



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB5929

by Rep. Laura Fine

SYNOPSIS AS INTRODUCED:

215 ILCS 5/231.1

from Ch. 73, par. 843.1

215 ILCS 5/231.2 new

Amends the Legal Reserve Life Insurance Article of the Illinois Insurance Code. Removes a provision concerning continuation of coverage during the insured's total disability. Adds provisions requiring extension of coverage for an individual under a group policy during an authorized absence. Defines "authorized absence" to mean an absence that is administratively approved and does not result in a charge to leave of any kind or in loss of basic salary. Sets forth provisions concerning the conditions of the extension of coverage. Provides that the prior insurer shall be liable only to the extent of its extensions of coverage. Includes provisions related to the liability of the succeeding insurer, including regular coverage, temporary coverage, deductible and waiting periods, and determinations of the prior insurer's coverage. Effective immediately.

LRB099 17805 EGJ 42167 b

1 AN ACT concerning regulation.

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 Section 231.1 and by adding Sections 231.2 as follows:

6 (215 ILCS 5/231.1) (from Ch. 73, par. 843.1)

7 Sec. 231.1. Group Life Insurance Standard Provision. No
8 policy of group life insurance shall be delivered in this State
9 unless it contains in substance the following provisions, or
10 provisions which in the opinion of the Director are more
11 favorable to the persons insured, or at least as favorable to
12 the persons insured and more favorable to the policyholder,
13 provided, however, (a) that provisions (F) to (K) inclusive
14 shall not apply to policies insuring the lives of debtors; (b)
15 that the standard provisions required for individual life
16 insurance policies shall not apply to group life insurance
17 policies; and (c) that if the group life insurance policy is on
18 a plan of insurance other than the term plan, it shall contain
19 a nonforfeiture provision which in the opinion of the Director
20 is equitable to the insured persons and to the policyholder,
21 but nothing herein shall be construed to require that group
22 life insurance policies contain the same nonforfeiture
23 provisions as are required for individual life insurance

1 policies:

2 (A) A provision that the policyholder is entitled to a
3 grace period of 31 days for the payment of any premium due
4 except the first, during which grace period the death benefit
5 coverage shall continue in force, unless the policyholder shall
6 have given the insurer written notice of discontinuance in
7 advance of the date of discontinuance and in accordance with
8 the terms of the policy. The policy may provide that the
9 policyholder shall be liable to the insurer for the payment of
10 a pro rata premium for the time the policy was in force during
11 such grace period.

12 (B) A provision that validity of the policy shall not be
13 contested, except for nonpayment of premiums, after it has been
14 in force for two years from its date of issue; and that no
15 statement made by any person insured under the policy relating
16 to his insurability shall be used in contesting the validity of
17 the insurance with respect to which such statement was made
18 after such insurance has been in force prior to the contest for
19 a period of two years during such person's lifetime nor unless
20 it is contained in a written instrument signed by him;
21 provided, however, that no such provision shall preclude the
22 assertion at any time of defenses based upon provisions in the
23 policy which relate to eligibility for coverage.

24 (C) A provision that a copy of the application, if any, of
25 the policyholder shall be attached to the policy when issued,
26 and that all statements made by the policyholder shall be

1 deemed representations and not warranties, and that no
2 statement made by any person insured shall be used in any
3 contest unless a copy of the instrument containing the
4 statement is or has been furnished to such person or, in the
5 event of death or incapacity of the insured person, to his
6 beneficiary or personal representative.

7 (D) A provision setting forth the conditions, if any, under
8 which the insurer reserves the right to require a person
9 eligible for insurance to furnish evidence of individual
10 insurability satisfactory to the insurer as a condition to part
11 or all of his coverage.

12 (E) A provision specifying an equitable adjustment of
13 premiums or of benefits or of both to be made in the event the
14 age of a person insured has been misstated, such provision to
15 contain a clear statement of the method of adjustment to be
16 made.

17 (F) A provision that any sum becoming due by reason of the
18 death of the person insured shall be payable to the beneficiary
19 designated by the person insured, except that where the policy
20 contains conditions pertaining to family status the
21 beneficiary may be the family member specified by the policy
22 terms, subject to the provisions of the policy in the event
23 there is no designated beneficiary, as to all or any part of
24 such sum, living at the death of the person insured, and
25 subject to any right reserved by the insurer in the policy and
26 set forth in the certificate to pay at its option a part of

1 such sum not exceeding \$2,000 to any person appearing to the
2 insurer to be equitably entitled thereto by reason of having
3 incurred funeral or other expenses incident to the last illness
4 or death of the person insured.

