

1 AN ACT concerning insurance. 49

2 Be it enacted by the People of the State of Illinois, 53
3 represented in the General Assembly: 54

4 Section 5. The Illinois Insurance Code is amended by 57
5 changing Sections 351A-1, 351A-4, 351A-7, and 351A-8 and 58
6 adding Sections 351A-9.2 and 351A-9.3 as follows: 59

7 (215 ILCS 5/351A-1) (from Ch. 73, par. 963A-1) 62

8 Sec. 351A-1. Definitions. Unless the context requires 64
9 otherwise, in this Article: 65

10 (a) "Long-term care insurance" means any accident and 67
11 health insurance policy or rider advertised, marketed, 68
12 offered or designed to provide coverage for not less than 12 69
13 consecutive months for each covered person on an expense 70
14 incurred, indemnity, prepaid or other basis, for one or more
15 necessary or medically necessary diagnostic, preventive, 71
16 therapeutic, rehabilitative, maintenance, or personal care 72
17 services, provided in a setting other than an acute care unit 73
18 of a hospital. Such term includes group and individual 74
19 annuities and life insurance policies or riders which provide 75
20 directly or which supplement long-term care insurance. The
21 term also includes a policy or rider that provides for 76
22 payment of benefits based upon cognitive impairment or the 77
23 loss of functional capacity. The term shall also include 78
24 qualified long-term care insurance contracts. Long-term care 79
25 insurance may be issued by insurers, fraternal benefit
26 societies, nonprofit health, hospital, and medical service 80
27 corporations, prepaid health plans, health maintenance 81
28 organizations or any similar organization to the extent they 82
29 are otherwise authorized to issue life or health insurance. 83
30 Long-term care insurance shall not include any insurance 84
policy which is offered primarily to provide basic Medicare

Secretary of the Senate
Originated in the Senate

PUBLIC ACT 92-148

1 supplement coverage, basic hospital expense coverage, basic 85
2 medical-surgical expense coverage, hospital confinement 86
3 indemnity coverage, major medical expense coverage,
4 disability income protection coverage, accident only 87
5 coverage, specified disease or specified accident coverage, 88
6 or limited benefit health coverage. Long-term care insurance 89
7 may include benefits for care and treatment in accordance 90
8 with the tenets and practices of any established church or
9 religious denomination which teaches reliance on spiritual 91
10 treatment through prayer for healing. 92

11 (b) "Applicant" means: 94

12 (1) In the case of an individual long-term care 96
13 insurance policy, the person who seeks to contract for 97
14 benefits.

15 (2) In the case of a group long-term care insurance 99
16 policy, the proposed certificate holder. 100


17 (c) "Certificate" means, for the purposes of this 102
18 Article, any certificate issued under a group long-term care 103
19 insurance policy, which policy has been delivered or issued 104
20 for delivery in this State.

21 (d) "Director" means the Director of Insurance of this 106
22 State.

23 (e) "Group long-term care insurance" means a long-term 108
24 care insurance policy which is delivered or issued for 109
25 delivery in this State and issued to one of the following: 110

26 (1) One or more employers or labor organizations, 112
27 or to a trust or to the trustee or trustees of a fund 113
28 established by one or more employers or labor
29 organizations, or a combination thereof, for employees or 114
30 former employees, or a combination thereof, or for 115
31 members or former members, or a combination thereof, of 116
32 the labor organizations.

33 (2) Any professional, trade or occupational 118
34 association for its members or former or retired members, 119



1 or combination thereof, if such association:

2 (A) is composed of individuals all of whom are 121

3 or were actively engaged in the same profession, 122

4 trade or occupation; and

5 (B) has been maintained in good faith for 125

6 purposes other than obtaining insurance.

7 (3) An association or a trust or the trustee or 127

8 trustees of a fund established, created or maintained for 128

9 the benefit of members of one or more associations. 129

10 Prior to advertising, marketing or offering such policy

11 within this State, the association or associations, or 130

12 the insurer of the association or associations, shall 131

13 file evidence with the Director that the association or 132

14 associations have at the outset a minimum of 100 members

15 and have been organized and maintained in good faith for 133

16 purposes other than that of obtaining insurance, have 134

17 been in active existence for at least one year, and have 135

18 a constitution and by-laws which provide that:

19 (A) the association or associations hold 138

20 regular meetings not less than annually to further 139

21 the purposes of the members;

22 (B) except for credit unions, the association 142

23 or associations collect dues or solicit

24 contributions from members; and 143

25 (C) the members have voting privileges and 145

26 representation on the governing board and 146

27 committees.

