

TITLE 50: INSURANCE
CHAPTER I: DEPARTMENT OF INSURANCE
PART 1407 ACCELERATED LIFE BENEFIT/TERMINAL
ILLNESS/QUALIFIED CONDITIONS

Section 1407.50 Required Disclosure Provisions

Solicitations:

a) If there is a premium or cost of insurance charge, the insurer shall give the applicant a generic illustration numerically demonstrating any effect of the payment of the accelerated benefit on the policy's cash value, accumulation account, death benefit, premium, policy loans and policy liens.

1) In the case of producer solicited insurance, the producer shall provide the illustration to the applicant prior to or concurrently with the application.

2) In the case of direct mail solicitations, the insurer shall provide the illustration to the applicant at the time the policy is delivered.

3) Information on the policy or certificate values shall be furnished by the company upon the request of the policyowner or certificateholder.

4) In the case of group insurance policies, the disclosure form shall be contained as part of the certificate of coverage or any related document furnished by the insurer for the certificateholder.

b) A written disclosure including, but not limited to, a brief description of the accelerated benefit and definitions of the conditions or occurrences triggering payment of the benefits and an explanation of any effect of the payment of a benefit on the policy's cash value, accumulation account, death benefit, premium, policy loans and policy liens shall be provided the applicant in the following manner:

1) In the case of producer solicited insurance, the producer shall provide the disclosure form to the applicant prior to or concurrently with the application. Acknowledgement of the disclosure shall be signed by the applicant and the writing producer, if any.

2) In the case of direct mail solicitations, the insurer shall provide the disclosure form to the applicant at the time the policy is delivered, with a notice that a full premium refund shall be received if the policy is returned to the insurer within 30 days after the initial receipt of the policy by the applicant.

3) Information on the policy values shall be furnished by the company upon the request of the policyholder or certificateholder.

4) In the case of group insurance policies, the disclosure form shall be contained as part of the certificate of coverage or any related document furnished by the insurer for the certificateholder.

c) Tax Consequences. A disclosure statement is required at the time of application for the policy, rider or certificate and at the time the accelerated benefit payment request is submitted indicating that receipt of these accelerated benefits may be taxable, and assistance should be

sought from a personal tax advisor. The disclosure statement shall be prominently displayed on the first page of the policy or rider and any other related documents.

d) Effect of the Benefit Payment. When a policyowner or certificateholder requests an acceleration, the insurer shall send a written statement to the policyowner or certificateholder and any irrevocable beneficiary which demonstrates any effect that the payment of the accelerated benefit will have on the policy's cash value, face value accumulation account, death benefit, premium, policy loans and policy liens. The statement shall disclose that receipt of accelerated benefit payments may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements. In addition, receipt of an accelerated benefit payment may be taxable and assistance should be sought from a personal tax advisor. When a previous disclosure statement becomes invalid as a result of an acceleration of the death benefit, the insurer shall send a revised disclosure statement to the policyowner or certificateholder and irrevocable beneficiary. When the insurer agrees to accelerate death benefits, the insurer shall issue an amended schedule page to the policyholder or notify the certificateholder under a group policy to reflect any new, reduced in-force face amount of the contract.

e) Disclosure of Administrative Expense Charge. The insurer shall disclose to the policyowner any administrative expense charge. The insurer shall make a reasonable effort to assure that the certificateholder is aware of any administrative expense charge if the certificateholder is required to pay the charge. However, in no event shall the administrative expense charge exceed \$250.

(Source: Amended at 23 Ill. Reg. 14688, effective December 14, 1999)