5 (G) A provision that the insurer will issue to the
6 policyholder for delivery to each person insured a certificate
7 setting forth a statement as to the insurance protection to
8 which he is entitled, to whom the insurance benefits are
9 payable, a statement as to any dependent's coverage included in
10 such certificate, and the rights and conditions set forth in
11 provisions (H), (I), (J) and (K) following.

12 (H) A provision that if the insurance, or any portion of
13 it, on a person covered under the policy or on the dependent of
14 a person covered, ceases because of termination of employment
15 or of membership in the class or classes eligible for coverage
16 under the policy, such person shall be entitled to have issued
17 to him by the insurer, without evidence of insurability, an
18 individual policy of life insurance without disability or other
19 supplementary benefits, unless such right to convert such
20 coverage was provided for in the group policy and is applied
21 for in the application for conversion, provided that an
22 application for the individual policy shall be made, and the
23 first premium paid to the insurer, within 31 days after such
24 termination, and provided further that:

25 (1) the individual policy may, at the option of such
26 person, be on any one of the forms then customarily issued

1 by the insurer at the age and for the amount applied for,
2 except that the group policy may exclude the option to
3 elect term insurance;

4 (2) the individual policy shall be in an amount equal
5 to, unless such person chooses to elect a lesser amount,
6 the amount of life insurance which ceases because of such
7 termination, less the amount of any life insurance for
8 which such person becomes eligible under the same or any
9 other group policy within 31 days after such termination,
10 provided that any amount of insurance which shall have
11 matured on or before the date of such termination as an
12 endowment payable to the person insured, whether in one sum
13 or in installments or in the form of an annuity, shall not,
14 for the purposes of this provision, be included in the
15 amount which is considered to cease because of such
16 termination; and

17 (3) the premium on the individual policy shall be at
18 the insurer's then customary rate applicable to the form
19 and amount of the individual policy, to the class of risk
20 to which such person then belongs, and to such person's age
21 attained on the effective date of the individual policy.

22 (4) If any individual insured under a group life
23 insurance policy becomes entitled under the terms of such
24 policy to have an individual policy of life insurance
25 issued and if such individual is not given notice of the
26 existence of such right at least 15 days prior to the

1 expiration date of such period, then in such event the
2 individual shall have an additional period within which to
3 exercise such right, but nothing herein contained shall be
4 construed to continue any insurance beyond the period
5 provided in such policy. This additional period shall
6 expire 15 days next after the individual is given such
7 notice but in no event shall such additional period extend
8 beyond 60 days next after the expiration date of the period
9 provided in such policy. Written notice presented to the
10 individual or mailed by the policyholder to the last known
11 address of the individual or mailed by the insurer to the
12 last known address of the individual as furnished by the
13 policyholder shall constitute notice for the purpose of
14 this Section.

15 Subject to the same conditions set forth above the
16 conversion privilege shall be available (i) to a surviving
17 dependent, if any, at the death of the employee or member, with
18 respect to the coverage under the group policy which terminates
19 by reason of such death and (ii) to the dependent of the
20 employee or member upon termination of coverage of the
21 dependent, while the employee or member remains under the group
22 policy, by reason of the dependent ceasing to be a qualified
23 family member under the group policy.

24 (I) A provision, except in the case of a policy described
25 in paragraph (B) of Section 230.1, that the termination of the
26 employment of an employee or the membership of a member shall

1 not terminate the insurance of such employee or member under
2 the group policy until the expiration of such period for which
3 the premium for such employee or member has been paid, not
4 exceeding 31 days.

5 (J) A provision that from time to time all new employees or
6 members eligible for insurance and desiring the same shall be
7 added to the group or class thereof originally insured.

8 (K) A provision that if the group policy terminates or is
9 amended so as to terminate the insurance of any class of
10 insured persons, every person insured thereunder at the date of
11 such termination whose insurance terminates, including the
12 insured dependent of a covered person, and who has been so
13 insured for at least five years prior to such termination date
14 shall be entitled to have issued by the insurer an individual
15 policy of life insurance, subject to the same conditions and
16 limitations as are provided by provision (H) above, except that
17 the group policy may provide that the amount of such individual
18 policy shall not exceed the smaller of (a) the amount of the
19 person's life insurance protection ceasing because of the
20 termination or amendment of the group policy, less the amount
21 of any life insurance for which he is or becomes eligible under
22 a group policy issued or reinstated by the same or another
23 insurer within 31 days after such termination, or (b) \$10,000.

24 (L) A provision that if a person insured under the group
25 policy, or the insured dependent of a covered person, dies
26 during the period within which the individual would have been

1 entitled to have an individual policy issued in accordance with
2 provisions (H) or (I) above and before such an individual
3 policy shall have become effective, the amount of life
4 insurance which he would have been entitled to have issued
5 under such individual policy shall be payable as a claim under
6 the group policy, whether or not application for the individual
7 policy or the payment of the first premium therefor has been
8 made.

