

215 ILCS 5/229.5(b)(1)(2), (3) Policy Loan Interest Rates

Sec. 229.5(b)(1)(2), (3) Policy Loan Interest Rates

(b) Maximum rate of interest on policy loans.

(1) Policies issued on or after the effective date of this amendatory Act of 1981 shall provide for policy loan interest rates as follows:

- (i) A provision permitting a maximum interest rate of not more than 8% per annum; or
- (ii) A provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by law.

(2) The rate of interest charged on a policy loan made under subsection (1)(ii) shall not exceed the higher of the following:

- (i) The Published Monthly Average for the calendar month ending 2 months before the date on which the rate is determined; or
- (ii) The rate used to compute the cash surrender values under the policy during the applicable period plus 1% per annum.

(3) If the maximum rate of interest is determined pursuant to clause (ii) of paragraph (1) of this subsection (b), the policy shall contain a provision setting forth the frequency at which the rate is to be determined for that policy.

(Source: P.A. 83-1362.)