



Insurance Committee

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LRB096 18810 RPM 39791 a

1 AMENDMENT TO SENATE BILL 2819

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 2819 as follows:

3 on page 1, line 5, by replacing "Section" with "Sections 224  
4 and"; and

5 on page 1, immediately below line 5, by inserting the  
6 following:

7 "(215 ILCS 5/224) (from Ch. 73, par. 836)

8 Sec. 224. Standard provisions for life policies.

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

14 (a) A provision that all premiums after the first shall  
15 be payable in advance either at the home office of the

1           company or to an agent of the company, upon delivery of a  
2           receipt signed by one or more of the officers who shall be  
3           designated in the policy, when such receipt is requested by  
4           the policyholder.

5           (b) A provision that the insured is entitled to a grace  
6           period either of 30 days or of one month within which the  
7           payment of any premium after the first may be made, subject  
8           at the option of the company to an interest charge not in  
9           excess of 6% per annum for the number of days of grace  
10          elapsing before the payment of the premium, during which  
11          period of grace the policy shall continue in force, but in  
12          case the policy becomes a claim during the grace period  
13          before the overdue premium is paid, or the deferred  
14          premiums of the current policy year, if any, are paid, the  
15          amount of such premium or premiums with interest thereon  
16          may be deducted in any settlement under the policy.

17          (c) A provision that the policy, together with the  
18          application therefor, a copy of which shall be endorsed  
19          upon or attached to the policy and made a part thereof,  
20          shall constitute the entire contract between the parties  
21          and that after it has been in force during the lifetime of  
22          the insured a specified time, not later than 2 years from  
23          its date, it shall be incontestable except for nonpayment  
24          of premiums and except at the option of the company, with  
25          respect to provisions relative to benefits in the event of  
26          total and permanent disability, and provisions which grant

1 additional insurance specifically against death by  
2 accident and except for violations of the conditions of the  
3 policy relating to naval or military service in time of war  
4 or for violation of an express condition, if any, relating  
5 to aviation, (except riding as a fare-paying passenger of a  
6 commercial air line flying on regularly scheduled routes  
7 between definitely established airports) in which case the  
8 liability of the company shall be fixed at a definitely  
9 determined amount not less than the full reserve for the  
10 policy and any dividend additions; provided that the  
11 application therefor need not be attached to or made a part  
12 of any policy containing a clause making the policy  
13 incontestable from date of issue.

14 (d) A provision that if it is found at any time before  
15 final settlement under the policy that the age of the  
16 insured (or the age of the beneficiary, if considered in  
17 determining the premium) has been misstated, the amount  
18 payable under the policy shall be such as the premium would  
19 have purchased at the correct age or ages, according to the  
20 company's published rate at date of issue.

21 (e) A provision that the policy shall participate  
22 annually in the surplus of the company beginning not later  
23 than the end of the third policy year; and any policy  
24 containing provision for annual participation beginning at  
25 the end of the first policy year, may also provide that  
26 each dividend be paid subject to the payment of the

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

18 (f) A provision that after the policy has been in force  
19 3 full years the company at any time, while the policy is  
20 in force, will advance, on proper assignment or pledge of  
21 the policy and on the sole security thereof, at a specified  
22 maximum fixed or adjusted rate of interest in accordance  
23 with Section 229.5, a sum equal to, or at the option of the  
24 insured less than the amount required by Section 229.3  
25 under the conditions specified thereby and with  
26 notification as required by Section 229.5; and that the

1 company will deduct from such loan value any indebtedness  
2 not already deducted in determining such value and any  
3 unpaid balance of the premium for the current policy year,  
4 and may collect interest in advance on the loan to the end  
5 of the current policy year; and any policy may also provide  
6 that if the interest on the loan is not paid when due it  
7 shall be added to the existing loan and shall bear interest  
8 at the same rate. No condition other than as provided  
9 herein or in Sections 229.3 and 229.5 shall be exacted as a  
10 prerequisite to any such loan. This clause shall not apply  
11 to term insurance.

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

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

21 (i) A provision that in event of default in premium  
22 payments the value of the policy is applied to the purchase  
23 of other insurance as provided in this Section, and if such  
24 insurance is in force and the original policy is not  
25 surrendered to the company and cancelled, the policy may be  
26 reinstated within 3 years from such default, upon evidence

1 of insurability satisfactory to the company and payment of  
2 arrears of premiums and the payment or reinstatement of any  
3 other indebtedness to the company upon the policy, with  
4 interest on the premiums at a rate not exceeding 6% per  
5 annum payable annually and with interest on the  
6 indebtedness at a rate not exceeding the rate prescribed by  
7 Section 229.5.

8 (j) A provision that when a policy is a claim by the  
9 death of the insured settlement shall be made upon receipt  
10 of due proof of death.

11 An insurer may require a beneficiary to provide (1) a  
12 certified copy of the insured's final death certificate and  
13 the death certificate of any beneficiary who predeceased  
14 the insured; (2) a statement signed by the beneficiary,  
15 stating the name, address, and date of birth of the  
16 beneficiary, stating the beneficiary's relationship to the  
17 insured, and stating the method of payment; (3) a statement  
18 signed by the beneficiary identifying co-beneficiaries, if  
19 any; (4) government-issued photographic identification;  
20 (5) an authorization signed by the beneficiary to permit  
21 the insurer to investigate the claim; and (6) any tax  
22 reporting information necessary to allow the insurer to  
23 comply with any tax law or regulation.

24 If an individual is acting on behalf of the  
25 beneficiary, then the insurer may require the individual to  
26 provide documentation showing the legal authority of that

1       individual to so act.

2       The insurer may obtain any additional information or  
3       documents necessary to determine the extent of its  
4       liability, to identify the proper beneficiary, or to comply  
5       with the law; but the insurer may not require a beneficiary  
6       to provide information or documents otherwise available to  
7       the insurer. Settlement shall be made ~~and~~ not later than 2  
8       months after the receipt of such proof.

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

12      (l) Interest shall accrue on the proceeds payable  
13      because of the death of the insured, from date of death, at  
14      the rate of 9% on the total amount payable or the face  
15      amount if payments are to be made in installments until the  
16      total payment or first installment is paid, unless payment  
17      is made within fifteen (15) days from the date of receipt  
18      by the company of due proof of loss. This provision need  
19      not appear in the policy, however, the company shall notify  
20      the beneficiary at the time of claim of this provision. ~~The~~  
21      ~~payment of interest shall apply to all policies now in~~  
22      ~~force, as well as those written after the effective date of~~  
23      ~~this amendment.~~

24      Due proof of loss shall consist of information and  
25      documents necessary for the insurer to determine its  
26      liability, pay the proceeds, and be discharged from

1       liability. An insurer may include a provision in the policy  
2       describing proof of loss, provided that such provision is  
3       not inconsistent with this subsection.

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

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

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



1 existing insurer within 3 working days after the date the  
2 replacement policy is issued.

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

10 (Source: P.A. 92-139, eff. 7-24-01.)"