

SB3721



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

SB3721

Introduced 2/14/2020, by Sen. Dave Syverson

SYNOPSIS AS INTRODUCED:

215 ILCS 5/231.1

from Ch. 73, par. 843.1

Amends the Illinois Insurance Code. Provides that a policy of group life insurance shall contain, if replacing another policy of group life insurance in force with another insurance carrier immediately prior to the effective date of the new policy, a provision preventing loss of coverage, subject to premium payments, for those active employees who are not actively at work on the effective date of the new policy if specified conditions are met. Makes other changes.

LRB101 19927 BMS 69450 b

A BILL FOR

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 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) If active employment is a condition of insurance, a
10 provision that an insured may continue coverage during the
11 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 of group life insurance
22 replacing another policy of group life insurance in force with
23 another insurance carrier immediately prior to the effective
24 date of the new policy, a provision preventing loss of
25 coverage, subject to premium payments, for those active
26 employees who are not actively at work on the effective date of

1 the new policy if the following conditions are met:

2 (1) the active employee was insured under the prior
3 carrier's group life insurance policy immediately prior to
4 the effective date of the policy;

5 (2) the active employee is not actively at work on the
6 effective date of the new policy;

7 (3) the active employee is a member of an eligible
8 class under the policy; and

9 (4) the active employee is not receiving or eligible to
10 receive benefits under the prior carrier's group life
11 insurance policy.

12 (O) ~~(N)~~ In the case of a policy insuring the lives of
13 debtors, a provision that the insurer will furnish to the
14 policyholder for delivery to each debtor insured under the
15 policy a certificate of insurance describing the coverage and
16 specifying that the death benefit shall first be applied to
17 reduce or extinguish the indebtedness. Whenever the amount of
18 insurance payable exceeds the amount of outstanding
19 indebtedness the excess benefit shall be payable to the person
20 otherwise contractually or legally entitled thereto; if there
21 be no person determined to be so entitled, such excess shall be
22 paid to the estate of the insured person.

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