

1 AN ACT concerning insurance.

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 adding Section 229.6 as follows:

6 (215 ILCS 5/229.6 new)

7 Sec. 229.6. Small face amount life insurance.

8 (a) The Legislature finds that it is in the best
9 interest of the citizens of the State to limit the amount of
10 premiums collected for small face amount policies. Current
11 practices have often resulted in the collection of premiums
12 many hundreds of percent in excess of the face amount of the
13 policy. This amendatory Act of the 93rd General Assembly is
14 intended to establish the public policy of this State to
15 prohibit the collection of future insurance premiums at such
16 levels for specified policies issued on or after the
17 effective date of this amendatory Act.

18 This Section applies to all individual life insurance
19 policies with face amounts of \$20,000 or less issued or
20 delivered in this State on or after the effective date of
21 this amendatory Act of the 93rd General Assembly.

22 No premiums on a specific policy may be collected by the
23 insurer, or any succeeding insurer in the event the policy is
24 assumed by another insurer, when premiums collected, minus
25 dividends paid in cash, will exceed 250% of the face amount
26 of the policy.

27 (b) The purpose of this Section is to establish rules
28 that ensure meaningful information is provided to the
29 purchasers of small face amount policies.

30 "Small face amount policy" means a life insurance policy
31 or certificate with an initial face amount of \$20,000 or

1 less.

2 (c) This Section applies to all group and individual
3 life insurance policies and certificates except:

4 (1) variable life insurance;

5 (2) individual and group annuity contracts;

6 (3) credit life insurance;

7 (4) group or individual policies of life insurance
8 issued to members of an employer group or other permitted
9 group where:

10 (A) every plan of coverage was selected by the
11 employer or other group representative;

12 (B) some portion of the premium is paid by the
13 group or through payroll deduction; and

14 (C) group underwriting or simplified
15 underwriting is used.

16 (d) An insurer issuing a small face amount policy shall
17 provide full and complete disclosure if, at any point in time
18 over the term of the policy, the cumulative premiums paid may
19 exceed the face amount of the policy at that point in time.
20 The required disclosure shall be provided to the policy owner
21 or certificate holder no later than at the time the policy or
22 certificate is delivered. The required disclosure shall
23 include notice of any applicable 10-day right of full refund
24 as provided by subsection (n) of Section 224 or subsection
25 (m) of Section 229 of this Code. The disclosure shall not be
26 attached to the policy, but may be delivered with the policy.

27 If, for a particular policy form, the cumulative premiums
28 may exceed the face for some demographic or benefit
29 combination but not for all combinations, the insurer may
30 choose to either:

31 (1) give the disclosure only in those circumstances
32 in which the premiums will exceed the face amount; or

33 (2) give the disclosure for all demographic and
34 benefit combinations.

1 Cumulative premiums shall include premiums paid for
2 riders. However, the face amount shall not include the
3 benefit attributable to the riders.

4 The insurer and its producers have a duty to provide
5 information to policyholders or certificate holders that ask
6 questions about the disclosure statement.

7 (e) The Director has the authority to promulgate
8 reasonable rules to administer and enforce this Section. The
9 rules promulgated may include, but shall not be limited to,
10 establishing the format for insurer disclosure notices.