

# SB1876



## 102ND GENERAL ASSEMBLY

### State of Illinois

2021 and 2022

SB1876

Introduced 2/26/2021, 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.

LRB102 04376 BMS 14394 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  
9 State unless it contains in substance the following  
10 provisions, or provisions which in the opinion of the Director  
11 are more favorable to the persons insured, or at least as  
12 favorable to the persons insured and more favorable to the  
13 policyholder, provided, however, (a) that provisions (F) to  
14 (K) inclusive shall not apply to policies insuring the lives  
15 of debtors; (b) that the standard provisions required for  
16 individual life insurance policies shall not apply to group  
17 life insurance policies; and (c) that if the group life  
18 insurance policy is on a plan of insurance other than the term  
19 plan, it shall contain a nonforfeiture provision which in the  
20 opinion of the Director is equitable to the insured persons  
21 and to the policyholder, but nothing herein shall be construed  
22 to require that group life insurance policies contain the same  
23 nonforfeiture provisions as are required for individual life

1 insurance 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  
6 shall have given the insurer written notice of discontinuance  
7 in advance of the date of discontinuance and in accordance  
8 with 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  
14 been 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  
17 of 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,  
8 under 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  
11 part 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  
19 beneficiary designated by the person insured, except that  
20 where the policy contains conditions pertaining to family  
21 status the beneficiary may be the family member specified by  
22 the policy terms, subject to the provisions of the policy in  
23 the event there is no designated beneficiary, as to all or any  
24 part of such sum, living at the death of the person insured,  
25 and subject to any right reserved by the insurer in the policy  
26 and 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  
4 illness 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  
10 in such certificate, and the rights and conditions set forth  
11 in 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  
19 other supplementary benefits, unless such right to convert  
20 such coverage was provided for in the group policy and is  
21 applied for in the application for conversion, provided that  
22 an application for the individual policy shall be made, and  
23 the first premium paid to the insurer, within 31 days after  
24 such 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  
13 sum or in installments or in the form of an annuity, shall  
14 not, for the purposes of this provision, be included in  
15 the 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  
21 age attained on the effective date of the individual  
22 policy.

23 (4) If any individual insured under a group life  
24 insurance policy becomes entitled under the terms of such  
25 policy to have an individual policy of life insurance  
26 issued and if such individual is not given notice of the

1 existence of such right at least 15 days prior to the  
2 expiration date of such period, then in such event the  
3 individual shall have an additional period within which to  
4 exercise such right, but nothing herein contained shall be  
5 construed to continue any insurance beyond the period  
6 provided in such policy. This additional period shall  
7 expire 15 days next after the individual is given such  
8 notice but in no event shall such additional period extend  
9 beyond 60 days next after the expiration date of the  
10 period provided in such policy. Written notice presented  
11 to the individual or mailed by the policyholder to the  
12 last known address of the individual or mailed by the  
13 insurer to the last known address of the individual as  
14 furnished by the policyholder shall constitute notice for  
15 the purpose of this Section.

16 Subject to the same conditions set forth above the  
17 conversion privilege shall be available (i) to a surviving  
18 dependent, if any, at the death of the employee or member, with  
19 respect to the coverage under the group policy which  
20 terminates by reason of such death and (ii) to the dependent of  
21 the employee or member upon termination of coverage of the  
22 dependent, while the employee or member remains under the  
23 group policy, by reason of the dependent ceasing to be a  
24 qualified family member under the group policy.

25 (I) A provision, except in the case of a policy described  
26 in paragraph (B) of Section 230.1, that the termination of the

1 employment of an employee or the membership of a member shall  
2 not terminate the insurance of such employee or member under  
3 the group policy until the expiration of such period for which  
4 the premium for such employee or member has been paid, not  
5 exceeding 31 days.

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

9 (K) A provision that if the group policy terminates or is  
10 amended so as to terminate the insurance of any class of  
11 insured persons, every person insured thereunder at the date  
12 of such termination whose insurance terminates, including the  
13 insured dependent of a covered person, and who has been so  
14 insured for at least five years prior to such termination date  
15 shall be entitled to have issued by the insurer an individual  
16 policy of life insurance, subject to the same conditions and  
17 limitations as are provided by provision (H) above, except  
18 that the group policy may provide that the amount of such  
19 individual policy shall not exceed the smaller of (a) the  
20 amount of the person's life insurance protection ceasing  
21 because of the termination or amendment of the group policy,  
22 less the amount of any life insurance for which he is or  
23 becomes eligible under a group policy issued or reinstated by  
24 the same or another insurer within 31 days after such  
25 termination, or (b) \$10,000.

26 (L) A provision that if a person insured under the group



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

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

23 (N) In the case of a policy of group life insurance  
24 replacing another policy of group life insurance in force with  
25 another insurance carrier immediately prior to the effective  
26 date of the new policy, a provision preventing loss of

1 coverage, subject to premium payments, for those active  
2 employees who are not actively at work on the effective date of  
3 the new policy if the following conditions are met:

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

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

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

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

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

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