28 Thirty days after such filing the association or 148

29 associations will be deemed to satisfy such 149

30 organizational requirements, unless the Director makes a 150

31 finding that the association or associations do not

32 satisfy those organizational requirements. 151

33 (4) A group other than as described in paragraph 153

(1), (2) or (3) of this subsection (e), subject to a 154

34


1 finding by the Director that:

2 (A) the issuance of the group policy is not 157
3 contrary to the best interest of the public; 158

4 (B) the issuance of the group policy would 160
5 result in economies of acquisition or 161
6 administration; and

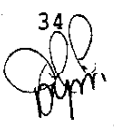
7 (C) the benefits are reasonable in relation to 164
8 the premiums charged.

9 (f) "Policy" means, for the purposes of this Article, 166
10 any policy, contract, subscriber agreement, rider or 167
11 endorsement delivered or issued for delivery in this State by 168
12 an insurer, fraternal benefit society, nonprofit health, 169
13 hospital, or medical service corporation, prepaid health 170
14 plan, health maintenance organization or any similar 170
15 organization.

16 (g) "Qualified long-term care insurance contract" or 172
17 "federally tax-qualified long-term care insurance contract" 173
18 means an individual or group insurance contract that meets 174
19 the requirements of Section 7702B(b) of the Internal Revenue 175
20 Code of 1986, as amended, as follows:

21 (1) The only insurance protection provided under 177
22 the contract is coverage of qualified long-term care 179
23 services. A contract shall not fail to satisfy the
24 requirements of this subparagraph by reason of payments 180
25 being made on a per diem or other periodic basis without 181
26 regard to the expenses incurred during the period to 182
27 which the payments relate.

28 (2) The contract does not pay or reimburse expenses 184
29 incurred for services or items to the extent that the 185
30 expenses are reimbursable under Title XVIII of the Social 186
31 Security Act, as amended, or would be so reimbursable but
32 for the application of a deductible or coinsurance 187
33 amount. The requirements of this subparagraph do not 188
34 apply to expenses that are reimbursable under Title XVIII



1 of the Social Security Act only as a secondary payor. A 189
2 contract shall not fail to satisfy the requirements of 190
3 this subparagraph by reason of payments being made on a 191
4 per diem or other periodic basis without regard to the
5 expenses incurred during the period to which the payments 193
6 relate.
7 (3) The contract is guaranteed renewable within the 195
8 meaning of Section 7702(B)(b)(1)(C) of the Internal 196
9 Revenue Code of 1986, as amended.
10 (4) The contract does not provide for a cash 198
11 surrender value or other money that can be paid, 199
12 assigned, pledged as collateral for a loan, or borrowed
13 except as provided in subparagraph (5). 200
14 (5) All refunds of premiums and all policyholder 202
15 dividends or similar amounts under the contract are to be 203
16 applied as a reduction in future premiums or to increase 204
17 future benefits, except that a refund on the event of
18 death of the insured or a complete surrender or 205
19 cancellation of the contract cannot exceed the aggregate 206
20 premiums paid under the contract.
21 (6) The contract meets the consumer protection 208
22 provisions set forth in Section 7702B(g) of the Internal 209
23 Revenue Code of 1986, as amended.
24 "Qualified long-term care insurance contract" or 211
25 "federally tax-qualified long-term care insurance contract" 212
26 also means the portion of a life insurance contract that 213
27 provides long-term care insurance coverage by rider or as 214
28 part of the contract and that satisfies the requirements of 215
29 Sections 7702B(b) and 7702B(e) of the Internal Revenue Code
30 of 1986, as amended. 217
31 (Source: P.A. 86-384.) 219

32 (215 ILCS 5/351A-4) (from Ch. 73, par. 963A-4) 222
33 Sec. 351A-4. Limitation. No long-term care insurance 224

1 policy may:

2 (1) Be cancelled, nonrenewed or otherwise terminated on 226

3 grounds of the age or the deterioration of the mental or 227

4 physical health of the insured individual or certificate 228

5 holder.

6 (2) Contain a provision establishing a new waiting 230

7 period in the event existing coverage is converted to or 231

8 replaced by a new or other form within--the--same--company, 232

9 except with respect to an increase in benefits voluntarily 233

10 selected by the insured individual or group policyholder.