9 (M) (Blank). ~~If active employment is a condition of~~
10 ~~insurance, a provision that an insured may continue coverage~~
11 ~~during the insured's total disability by timely payment to the~~
12 ~~policyholder of that portion, if any, of the premium that would~~
13 ~~have been required from the insured had total disability not~~
14 ~~occurred. The continuation shall be on a premium paying basis~~
15 ~~for a period of six months from the date on which the total~~
16 ~~disability started, but not beyond the earlier of (a) approval~~
17 ~~by the insurer of continuation of the coverage under any~~
18 ~~disability provision which the group insurance policy may~~
19 ~~contain or (b) the discontinuance of the group insurance~~
20 ~~policy.~~

21 (N) In the case of a policy insuring the lives of debtors,
22 a provision that the insurer will furnish to the policyholder
23 for delivery to each debtor insured under the policy a
24 certificate of insurance describing the coverage and
25 specifying that the death benefit shall first be applied to
26 reduce or extinguish the indebtedness. Whenever the amount of

1 insurance payable exceeds the amount of outstanding
2 indebtedness the excess benefit shall be payable to the person
3 otherwise contractually or legally entitled thereto; if there
4 be no person determined to be so entitled, such excess shall be
5 paid to the estate of the insured person.

6 (Source: P.A. 83-1465.)

7 (215 ILCS 5/231.2 new)

8 Sec. 231.2. Extension of coverage under authorized
9 absence; liability.

10 (a) In this Section, "authorized absence" means an absence
11 that is administratively approved and does not result in a
12 charge to leave of any kind or in loss of basic salary.

13 (b) A group policy shall, if a covered employee or
14 dependent is on authorized absence at the date of termination
15 of the policy, provide an extension of coverage for the
16 individual, beginning at the date of termination of the group
17 policy and continuing during the period of authorized absence.

18 (c) Under a group life policy that contains a disability
19 benefit extension of any type, such as premium waiver
20 extension, extended death benefit in the event of total
21 disability, or payment of income for a specified period during
22 total disability, the termination of the group policy shall not
23 operate to terminate the extension.

24 (d) Under a group policy providing benefits for loss of
25 time from work or a specific indemnity during hospital

1 confinement, termination of the group policy during a period of
2 authorized absence or confinement shall have no effect on
3 benefits payable for the condition or conditions causing
4 continuing authorized absence or continuing confinement. The
5 extension of coverage provision for loss of time benefits may
6 provide for the integration of Social Security disability or
7 retirement benefit increases which occur after the date of
8 termination of the group policy only if integration of these
9 benefit increases is also applicable prior to termination of
10 the group policy.

11 (e) Under a group policy providing hospital, surgical, or
12 medical expense coverages, the extension of coverage shall be
13 at least 12 months under major medical or comprehensive medical
14 coverage and at least 90 days under other hospital, surgical,
15 or medical expense coverage, subject to the following:

16 (1) Coverage need not be extended beyond the date on
17 which:

18 (A) the authorized absence terminates;

19 (B) the benefit period specified in the policy
20 ends;

21 (C) the maximum benefit is paid; or

22 (D) coverage for the condition or conditions
23 causing the authorized absence is provided under
24 similar coverage, other than temporary coverage under
25 subparagraph (B) of paragraph (2) of subsection (i)
26 under the succeeding insurer's group policy.

1 (2) Extended coverage need not cover dental or
2 uncomplicated pregnancy expenses or a condition other than
3 the condition or conditions causing the authorized
4 absence.

5 (3) The extension of coverage is not required where the
6 succeeding insurer agrees, or the prior and succeeding
7 insurers agree, to provide coverage for individuals who are
8 on an authorized absence at the date of termination of the
9 group policy that is not less favorable to them than would
10 otherwise be required by this subsection (e).

11 (4) After the termination of extended basic hospital,
12 surgical, or medical expense coverage, extended major
13 medical expense coverage shall cover expenses eligible
14 under the major medical expense coverage that are normally
15 covered under the basic coverage, subject to paragraph (1);
16 and

17 (5) A policy providing hospital, surgical, or medical
18 expense coverage that covers only expenses in excess of
19 those covered by basic hospital-surgical-medical expense
20 coverage and major medical coverage or comprehensive
21 medical coverage issued to the same group policyholder,
22 need not provide extended coverage if the underlying
23 coverage provides extended coverage.

24 (f) A provision for extending coverage shall be contained
25 in each group policy as well as in corresponding certificates.

