AN ACT concerning payment of insurance claims.

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

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

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

Sec. 224. Standard provisions for life policies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPROVED

this 24th day of July 2001 A.D.

George H Ryan

GOVERNOR

Michael J. Madigan

Speaker, House of Representatives

President of the Senate