



Rep. Laura Fine

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LRB100 06034 SMS 22344 a

1 AMENDMENT TO HOUSE BILL 502

2 AMENDMENT NO. _____. Amend House Bill 502 by replacing
3 everything after the enacting clause with the following:

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

1 policies; and (c) that if the group life insurance policy is on
2 a plan of insurance other than the term plan, it shall contain
3 a nonforfeiture provision which in the opinion of the Director
4 is equitable to the insured persons and to the policyholder,
5 but nothing herein shall be construed to require that group
6 life insurance policies contain the same nonforfeiture
7 provisions as are required for individual life insurance
8 policies:

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

19 (B) A provision that validity of the policy shall not be
20 contested, except for nonpayment of premiums, after it has been
21 in force for two years from its date of issue; and that no
22 statement made by any person insured under the policy relating
23 to his insurability shall be used in contesting the validity of
24 the insurance with respect to which such statement was made
25 after such insurance has been in force prior to the contest for
26 a period of two years during such person's lifetime nor unless

1 it is contained in a written instrument signed by him;
2 provided, however, that no such provision shall preclude the
3 assertion at any time of defenses based upon provisions in the
4 policy which relate to eligibility for coverage.

5 (C) A provision that a copy of the application, if any, of
6 the policyholder shall be attached to the policy when issued,
7 and that all statements made by the policyholder shall be
8 deemed representations and not warranties, and that no
9 statement made by any person insured shall be used in any
10 contest unless a copy of the instrument containing the
11 statement is or has been furnished to such person or, in the
12 event of death or incapacity of the insured person, to his
13 beneficiary or personal representative.

14 (D) A provision setting forth the conditions, if any, under
15 which the insurer reserves the right to require a person
16 eligible for insurance to furnish evidence of individual
17 insurability satisfactory to the insurer as a condition to part
18 or all of his coverage.

19 (E) A provision specifying an equitable adjustment of
20 premiums or of benefits or of both to be made in the event the
21 age of a person insured has been misstated, such provision to
22 contain a clear statement of the method of adjustment to be
23 made.

24 (F) A provision that any sum becoming due by reason of the
25 death of the person insured shall be payable to the beneficiary
26 designated by the person insured, except that where the policy

1 contains conditions pertaining to family status the
2 beneficiary may be the family member specified by the policy
3 terms, subject to the provisions of the policy in the event
4 there is no designated beneficiary, as to all or any part of
5 such sum, living at the death of the person insured, and
6 subject to any right reserved by the insurer in the policy and
7 set forth in the certificate to pay at its option a part of
8 such sum not exceeding \$2,000 to any person appearing to the
9 insurer to be equitably entitled thereto by reason of having
10 incurred funeral or other expenses incident to the last illness
11 or death of the person insured.

12 (G) A provision that the insurer will issue to the
13 policyholder for delivery to each person insured a certificate
14 setting forth a statement as to the insurance protection to
15 which he is entitled, to whom the insurance benefits are
16 payable, a statement as to any dependent's coverage included in
17 such certificate, and the rights and conditions set forth in
18 provisions (H), (I), (J) and (K) following.

19 (H) A provision that if the insurance, or any portion of
20 it, on a person covered under the policy or on the dependent of
21 a person covered, ceases because of termination of employment
22 or of membership in the class or classes eligible for coverage
23 under the policy, such person shall be entitled to have issued
24 to him by the insurer, without evidence of insurability, an
25 individual policy of life insurance without disability or other
26 supplementary benefits, unless such right to convert such

1 coverage was provided for in the group policy and is applied
2 for in the application for conversion, provided that an
3 application for the individual policy shall be made, and the
4 first premium paid to the insurer, within 31 days after such
5 termination, and provided further that:

6 (1) the individual policy may, at the option of such
7 person, be on any one of the forms then customarily issued
8 by the insurer at the age and for the amount applied for,
9 except that the group policy may exclude the option to
10 elect term insurance;

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

24 (3) the premium on the individual policy shall be at
25 the insurer's then customary rate applicable to the form
26 and amount of the individual policy, to the class of risk

1 to which such person then belongs, and to such person's age
2 attained on the effective date of the individual policy.

3 (4) If any individual insured under a group life
4 insurance policy becomes entitled under the terms of such
5 policy to have an individual policy of life insurance
6 issued and if such individual is not given notice of the
7 existence of such right at least 15 days prior to the
8 expiration date of such period, then in such event the
9 individual shall have an additional period within which to
10 exercise such right, but nothing herein contained shall be
11 construed to continue any insurance beyond the period
12 provided in such policy. This additional period shall
13 expire 15 days next after the individual is given such
14 notice but in no event shall such additional period extend
15 beyond 60 days next after the expiration date of the period
16 provided in such policy. Written notice presented to the
17 individual or mailed by the policyholder to the last known
18 address of the individual or mailed by the insurer to the
19 last known address of the individual as furnished by the
20 policyholder shall constitute notice for the purpose of
21 this Section.

22 Subject to the same conditions set forth above the
23 conversion privilege shall be available (i) to a surviving
24 dependent, if any, at the death of the employee or member, with
25 respect to the coverage under the group policy which terminates
26 by reason of such death and (ii) to the dependent of the

1 employee or member upon termination of coverage of the
2 dependent, while the employee or member remains under the group
3 policy, by reason of the dependent ceasing to be a qualified
4 family member under the group policy.

