**Section 2013.40 Effective Date of Discontinuance for Non-Payment of Premium**

a) If a group contract subject to this Part provides for automatic discontinuance of the contract after a premium has remained unpaid through the grace period allowed for such payment, the carrier shall be liable for valid claims for covered losses incurred prior to the end of the grace period. The carrier shall, however, be entitled to the premium due for coverage provided during the grace period.

b) If the actions of the carrier after the end of the grace period indicate that it considers the group contract as continuing in force beyond the end of the grace period by continuing to recognize claims subsequently incurred, the carrier shall be liable for valid claims for losses beginning prior to the effective date of written notice of discontinuance to the contract holders or other entity responsible for making payments to the carrier. The effective date of discontinuance shall not be prior to midnight at the end of the third scheduled work day after the date upon which the notice is delivered.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)