215 ILCS 5/229.1(1) Non-forfeiture and Cash Surrender Values

Sec. 229.1(1) Non-forfeiture and Cash Surrender Values

Sec. 229.1. Non-forfeiture benefits and cash surrender values in policies issued prior to the operative date of section 229.2.

(1) This subsection shall apply only to policies of life insurance (other than Industrial life insurance) issued prior to the operative date of section 229.2 (the Standard Non-forfeiture Law.)

The non-forfeiture benefit referred to in clause (g) of section 224 shall be available to the insured in event of default in premium payments, after premiums shall have been paid for three years, and shall be a stipulated form of insurance, effective from the due date of the defaulted premium, the net value of which shall not be less than the reserve at the date of default on the policy and on dividend additions thereto, if any, exclusive of the reserve on account of total and permanent disability and additional accidental death benefits (the policy to specify the mortality table, rate of interest and method of valuation adopted for computing such reserve), less a specified maximum percentage (not more than two and one-half) of the amount insured by the policy and of existing dividend additions thereto, if any, and less any existing indebtedness to the company on or secured by the policy, the exact percentage to be specified for each year for which required values are not included in the policy; if more than one option is provided, the policy to specify which of such options shall apply in the event of the insured's failure to notify the company of his selection of an option. The policy shall provide that it may be surrendered to the company at its home office within the period of grace after the due date of the defaulted premium for a specified cash value not less than the above prescribed minimum value of the stipulated form of insurance; and any policy may also provide that the company may defer payment for not more than six months after the application therefor is made. Provided that any policy may also contain a provision that in event of default in a premium payment before such options become available the reserve on any dividend additions then in force may at the option of the company be paid in cash or applied as a net premium to the purchase of paid-up term insurance for any amount not in excess of the face of the original policy. This subsection shall not apply to term insurance of twenty years or less, but such term policy shall specify the mortality table, rate of interest and method of valuation adopted for computing reserves.

(Source: Laws 1943, Vol. 1, p. 824.)