



Rep. Frank J. Mautino

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LRB097 08415 RPM 55538 a

1 AMENDMENT TO SENATE BILL 1607

2 AMENDMENT NO. _____. Amend Senate Bill 1607 as follows:

3 on page 1, line 5, by replacing "Section" with "Sections 224
4 and"; and

5 on page 4, immediately below line 12, by inserting the
6 following:

7 "(215 ILCS 5/224) (from Ch. 73, par. 836)

8 Sec. 224. Standard provisions for life policies.

9 (1) After the first day of July, 1937, no policy of life
10 insurance other than industrial, group or annuities and pure
11 endowments with or without return of premiums or of premiums
12 and interest, may be issued or delivered in this State, unless
13 such policy contains in substance the following provisions:

14 (a) A provision that all premiums after the first shall
15 be payable in advance either at the home office of the

1 company or to an agent of the company, upon delivery of a
2 receipt signed by one or more of the officers who shall be
3 designated in the policy, when such receipt is requested by
4 the policyholder.

5 (b) A provision that the insured is entitled to a grace
6 period either of 30 days or of one month within which the
7 payment of any premium after the first may be made, subject
8 at the option of the company to an interest charge not in
9 excess of 6% per annum for the number of days of grace
10 elapsing before the payment of the premium, during which
11 period of grace the policy shall continue in force, but in
12 case the policy becomes a claim during the grace period
13 before the overdue premium is paid, or the deferred
14 premiums of the current policy year, if any, are paid, the
15 amount of such premium or premiums with interest thereon
16 may be deducted in any settlement under the policy.

17 (c) A provision that the policy, together with the
18 application therefor, a copy of which shall be endorsed
19 upon or attached to the policy and made a part thereof,
20 shall constitute the entire contract between the parties
21 and that after it has been in force during the lifetime of
22 the insured a specified time, not later than 2 years from
23 its date, it shall be incontestable except for nonpayment
24 of premiums and except at the option of the company, with
25 respect to provisions relative to benefits in the event of
26 total and permanent disability, and provisions which grant

1 additional insurance specifically against death by
2 accident and except for violations of the conditions of the
3 policy relating to naval or military service in time of war
4 or for violation of an express condition, if any, relating
5 to aviation, (except riding as a fare-paying passenger of a
6 commercial air line flying on regularly scheduled routes
7 between definitely established airports) in which case the
8 liability of the company shall be fixed at a definitely
9 determined amount not less than the full reserve for the
10 policy and any dividend additions; provided that the
11 application therefor need not be attached to or made a part
12 of any policy containing a clause making the policy
13 incontestable from date of issue.

14 (d) A provision that if it is found at any time before
15 final settlement under the policy that the age of the
16 insured (or the age of the beneficiary, if considered in
17 determining the premium) has been misstated, the amount
18 payable under the policy shall be such as the premium would
19 have purchased at the correct age or ages, according to the
20 company's published rate at date of issue.

21 (e) A provision that the policy shall participate
22 annually in the surplus of the company beginning not later
23 than the end of the third policy year; and any policy
24 containing provision for annual participation beginning at
25 the end of the first policy year, may also provide that
26 each dividend be paid subject to the payment of the

1 premiums for the next ensuing year; and the insured under
2 any annual dividend policy shall have the right each year
3 to have the dividend arising from such participation either
4 paid in cash, or applied in reduction of premiums, or
5 applied to the purchase of paid-up additional insurance, or
6 be left to accumulate to the credit of the policy, with
7 interest at such rate as may be determined from time to
8 time by the company, but not less than a guaranteed minimum
9 rate specified in the policy, and payable at the maturity
10 of the policy, but withdrawable on any anniversary date,
11 subject to such further provisions as the policy may
12 provide regarding the application of dividends toward the
13 payment of any premiums unpaid at the end of the grace
14 period; and if the insured fails to notify the company in
15 writing of his election within the period of grace allowed
16 for the payment of premium, the policy shall further
17 provide which of such options are effective.

18 (f) A provision that after the policy has been in force
19 3 full years the company at any time, while the policy is
20 in force, will advance, on proper assignment or pledge of
21 the policy and on the sole security thereof, at a specified
22 maximum fixed or adjusted rate of interest in accordance
23 with Section 229.5, a sum equal to, or at the option of the
24 insured less than the amount required by Section 229.3
25 under the conditions specified thereby and with
26 notification as required by Section 229.5; and that the

1 company will deduct from such loan value any indebtedness
2 not already deducted in determining such value and any
3 unpaid balance of the premium for the current policy year,
4 and may collect interest in advance on the loan to the end
5 of the current policy year; and any policy may also provide
6 that if the interest on the loan is not paid when due it
7 shall be added to the existing loan and shall bear interest
8 at the same rate. No condition other than as provided
9 herein or in Sections 229.3 and 229.5 shall be exacted as a
10 prerequisite to any such loan. This clause shall not apply
11 to term insurance.

