

1 AN ACT concerning payment of insurance claims. 40

2 Be it enacted by the People of the State of Illinois, 44  
3 represented in the General Assembly: 45

4 Section 5. The Illinois Insurance Code is amended by 48  
5 changing Sections 224 and 357.9a as follows: 49

6 (215 ILCS 5/224) (from Ch. 73, par. 836) 52

7 Sec. 224. Standard provisions for life policies.† 54

8 (1) After the first day of July, 1937, no policy of life 57  
9 insurance other than industrial, group or annuities and pure 58  
10 endowments with or without return of premiums or of premiums 59  
11 and interest, may be issued or delivered in this State, 60  
12 unless such policy contains in substance the following 61  
13 provisions:

14 (a) A provision that all premiums after the first shall 63  
15 be payable in advance either at the home office of the 64  
16 company or to an agent of the company, upon delivery of a 65  
17 receipt signed by one or more of the officers who shall be 66  
18 designated in the policy, when such receipt is requested by 67  
19 the policyholder.

20 (b) A provision that the insured is entitled to a grace 69  
21 period either of 30 days or of one month within which the 70  
22 payment of any premium after the first may be made, subject 71  
23 at the option of the company to an interest charge not in 72  
24 excess of 6% per annum for the number of days of grace 73  
25 elapsing before the payment of the premium, during which 74  
26 period of grace the policy shall continue in force, but in  
27 case the policy becomes a claim during the grace period 75  
28 before the overdue premium is paid, or the deferred premiums 76  
29 of the current policy year, if any, are paid, the amount of 77  
30 such premium or premiums with interest thereon may be 78  
31 deducted in any settlement under the policy.

Clerk of the House

Originated in the House of Representatives

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1 (c) A provision that the policy, together with the 80  
2 application therefor, a copy of which shall be endorsed upon 81  
3 or attached to the policy and made a part thereof, shall 82  
4 constitute the entire contract between the parties and that 83  
5 after it has been in force during the lifetime of the insured 84  
6 a specified time, not later than 2 years from its date, it 85  
7 shall be incontestable except for nonpayment of premiums and 86  
8 except at the option of the company, with respect to  
9 provisions relative to benefits in the event of total and 87  
10 permanent disability, and provisions which grant additional 88  
11 insurance specifically against death by accident and except 89  
12 for violations of the conditions of the policy relating to 90  
13 naval or military service in time of war or for violation of  
14 an express condition, if any, relating to aviation, (except 91  
15 riding as a fare-paying passenger of a commercial air line 92  
16 flying on regularly scheduled routes between definitely 93  
17 established airports) in which case the liability of the 94  
18 company shall be fixed at a definitely determined amount not 95  
19 less than the full reserve for the policy and any dividend  
20 additions; provided that the application therefor need not be 96  
21 attached to or made a part of any policy containing a clause 97  
22 making the policy incontestable from date of issue. 98

23 (d) A provision that if it is found at any time before 100  
24 final settlement under the policy that the age of the insured 101  
25 (or the age of the beneficiary, if considered in determining 102  
26 the premium) has been misstated, the amount payable under the 103  
27 policy shall be such as the premium would have purchased at 104  
28 the correct age or ages, according to the company's published 105  
29 rate at date of issue.

30 (e) A provision that the policy shall participate 107  
31 annually in the surplus of the company beginning not later 108  
32 than the end of the third policy year; and any policy 109  
33 containing provision for annual participation beginning at 110  
34 the end of the first policy year, may also provide that each 111

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1 dividend be paid subject to the payment of the premiums for 112  
 2 the next ensuing year; and the insured under any annual  
 3 dividend policy shall have the right each year to have the 113  
 4 dividend arising from such participation either paid in cash, 114  
 5 or applied in reduction of premiums, or applied to the 115  
 6 purchase of paid-up additional insurance, or be left to 116  
 7 accumulate to the credit of the policy, with interest at such 117  
 8 rate as may be determined from time to time by the company, 118  
 9 but not less than a guaranteed minimum rate specified in the  
 10 policy, and payable at the maturity of the policy, but 119  
 11 withdrawable on any anniversary date, subject to such further 120  
 12 provisions as the policy may provide regarding the 121  
 13 application of dividends toward the payment of any premiums 122  
 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 124  
 16 the period of grace allowed for the payment of premium, the 125  
 17 policy shall further provide which of such options are 126  
 18 effective.

19 (f) A provision that after the policy has been in force 128  
 20 3 full years the company at any time, while the policy is in 129  
 21 force, will advance, on proper assignment or pledge of the 130  
 22 policy and on the sole security thereof, at a specified 131  
 23 maximum fixed or adjusted rate of interest in accordance with 132  
 24 Section 229.5, a sum equal to, or at the option of the 133  
 25 insured less than the amount required by Section 229.3 under 134  
 26 the conditions specified thereby and with notification as  
 27 required by Section 229.5; and that the company will deduct 135  
 28 from such loan value any indebtedness not already deducted in 136  
 29 determining such value and any unpaid balance of the premium 137  
 30 for the current policy year, and may collect interest in 138  
 31 advance on the loan to the end of the current policy year; 139  
 32 and any policy may also provide that if the interest on the 140  
 33 loan is not paid when due it shall be added to the existing 141  
 34 loan and shall bear interest at the same rate. No condition 142

