**Section 2007.60 Prohibited Policy Provisions**

a) Except as provided in the Section 2007.50 definition of "sickness", no policy shall contain provisions establishing a probationary or waiting period during which no coverage is provided under the policy. An excepted benefit policy may specify a probationary or waiting period not to exceed six months for specified diseases or conditions and losses resulting therefrom for hernia, varicose veins, adenoids, appendix and tonsils. However, the permissible six months exception shall not be applicable when the specified diseases or conditions are treated on an emergency basis. Accident policies shall not contain a probationary or waiting period.

b) No policy or rider for additional coverage may be issued as a dividend unless an equivalent cash payment is offered to the policyholder as an alternative to the dividend policy or rider. No such dividend policy or rider shall be issued for an initial term of less than six months.

c) A disability policy, hospital confinement indemnity policy or specified disease policy may contain a "return of premium" or "cash value benefit" so long as:

1) The policy provides for a return of 100% of all premiums paid less the claims incurred by the time the insured attains age 65. A percentage of less than 100%, but greater than 50%, is permissible if the "return of premium" or "cash value benefit" has been in force for 10 years or less;

2) The policy contains a reasonable nonforfeiture benefit and provides for the value to be paid automatically upon lapse or death;

3) The surrender value percentages are not less than those calculated assuming 1958 Commissioners Standard Ordinary Mortality, 5% interest and 5 year preliminary term;

4) An acceptable method of reserving is approved by the Director concurrent with approval of the policy. Reserves should exceed or equal the cash value at all durations;

5) The surrender value percentages are calculated assuming a zero percent future claim offset;

6) The surrender value percentages are defined for all policy years (surrender value percentages may be shown only for the first 20 policy years, but under these conditions the contract shall define the method used to determine the surrender value percentages after the 20th contract year);

7) The interim surrender value percentages are defined when premiums are paid within a contract year;

8) The policy does not tie the return of premium to anything less than 100% of the premiums paid less claims paid.

d) When a liability exists for charges made to or on behalf of the insured or covered dependents, Accident and Health policies shall not contain provisions excluding coverage for:

1) Confinement in a hospital operated by a federal, state or local government;

2) Charges for medical services provided by a federal, state or local government.

e) No policy shall limit or exclude coverage by type of illness, accident, treatment or medical condition, except as follows:

1) With respect to excepted benefit policies and grandfathered health plans, preexisting conditions or diseases;

2) With respect to excepted benefit policies and grandfathered health plans, mental or emotional disorders, alcoholism, intoxication and drug addiction (policies that exclude benefits for alcoholism or intoxication shall provide the following definition: "That which is defined and determined by the laws of the state where the loss or cause of the loss was incurred");

3) With respect to excepted benefit policies and grandfathered health plans, pregnancy, except for complications of pregnancy;

4) With respect to excepted benefit policies and grandfathered health plans, rehabilitative care, except that when benefits, in whole or in part, would be payable for the care under the terms of coverage, those benefits shall not be denied on the basis that the care or treatment was provided, in whole or in part, in a rehabilitation institution, if the institution was a fully accredited hospital as defined in Section 2007.50 at the time care or treatment was provided;

5) Injury, illness, treatment or medical condition arising out of:

A) war or act of war (whether declared or undeclared); participation in a felony, riot or insurrection; service in the armed forces or auxiliary units;

B) with respect to excepted benefit policies and grandfathered health plans, suicide (sane or insane), attempted suicide or intentionally self-inflicted injury;

C) aviation;

D) with respect to short-term nonrenewable policies, interscholastic sports;

6) Cosmetic surgery, except that "cosmetic surgery" shall not include reconstructive surgery when the service is incidental to or follows surgery resulting from trauma, infection or other diseases of the involved part;

7) With respect to excepted benefit policies and grandfathered health plans, foot care in connection with corns, calluses, flat feet, fallen arches, weak feet, chronic foot strain, or symptomatic complaints of the feet;

8) Benefits provided under Medicare, any state or federal worker's compensation, employer's liability or occupational disease law, or any motor vehicle no-fault law; services rendered by employees of hospitals, laboratories or other institutions; services performed by a member of the covered person's immediate family; and services for which no charge is normally made in the absence of insurance;

9) Dental care or treatment for adults;

10) Eye glasses, hearing aids and examination for the prescription or fitting of eye glasses or hearing aids for adults;

11) Rest cures, custodial care, transportation and routine physical examinations;

12) Territorial limitations;

13) Sex change surgery, with respect to excepted benefit policies and grandfathered health plans, or surgical sterilization;

14) Tests or x-rays not related to diagnosis;

15) With respect to excepted benefit policies and grandfathered health plans, infertility;

16) Drugs, therapies, procedures or treatments that are determined in coordination with the attending physician to not be medically necessary;

17) With respect to excepted benefit policies and grandfathered health plans, weight reduction procedures, treatments or classes (except for morbid obesity);

18) With respect to excepted benefit policies and grandfathered health plans, smoking cessation classes or patches.

f) No provision of this Part shall prohibit the use of any policy provision that is required or permitted by statute. With respect to excepted benefit policies and grandfathered health plans, other provisions of this Part shall not impair or limit the use of waivers to exclude, limit or reduce coverage or benefits for specifically named or described preexisting diseases, physical condition or extra hazardous activity. When waivers are required as a condition of issuance, renewal or reinstatement, signed acceptance by the insured is required unless on initial issuance the full text of the waiver is contained either on the first page or specification page of the policy, or unless notice of the waiver appears on the first page or specification page.

g) No policy, rider or endorsement providing benefits for loss due to an accident or accidental injury shall contain a provision or clause limiting, reducing or excluding liability for a loss resulting from purely accidental circumstances (e.g., involuntary or unintentional ingestion of poison or inhalation of poisonous gases or fumes). This restriction shall not preclude approval of a benefit for loss from defined accidents, such as travel, sport and student accident insurance.

h) No policy, rider or endorsement shall limit or exclude coverage for illness, accident, treatment or medical condition by using a general exclusion for complications arising from a covered condition or the treatment of a covered condition. This restriction shall not preclude the exclusion of loss due to complications that are specifically named.

i) Policy provisions precluded in this Section shall not be construed as a limitation on the authority of the Director to disapprove other policy provisions in accordance with Section 143(1) of the Illinois Insurance Code [215 ILCS 5/143(1)] that, in the opinion of the Director, are unjust, unfair or unfairly discriminatory to the policyholder, beneficiary, or any person insured under the policy.

(Source: Amended at 38 Ill. Reg. 23400, effective November 25, 2014)