



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB2407

Introduced 2/26/2021, by Sen. Napoleon Harris, III

SYNOPSIS AS INTRODUCED:

215 ILCS 5/234.5 new

Amends the Illinois Insurance Code. Provides that a contract for life insurance that has been in force for at least one year may not be lapsed for nonpayment of premium unless the insurer has mailed a notification of the impending lapse in coverage to the policyowner and to a specified secondary addressee if such addressee has been designated in writing by name and address by the policyowner. Provides that an insurer issuing a life insurance contract on or after January 1, 2022 shall notify the applicant of the right to designate a secondary addressee at the time of application for the policy, on a form provided by the insurer and at any time the policy is in force, by submitting a written notice to the insurer containing the name and address of the secondary addressee. Provides that the notice of impending lapse in coverage must be mailed to the policyowner and the secondary addressee at least 21 days before the expiration of the grace period provided in the policy in specified circumstances. Provides that the secondary notice requirement does not apply to any life insurance contract under which premiums are payable monthly or more frequently and are regularly collected by a licensed agent or are paid by credit card or any preauthorized check processing or automatic debit service of a financial institution. Provides that if the policyowner has a life agent of record or any agent of record, the insurer must also notify the agent of the impending lapse in coverage at least 21 days before the effective date of the lapse. Provides that an insurer is not required to notify the agent in specified circumstances. Effective January 1, 2022.

LRB102 13877 BMS 19228 b

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 adding Section 234.5 as follows:

6 (215 ILCS 5/234.5 new)

7 Sec. 234.5. Secondary notice of intention to cancel life
8 insurance.

9 (a) Except as provided in this Section, a contract for
10 life insurance amended, delivered, issued, or renewed in this
11 State on or after January 1, 2022 that has been in force for at
12 least one year may not be lapsed for nonpayment of premium
13 unless, after expiration of the grace period and at least 21
14 days before the effective date of any such lapse, the insurer
15 has mailed a notification of the impending lapse in coverage
16 to the policyowner and to a specified secondary addressee if
17 such addressee has been designated in writing by name and
18 address by the policyowner. An insurer issuing a life
19 insurance contract on or after January 1, 2022 shall notify
20 the applicant of the right to designate a secondary addressee
21 at the time of application for the policy, on a form provided
22 by the insurer and at any time the policy is in force, by
23 submitting a written notice to the insurer containing the name

1 and address of the secondary addressee. For purposes of any
2 life insurance policy that provides a grace period of more
3 than 51 days for nonpayment of premiums, the notice of
4 impending lapse in coverage required by this Section must be
5 mailed to the policyowner and the secondary addressee at least
6 21 days before the expiration of the grace period provided in
7 the policy. This Section does not apply to any life insurance
8 contract under which premiums are payable monthly or more
9 frequently and are regularly collected by a licensed agent or
10 are paid by credit card or any preauthorized check processing
11 or automatic debit service of a financial institution.

12 (b) If the policyowner has a life agent of record or any
13 agent of record, the insurer must also notify the agent of the
14 impending lapse in coverage or mail or send electronically a
15 copy of the notification of the impending lapse in coverage
16 under subsection (a) to the agent at least 21 days before the
17 effective date of any such lapse. Receipt of such notice does
18 not make the agent responsible for any lapse in coverage. An
19 insurer is not required to notify the agent under this
20 subsection if any of the following apply:

21 (1) The insurer maintains an online system that allows
22 an agent to independently determine if a policy has
23 lapsed.

24 (2) The insurer maintains a procedure that allows an
25 agent to independently determine whether the notice of
26 lapse has been sent.

1 (3) The insurer has no record of the current agent of
2 record.

3 (4) The agent is employed by the insurer or an
4 affiliate of the insurer.

5 Section 99. Effective date. This Act takes effect January
6 1, 2022.