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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 143  
3 clause shall not apply to term insurance. 144  
4 (g) A provision for nonforfeiture benefits and cash 146  
5 surrender values in accordance with the requirements of 147  
6 paragraph (1) of Section 229.1 or, Section 229.2. 148  
7 (h) A table showing in figures the loan values and the 150  
8 options available under the policy each year, upon default in 151  
9 premium payments, during at least the first 20 years of the 152  
10 policy; the policy to contain a provision that the company 153  
11 will furnish upon request an extension of such table beyond 154  
12 the years shown in the policy.  
13 (i) A provision that in event of default in premium 156  
14 payments the value of the policy is applied to the purchase 157  
15 of other insurance as provided in this Section, and if such 158  
16 insurance is in force and the original policy is not 159  
17 surrendered to the company and cancelled, the policy may be 160  
18 reinstated within 3 years from such default, upon evidence of 161  
19 insurability satisfactory to the company and payment of  
20 arrears of premiums and the payment or reinstatement of any 162  
21 other indebtedness to the company upon the policy, with 163  
22 interest on the premiums at a rate not exceeding 6% per annum 164  
23 payable annually and with interest on the indebtedness at a 165  
24 rate not exceeding the rate prescribed by Section 229.5.  
25 (j) A provision that when a policy is a claim by the 167  
26 death of the insured settlement shall be made upon receipt of 168  
27 due proof of death and not later than 2 months after the 169  
28 receipt of such proof.  
29 (k) If the policy provides for payment of its proceeds 171  
30 in installments, a table showing the amount and period of 172  
31 such installments shall be included in the policy. 173  
32 (l) Interest shall accrue on the proceeds payable 175  
33 because of the death of the insured, from date of death, at 176  
34 the rate of 9% 6% on the total amount payable or the face 178

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1 amount if payments are to be made in installments until the 179  
2 total payment or first installment is paid, unless payment is 180  
3 made within fifteen (15) days from the date of receipt by the 181  
4 company of due proof of loss. This provision need not appear  
5 in the policy, however, the company shall notify the 182  
6 beneficiary at the time of claim of this provision. The 183  
7 payment of interest shall apply to all policies now in force, 184  
8 as well as those written after the effective date of this 185  
9 amendment.

10 (m) Title on the face and on the back of the policy 187  
11 briefly describing its form. 188

12 (n) A provision, or a notice attached to the policy, to 190  
13 the effect that during a period of ten days from the date the 191  
14 policy is delivered to the policy owner, it may be 192  
15 surrendered to the insurer together with a written request 193  
16 for cancellation of the policy and in such event, the insurer 194  
17 will refund any premium paid therefor, including any policy  
18 fees or other charges. The Director may by rule exempt 195  
19 specific types of policies from the requirements of this 196  
20 subsection.

21 (2) In the case of the replacement of life insurance, as 198  
22 defined in the rule promulgated by the Director, the 199  
23 replacing insurer shall either (1) delay the issuance of its 200  
24 policy for not less than 20 days from the date it has 201  
25 transmitted a policy summary to the existing insurer, or (2)  
26 provide in a form titled "Notice Regarding Replacement of 202  
27 Life Insurance", as well as in its policy, or in a separate 203  
28 notice delivered with the policy, that the insured has the 204  
29 right to an unconditional refund of all premiums paid, and 205  
30 that such right may be exercised within a period of 20 days  
31 commencing from the date of delivery of such policy. Where 206  
32 option (2) is exercised, the replacing insurer shall also 207  
33 transmit a policy summary to the existing insurer within 3 208  
34 working days after the date the replacement policy is issued.

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1 (3) Any of the foregoing provisions or portions thereof 210  
 2 not applicable to single premium or nonparticipating or term 211  
 3 policies shall to that extent not be incorporated therein. 212  
 4 This Section shall not apply to policies of reinsurance nor 213  
 5 to policies issued or granted pursuant to the nonforfeiture 214  
 6 provisions prescribed in subparagraph (g) of paragraph (1) of 215  
 7 this Section.  
 8 (Source: P.A. 83-598.) 217

9 (215 ILCS 5/357.9a) (from Ch. 73, par. 269.9a) 220  
 10 Sec. 357.9a. Delay in payment of claims. Periodic 222  
 11 payments of accrued indemnities for loss-of-time coverage 223  
 12 under accident and health policies shall commence not later 224  
 13 than 30 days after the receipt by the company of the required 225  
 14 written proofs of loss. An insurer which violates this 226  
 15 Section if liable under said policy, shall pay to the 227  
 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 228  
 18 from the 30th day after receipt of such proofs of loss to the 229  
 19 date of late payment of the accrued indemnities, provided 230  
 20 that interest amounting to less than one dollar need not be 231  
 21 paid.  
 22 (Source: P.A. 79-792.) 233

23 Section 99. Effective date. This Act takes effect upon 236  
 24 becoming law.

APPROVED

this 24<sup>th</sup> day of July of A.D.,  
George H. Ryan  
 GOVERNOR

Michael J. Madigan  
 Speaker, House of Representatives  
[Signature]  
 President of the Senate