11 (3) Provide coverage for skilled nursing care only or 235

12 provide significantly more coverage for skilled care in a 236

13 facility than coverage for lower levels of care. 237

14 (Source: P.A. 85-1172; 85-1174; 85-1440.) 239

15 (215 ILCS 5/351A-7) (from Ch. 73, par. 963A-7) 242

16 Sec. 351A-7. Right to return. 244

17 (a) An individual long-term care insurance policyholder 247

18 shall have the right to return the policy within 30 days of 248

19 its delivery and to have the premium refunded directly to him

20 or her if, after examination of the policy, the policyholder 249

21 is not satisfied for any reason. Long-term care insurance 250

22 policies shall have a notice prominently printed on the first 251

23 page of the policy or attached thereto stating in substance 252

24 that the policyholder shall have the right to return the 253

25 policy within 30 days of its delivery and to have the premium

26 refunded if, after examination of the policy, the 254

27 policyholder is not satisfied for any reason. 255

28 (b) A person insured under a long-term care insurance 257


29 policy or certificate issued pursuant to a direct response 258

30 solicitation shall have the right to return the policy or 259

31 certificate within 30 days of its delivery and to have the 260

32 premium refunded directly to him or her if, after

33 examination, the insured person is not satisfied for any 261



1 reason. Long-term care insurance policies or certificates 262
2 issued pursuant to a direct response solicitation shall have 263
3 a notice prominently printed on the first page of the policy 264
4 or certificate attached thereto stating in substance that the 265
5 insured person shall have the right to return the policy or
6 certificate within 30 days of its delivery and to have the 266
7 premium refunded if, after examination of the policy or 267
8 certificate, the insured person is not satisfied for any 268
9 reason. This subsection also applies to denials of
10 applications, and any refund must be made within 30 days of 269
11 the return or denial. 270

12 (Source: P.A. 85-1440; 86-384.) 272

13 (215 ILCS 5/351A-8) (from Ch. 73, par. 963A-8) 275

14 Sec. 351A-8. Outline of coverage. 277

15 (a) An outline of coverage shall be delivered to a 279
16 prospective applicant for long-term care insurance at the 280
17 time of initial solicitation through means which prominently 281
18 direct the attention of the recipient to the document and its 282
19 purpose.

20 (1) The Director shall prescribe a standard format 284
21 including style, arrangement and overall appearance and 285
22 the content of an outline of coverage.

23 (2) In the case of agent solicitations, an agent 287
24 must deliver the outline of coverage prior to the 288
25 presentation of an application or enrollment form.

26 (3) In the case of direct response solicitations, 290
27 the outline of coverage must be presented in conjunction 291
28 with any application or enrollment form.

29 (b) The outline of coverage shall include: 293

30 (1) A description of the principal benefits and 295
31 coverage provided in the policy.

32 (2) A statement of the principal exclusions, 297
33 reductions and limitations contained in the policy. 298

1 (3) A statement of the terms under which the policy 300
2 or certificate, or both, may be continued in force or 301
3 discontinued, including any reservation in the policy of 302
4 a right to change premium. Continuation or conversion
5 provisions of group coverage shall be specifically 303
6 described.

7 (4) A statement that the outline of coverage is a 305
8 summary only, not a contract of insurance, and that the 306
9 policy or group master policy contain governing 307
10 contractual provisions.

11 (5) A description of the terms under which the 309
12 policy or certificate may be returned and premium 310
13 refunded.

14 (6) A brief description of the relationship of cost 312
15 of care and benefits.

16 (7) A statement that discloses to the policyholder 314
17 or certificate holder whether the policy is intended to 315
18 be a federally tax-qualified long-term care insurance 316
19 contract under 7702B(b) of the Internal Revenue Code of
20 1986, as amended. 317


21 (Source: P.A. 85-1440; 86-384.) 319

22 (215 ILCS 5/351A-9.2 new) 322

23 Sec. 351A-9.2. Delivery of policy. If an applicant for 324
24 a long-term care insurance contract or certificate is 325
25 approved, the issuer shall deliver the contract or 326
26 certificate of insurance to the applicant no later than 30
27 days after the date of approval. 327

28 (215 ILCS 5/351A-9.3 new) 330

29 Sec. 351A-9.3. Claim denial; explanation. If a claim 332
30 under a long-term care insurance contract is denied, the 333
31 issuer, within 60 days after receipt of a written request by 334
32 a policyholder or certificate holder or a policyholder's or 335



1 certificate holder's representative shall:

2 (1) provide a written explanation of the reasons 337

3 for the denial; and

4 (2) make available all information directly related 339

5 to the denial.

6 Section 99. Effective date. This Act takes effect upon 342

7 becoming law.

APPROVED

J. Philip
 President of the Senate 348
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this 24th day of July 2001 A.D., Michael J. Madigan 353
George H. Ryan Speaker, House of Representatives 354