12 (g) A provision for nonforfeiture benefits and cash
13 surrender values in accordance with the requirements of
14 paragraph (1) of Section 229.1 or, Section 229.2.

15 (h) A table showing in figures the loan values and the
16 options available under the policy each year, upon default
17 in premium payments, during at least the first 20 years of
18 the policy; the policy to contain a provision that the
19 company will furnish upon request an extension of such
20 table beyond the years shown in the policy.

21 (i) A provision that in event of default in premium
22 payments the value of the policy is applied to the purchase
23 of other insurance as provided in this Section, and if such
24 insurance is in force and the original policy is not
25 surrendered to the company and cancelled, the policy may be
26 reinstated within 3 years from such default, upon evidence

1 of insurability satisfactory to the company and payment of
2 arrears of premiums and the payment or reinstatement of any
3 other indebtedness to the company upon the policy, with
4 interest on the premiums at a rate not exceeding 6% per
5 annum payable annually and with interest on the
6 indebtedness at a rate not exceeding the rate prescribed by
7 Section 229.5.

8 (j) A provision that when a policy is a claim by the
9 death of the insured settlement shall be made upon receipt
10 of due proof of death and not later than 2 months after the
11 receipt of such proof. The policy may require that due
12 proof of the death of the insured shall consist of a
13 certified copy of the death certificate of the insured, or
14 other lawful evidence providing equivalent information,
15 and proof of the claimant's interest in the proceeds.

16 (k) If the policy provides for payment of its proceeds
17 in installments, a table showing the amount and period of
18 such installments shall be included in the policy.

19 (l) Interest shall accrue on the proceeds payable
20 because of the death of the insured, from date of death, at
21 the rate of 10% annually ~~9%~~ on the total amount payable or
22 the face amount if payments are to be made in installments
23 until the total payment or first installment is paid,
24 unless payment is made within 31 ~~fifteen (15)~~ days from the
25 the latest of the following to occur:

26 (1) the date that due proof of death is received by

1 the company;

2 (2) the date that the company receives sufficient
3 information to determine its liability, the extent of
4 the liability, and the appropriate payee legally
5 entitled to the proceeds; or

6 (3) the date that legal impediments to payment of
7 proceeds that depend on the action of parties other
8 than the company are resolved and sufficient evidence
9 of the same is provided to the company; legal
10 impediments to payment include, but are not limited to,
11 (A) the establishment of guardianships and
12 conservatorships, (B) the appointment and
13 qualification of trustees, executors, and
14 administrators, and (C) the submission of information
15 required to satisfy State and federal reporting
16 requirements.

17 ~~date of receipt by the company of due proof of loss.~~ This
18 provision need not appear in the policy, however, the
19 company shall notify the beneficiary at the time of claim
20 of this provision. The payment of interest shall apply to
21 all policies now in force, as well as those written after
22 the effective date of this amendment.

23 (m) Title on the face and on the back of the policy
24 briefly describing its form.

25 (n) A provision, or a notice attached to the policy, to
26 the effect that during a period of ten days from the date

1 the policy is delivered to the policy owner, it may be
2 surrendered to the insurer together with a written request
3 for cancellation of the policy and in such event, the
4 insurer will refund any premium paid therefor, including
5 any policy fees or other charges. The Director may by rule
6 exempt specific types of policies from the requirements of
7 this subsection.

8 (2) In the case of the replacement of life insurance, as
9 defined in the rule promulgated by the Director, the replacing
10 insurer shall either (1) delay the issuance of its policy for
11 not less than 20 days from the date it has transmitted a policy
12 summary to the existing insurer, or (2) provide in a form
13 titled "Notice Regarding Replacement of Life Insurance", as
14 well as in its policy, or in a separate notice delivered with
15 the policy, that the insured has the right to an unconditional
16 refund of all premiums paid, and that such right may be
17 exercised within a period of 20 days commencing from the date
18 of delivery of such policy. Where option (2) is exercised, the
19 replacing insurer shall also transmit a policy summary to the
20 existing insurer within 3 working days after the date the
21 replacement policy is issued.

22 (3) Any of the foregoing provisions or portions thereof not
23 applicable to single premium or nonparticipating or term
24 policies shall to that extent not be incorporated therein. This
25 Section shall not apply to policies of reinsurance nor to
26 policies issued or granted pursuant to the nonforfeiture

1 provisions prescribed in subparagraph (g) of paragraph (1) of
2 this Section.

3 (Source: P.A. 92-139, eff. 7-24-01.)".