26 (g) The benefits payable during any period of extended

1 coverage shall be subject to the group policy's regular
2 coverage limits. The extended coverage shall terminate at the
3 end of a normal benefit period or when the maximum benefit
4 amount has been paid.

5 (h) The prior insurer shall be liable only to the extent of
6 its extensions of coverage. Its liability shall be the same
7 whether the group policyholder secures replacement coverage
8 from another insurer, self-insures, or declines to provide the
9 group with insurance.

10 (i) The succeeding insurer shall be liable as provided in
11 this subsection (i) where its group policy replaces another
12 providing similar coverage:

13 (1) Regular coverage shall be provided under the
14 succeeding insurer's group policy to:

15 (A) each employee who is eligible for coverage in
16 accordance with the succeeding insurer's group policy
17 provisions regarding classes eligible and actively at
18 work requirements;

19 (B) each dependent who is eligible for coverage in
20 accordance with the succeeding insurer's group policy
21 provisions regarding classes eligible and non-hospital
22 confinement requirements; and

23 (C) a dependent of a disabled employee if the
24 dependent is eligible for coverage in accordance with
25 the succeeding insurer's group policy provisions
26 regarding classes eligible and non-hospital

1 confinement requirements and if the disabled employee
2 is covered under the succeeding insurer's group
3 policy.

4 (2) Each employee or dependent not covered under the
5 succeeding insurer's group policy in accordance with
6 paragraph (1) of this subsection (i) shall be provided with
7 temporary coverage by the succeeding insurer, for losses
8 occurring or beginning under the replacement policy,
9 subject to the following:

10 (A) Temporary coverage need be provided only if the
11 individual was validly covered under the prior group
12 policy on the date of its termination and meets the
13 requirements necessary to be a member of an eligible
14 class under the succeeding insurer's group policy,
15 other than requirements for working full time, part
16 time, or a stated number of hours.

17 (B) The coverage to be provided by the succeeding
18 insurer shall be the coverage of the prior group policy
19 reduced by any benefits payable under such policy. The
20 benefits of the succeeding insurer's group policy
21 shall be determined after the benefits of the prior
22 group policy have been determined.

23 (C) Temporary coverage shall be provided by the
24 succeeding insurer until the first of:

25 (i) the date the individual becomes eligible
26 under the coverage and under the circumstances

1 described in paragraph (1) of this subsection (i);

2 (ii) for each type of coverage, the date the
3 individual's coverage would terminate in
4 accordance with the succeeding insurer's group
5 policy provisions regarding individual termination
6 of coverage, such as at termination of employment
7 or when ceasing to be an eligible dependent; or

8 (iii) for an individual who is on authorized
9 absence on the effective date of the succeeding
10 group policy, under a type of coverage for which
11 this Section requires an extension of coverage,
12 the end of any period of extended coverage required
13 of the prior insurer or, if the prior insurer's
14 group policy was not subject to this Section, would
15 have been required of the prior insurer had its
16 group policy been so subject.

17 (3) If the succeeding insurer's group policy contains a
18 pre-existing condition limitation, the coverage for these
19 conditions of persons becoming covered by the succeeding
20 group policy under paragraphs (1) or (2) of this subsection
21 (i), during the period the limitation applies under that
22 group policy, shall be the lesser of:

23 (A) the coverage of the succeeding group policy
24 determined without application of the limitation; and

25 (B) the coverage of the prior group policy
26 determined after application of any such limitation

1 contained in the policy.

2 (4) The succeeding insurer, in applying any
3 deductibles or waiting periods contained in its group
4 policy, including pre-existing condition waiting periods,
5 shall give credit for the satisfaction or partial
6 satisfaction of the same or similar provisions under the
7 prior group policy to the extent that the prior and
8 succeeding group policies provide similar coverage.
9 Deductible provision credit shall be given for the same or
10 overlapping benefit periods for expenses incurred and
11 applied against the deductible provisions of the prior
12 group policy during the 90 days preceding the effective
13 date of the succeeding group policy, but only to the extent
14 that these expenses are recognized under the succeeding
15 group policy and are subject to a similar deductible
16 provision.

17 (5) Where a determination of the prior insurer's
18 coverage is required by the succeeding insurer, the prior
19 insurer, at the succeeding insurer's request, shall
20 furnish a statement of the coverage available and a copy of
21 pertinent group policy provisions to permit the succeeding
22 insurer to verify the coverage statement or make its own
23 coverage determination. Coverage of the prior group policy
24 shall be determined in accordance with the definitions,
25 conditions, and covered expense provisions of that group
26 policy rather than those of the succeeding group policy.

1 The coverage determination shall be made as if coverage had
2 not been replaced by the succeeding insurer.

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.