

SB2963



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB2963

Introduced 12/15/2021, 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 if active employment is a condition of a policy of group life insurance, in order to be delivered in the State the policy must contain provisions that state that continued coverage for specified active employees will remain in effect until the earliest of specified dates, and specified obligations of the replacing carrier may be limited to the amount for which the employee was covered under the prior carrier's group life insurance policy and may be reduced by any amounts payable under the prior carrier's group life insurance policy. Effective immediately.

LRB102 21801 BMS 30921 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) If active employment is a condition of insurance, in
24 ~~in~~ the case of a policy of group life insurance replacing
25 another policy of group life insurance in force with another
26 insurance carrier immediately prior to the effective date of

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

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

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

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

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

15 (0) If active employment is a condition of insurance, a
16 provision that for active employees receiving or eligible to
17 receive benefits under provision (N) the continued coverage
18 will remain in effect until the earliest of the following:

19 (1) the date the employee returns to active work;

20 (2) the date that coverage under the prior carrier's
21 group life insurance policy would have ended for any
22 reason other than the termination of the policy;

23 (3) the date that coverage would otherwise end under
24 the replacing carrier's policy;

25 (4) a date no less than 6 months after the replacement
26 coverage begins; or

1 (5) the date the employee is covered or is eligible
2 for coverage under the prior carrier's group policy.

3 (P) If active employment is a condition of insurance, a
4 provision that the replacing carrier's obligations under
5 provisions (N) and (O) may be limited to the amount for which
6 the employee was covered under the prior carrier's group life
7 insurance policy and may be reduced by any amounts payable
8 under the prior carrier's group life insurance policy.

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

20 (Source: P.A. 102-367, eff. 1-1-22.)

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