215 ILCS 5/226 Standard Provisions for Annuities and Pure Endowment Contracts

Sec. 226. Standard provisions for annuities and pure endowment contracts.

(1) After the effective date of this Section and any amendments thereto no annuity or pure endowment contract, except in case of reversionary annuities, survivorship annuities or annuities contracted by an employer on behalf of his employees, shall be issued or delivered in this State unless it contains in substance the following provisions:

(a) A provision that there shall be a period of grace, either of thirty days or of one month, within which any stipulated payment to the company falling due after the first year may be made, subject at the option of the company, to an interest charge thereon at a rate to be specified in the contract but not exceeding six per centum per annum for the number of days of grace elapsing before such payment, during which period of grace, the contract shall continue in full force; but in case a claim arises under the contract on account of death during the said period of grace before the overdue payment to the company or the deferred payments of the current contract year, if any, are made, the amount of such payments, with interest on any overdue payments, may be deducted from any amount payable under the contract in settlement.

(b) If statements, other than those relating to age and identity, are required as a condition to issuing the contract, a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or each of the persons as to whom such statements are required, for a period of two years from its date of issue, except where stipulated payments to the company have not been made and except for violations of the conditions of the contract relating to military or naval service in time of war and except, at the option of the company, with respect to provisions relative to benefits in the event of total and permanent disability and provisions which grant insurance specifically against death by accident.

(c) A provision that such a contract shall constitute the entire contract between the parties, but if the company desires to make the application a part of the contract it may do so, provided a copy of such application shall be endorsed upon or attached to such contract when issued, and in such case such contract shall contain a provision that it, together with the application therefor, shall constitute the entire contract between the parties.

(d) A provision that if the age or ages of the person or persons upon whose life or lives the contract is based, or any of them, have been misstated, the amount payable under the contract shall be such as the stipulated payments to the company would have purchased at the correct age or ages.

(e) If the contract is participating, a provision that the divisible surplus shall be apportioned annually and dividends shall be payable in cash or shall be applicable to any stipulated payment or payments to the company under the contract.

(f) A provision that after the contract has been in force for three years, if it shall, by its terms, lapse because any stipulated payment to the company shall not have been made, the reserve on such contract, exclusive of the reserve on account of total and permanent disability and additional accidental death benefits, computed according to the standard adopted by the company and in accordance with section 223, shall after deducting not more than one-fifth of the said entire reserve and any indebtedness to the company under the contract, be applied as a net single payment according to said standard, for the purchase of a paid-up annuity or a pure endowment contract, which may be nonparticipating and which shall be payable by the company under the same terms and conditions as the original contract, except as to amount.

(g) A provision that the contract may be reinstated at any time within one year from the date of default in making stipulated payments to the company, but all overdue stipulated payments and any indebtedness to the company on the contract shall be paid or reinstated, with interest thereon at a rate to be specified in the contract but not exceeding six per centum per annum payable annually, and in cases where applicable, a company may also include a requirement of evidence of insurability satisfactory to the company.

(h) A provision, or a notice attached to the contract, to the effect that during a period of 10 days from the date the contract is delivered to the contract-owner it may be surrendered to the insurer together with a written request for cancellation of the contract, and that in such event, with the exception of a variable annuity contract, the insurer will refund any premium paid for the contract, including any contract fees or other charges. Cancellation under a variable annuity contract shall entitle a person to an amount equal to the sum of (i) the difference between the premiums paid including any contract fees or other services and the amounts allocated to any separate accounts under the contract and (ii) the cash value of the contract or, if the contract does not have a cash value, the reserve for the contract, on the date the return contract is received by the insurer or its agent. The Director may by rule exempt specific types of contracts from this paragraph.

(2) Any overpayment by the company on account of misstatement of age, shall be charged against the current or next succeeding payment or payments to be made by the company under the contract, with interest thereon at a rate to be specified in the contract but not exceeding six per centum per annum.

(3) A company may provide, in lieu of the paid-up values provided in clause (f) of subsection (1), for a paid-up annuity or pure endowment contract in an amount bearing the same proportion to the original annuity or pure endowment contract as the number of stipulated payments which shall have been made to the company shall bear to the total number of stipulated payments required to be made to the company under contract, and if there be any indebtedness to the company under the contract the amount of such paid-up annuity or pure endowment shall be reduced by an amount bearing the same proportion to such paid-up annuity or pure endowment as such indebtedness bears to the cash value on such paid-up annuity or pure endowment, computed according to the standard adopted by the company in accordance with section 223.

(Source: P.A. 82-594.)