5 (I) A provision, except in the case of a policy described
6 in paragraph (B) of Section 230.1, that the termination of the
7 employment of an employee or the membership of a member shall
8 not terminate the insurance of such employee or member under
9 the group policy until the expiration of such period for which
10 the premium for such employee or member has been paid, not
11 exceeding 31 days.

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

15 (K) A provision that if the group policy terminates or is
16 amended so as to terminate the insurance of any class of
17 insured persons, every person insured thereunder at the date of
18 such termination whose insurance terminates, including the
19 insured dependent of a covered person, and who has been so
20 insured for at least five years prior to such termination date
21 shall be entitled to have issued by the insurer an individual
22 policy of life insurance, subject to the same conditions and
23 limitations as are provided by provision (H) above, except that
24 the group policy may provide that the amount of such individual
25 policy shall not exceed the smaller of (a) the amount of the
26 person's life insurance protection ceasing because of the

1 termination or amendment of the group policy, less the amount
2 of any life insurance for which he is or becomes eligible under
3 a group policy issued or reinstated by the same or another
4 insurer within 31 days after such termination, or (b) \$10,000.

5 (L) A provision that if a person insured under the group
6 policy, or the insured dependent of a covered person, dies
7 during the period within which the individual would have been
8 entitled to have an individual policy issued in accordance with
9 provisions (H) or (I) above and before such an individual
10 policy shall have become effective, the amount of life
11 insurance which he would have been entitled to have issued
12 under such individual policy shall be payable as a claim under
13 the group policy, whether or not application for the individual
14 policy or the payment of the first premium therefor has been
15 made.

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

1 ~~policy.~~

2 (N) In the case of a policy insuring the lives of debtors,
3 a provision that the insurer will furnish to the policyholder
4 for delivery to each debtor insured under the policy a
5 certificate of insurance describing the coverage and
6 specifying that the death benefit shall first be applied to
7 reduce or extinguish the indebtedness. Whenever the amount of
8 insurance payable exceeds the amount of outstanding
9 indebtedness the excess benefit shall be payable to the person
10 otherwise contractually or legally entitled thereto; if there
11 be no person determined to be so entitled, such excess shall be
12 paid to the estate of the insured person.

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

14 (215 ILCS 5/231.2 new)

15 Sec. 231.2. Extension of coverage under authorized
16 absence; liability.

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

20 (b) A group policy shall, if a covered employee or
21 dependent is on authorized absence at the date of termination
22 of the policy, provide an extension of coverage for the
23 individual, beginning at the date of termination of the group
24 policy and continuing during the period of authorized absence.

25 (c) Under a group policy of life insurance that contains a

1 disability benefit extension of any type, such as premium
2 waiver extension, extended death benefit in the event of total
3 disability, or payment of income for a specified period during
4 total disability, the termination of the group policy shall not
5 operate to terminate the extension.

6 (d) A provision for extending coverage shall be contained
7 in each group policy as well as in corresponding certificates.

8 (e) The benefits payable during any period of extended
9 coverage shall be subject to the group policy's regular
10 coverage limits. The extended coverage shall terminate at the
11 end of a normal benefit period or when the maximum benefit
12 amount has been paid.

13 (f) The prior insurer shall be liable only to the extent of
14 its extensions of coverage. Its liability shall be the same
15 whether the group policyholder secures replacement coverage
16 from another insurer, self-insures, or declines to provide the
17 group with insurance.

18 (g) The succeeding insurer shall be liable as provided in
19 this subsection (g) where its group policy replaces another
20 providing similar coverage:

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

23 (A) each employee who is eligible for coverage in
24 accordance with the succeeding insurer's group policy
25 provisions regarding classes eligible and actively at
26 work requirements;

1 (B) each dependent who is eligible for coverage in
2 accordance with the succeeding insurer's group policy
3 provisions regarding classes eligible; and

4 (C) a dependent of a disabled employee if the
5 dependent is eligible for coverage in accordance with
6 the succeeding insurer's group policy provisions
7 regarding classes eligible if the disabled employee is
8 covered under the succeeding insurer's group policy.

9 (2) Each employee or dependent not covered under the
10 succeeding insurer's group policy in accordance with
11 paragraph (1) of this subsection (g) shall be provided with
12 temporary coverage by the succeeding insurer, for losses
13 occurring or beginning under the replacement policy,
14 subject to the following:

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

22 (B) The coverage to be provided by the succeeding
23 insurer shall be the coverage of the prior group policy
24 reduced by any benefits payable under such policy. The
25 benefits of the succeeding insurer's group policy
26 shall be determined after the benefits of the prior

1 group policy have been determined.

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

4 (i) the date the individual becomes eligible
5 under the coverage and under the circumstances
6 described in paragraph (1) of this subsection (g);

7 (ii) the date the individual's coverage would
8 terminate in accordance with the succeeding
9 insurer's group policy provisions regarding
10 individual termination of coverage, such as at
11 termination of employment or when ceasing to be an
12 eligible dependent; or

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

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