in the surplus of the company beginning not later
32 than the end of the third policy year; and any policy
33 containing provision for annual participation beginning at
34 the end of the first policy year, may also provide that each

1 dividend be paid subject to the payment of the premiums for
2 the next ensuing year; and the insured under any annual
3 dividend policy shall have the right each year to have the
4 dividend arising from such participation either paid in cash,
5 or applied in reduction of premiums, or applied to the
6 purchase of paid-up additional insurance, or be left to
7 accumulate to the credit of the policy, with interest at such
8 rate as may be determined from time to time by the company,
9 but not less than a guaranteed minimum rate specified in the
10 policy, and payable at the maturity of the policy, but
11 withdrawable on any anniversary date, subject to such further
12 provisions as the policy may provide regarding the
13 application of dividends toward the payment of any premiums
14 unpaid at the end of the grace period; and if the insured
15 fails to notify the company in writing of his election within
16 the period of grace allowed for the payment of premium, the
17 policy shall further provide which of such options are
18 effective.

19 (f) A provision that after the policy has been in force
20 3 full years the company at any time, while the policy is in
21 force, will advance, on proper assignment or pledge of the
22 policy and on the sole security thereof, at a specified
23 maximum fixed or adjusted rate of interest in accordance with
24 Section 229.5, a sum equal to, or at the option of the
25 insured less than the amount required by Section 229.3 under
26 the conditions specified thereby and with notification as
27 required by Section 229.5; and that the company will deduct
28 from such loan value any indebtedness not already deducted in
29 determining such value and any unpaid balance of the premium
30 for the current policy year, and may collect interest in
31 advance on the loan to the end of the current policy year;
32 and any policy may also provide that if the interest on the
33 loan is not paid when due it shall be added to the existing
34 loan and shall bear interest at the same rate. No condition

1 other than as provided herein or in Sections 229.3 and 229.5
2 shall be exacted as a prerequisite to any such loan. This
3 clause shall not apply to term insurance.

4 (g) A provision for nonforfeiture benefits and cash
5 surrender values in accordance with the requirements of
6 paragraph (1) of Section 229.1 or, Section 229.2.

7 (h) A table showing in figures the loan values and the
8 options available under the policy each year, upon default in
9 premium payments, during at least the first 20 years of the
10 policy; the policy to contain a provision that the company
11 will furnish upon request an extension of such table beyond
12 the years shown in the policy.

13 (i) A provision that in event of default in premium
14 payments the value of the policy is applied to the purchase
15 of other insurance as provided in this Section, and if such
16 insurance is in force and the original policy is not
17 surrendered to the company and cancelled, the policy may be
18 reinstated within 3 years from such default, upon evidence of
19 insurability satisfactory to the company and payment of
20 arrears of premiums and the payment or reinstatement of any
21 other indebtedness to the company upon the policy, with
22 interest on the premiums at a rate not exceeding 6% per annum
23 payable annually and with interest on the indebtedness at a
24 rate not exceeding the rate prescribed by Section 229.5.

25 (j) A provision that when a policy is a claim by the
26 death of the insured settlement shall be made upon receipt of
27 due proof of death and not later than 2 months after the
28 receipt of such proof.

29 (k) If the policy provides for payment of its proceeds
30 in installments, a table showing the amount and period of
31 such installments shall be included in the policy.

32 (l) Interest shall accrue on the proceeds payable
33 because of the death of the insured, from date of death, at
34 the rate of 9% 6% on the total amount payable or the face

1 amount if payments are to be made in installments until the
2 total payment or first installment is paid, unless payment is
3 made within fifteen (15) days from the date of receipt by the
4 company of due proof of loss. This provision need not appear
5 in the policy, however, the company shall notify the
6 beneficiary at the time of claim of this provision. The
7 payment of interest shall apply to all policies now in force,
8 as well as those written after the effective date of this
9 amendment.

10 (m) Title on the face and on the back of the policy
11 briefly describing its form.

12 (n) A provision, or a notice attached to the policy, to
13 the effect that during a period of ten days from the date the
14 policy is delivered to the policy owner, it may be
15 surrendered to the insurer together with a written request
16 for cancellation of the policy and in such event, the insurer
17 will refund any premium paid therefor, including any policy
18 fees or other charges. The Director may by rule exempt
19 specific types of policies from the requirements of this
20 subsection.

21 (2) In the case of the replacement of life insurance, as
22 defined in the rule promulgated by the Director, the
23 replacing insurer shall either (1) delay the issuance of its
24 policy for not less than 20 days from the date it has
25 transmitted a policy summary to the existing insurer, or (2)
26 provide in a form titled "Notice Regarding Replacement of
27 Life Insurance", as well as in its policy, or in a separate
28 notice delivered with the policy, that the insured has the
29 right to an unconditional refund of all premiums paid, and
30 that such right may be exercised within a period of 20 days
31 commencing from the date of delivery of such policy. Where
32 option (2) is exercised, the replacing insurer shall also
33 transmit a policy summary to the existing insurer within 3
34 working days after the date the replacement policy is issued.

1 (3) Any of the foregoing provisions or portions thereof
2 not applicable to single premium or nonparticipating or term
3 policies shall to that extent not be incorporated therein.
4 This Section shall not apply to policies of reinsurance nor
5 to policies issued or granted pursuant to the nonforfeiture
6 provisions prescribed in subparagraph (g) of paragraph (1) of
7 this Section.

8 (Source: P.A. 83-598.)

9 (215 ILCS 5/357.9a) (from Ch. 73, par. 969.9a)

10 Sec. 357.9a. Delay in payment of claims. Periodic
11 payments of accrued indemnities for loss-of-time coverage
12 under accident and health policies shall commence not later
13 than 30 days after the receipt by the company of the required
14 written proofs of loss. An insurer which violates this
15 Section if liable under said policy, shall pay to the
16 insured, in addition to any other penalty provided for in
17 this Code, interest at the rate of 9% ~~8-per-cent~~ per annum
18 from the 30th day after receipt of such proofs of loss to the
19 date of late payment of the accrued indemnities, provided
20 that interest amounting to less than one dollar need not be
21 paid.

22 (Source: P.A. 79-792.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.