

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.