

Comprehensive Guide to Illinois Insurance

Provided by:

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Comprehensive Illinois Insurance Shopping Guide

Topics Covered in this Guide:

Illinois Auto Insurance

Illinois Homeowner Insurance

Illinois Life Insurance

Illinois Health Insurance

Illinois Auto Insurance- What Every Illinois Driver Should Know About Illinois Car Insurance Laws and Illinois Auto Insurance Regulations

Who Needs Illinois Auto Insurance

Automobile insurance protects you from financial losses such as vehicle repairs, medical bills, and legal services that could result from an auto accident.

Illinois law (625 ILCS 5/7-601) requires all motor vehicle owners to have minimum amounts of auto liability insurance. In addition, lending institutions may require physical damage insurance to protect their interest in a financed vehicle.

Helpful Tips When Shopping For Insurance

- **Find a reliable company.** Contact the Division of Insurance to find out if a company is **licensed** in Illinois. Unlicensed companies are not required to comply with state insurance laws or participate in the Insurance Guaranty Fund which protects policyholders if a company goes bankrupt. Check a company's **complaint ratio**. Our website lists complaint information for all companies with ten or more auto insurance complaints. Check a company's **financial stability** to ensure that it can pay its claims. Refer to our fact sheet Finding a Reputable Insurance Company - Using Financial Rating Agencies for assistance.
- **Find a reliable agent.** Some companies sell through local agents and some through direct marketing or group plans. If you wish to buy insurance from an agent, look in the yellow pages or ask people you know and respect for their recommendations. Look for a licensed agent (insurance producer) who is reliable and helpful in answering any your questions. You can verify an agent's licensing status by contacting the Department or visiting the Producer Licensing Record of the Producer Information section on our website.
- **Shop carefully.** Insurance is expensive. You should shop around for the best product at the best price. The key to comparison-shopping is to determine what coverage you need, how much of it you need and what it will cost. Obtain more than one estimate or quote. Do not be rushed into buying a policy by high-pressure sales tactics. Do not be misled by advertising or buy a policy simply because it is endorsed on television, radio, in newspapers or other advertisements by famous people.

- **Understand what you are buying.** Ask for a detailed explanation in layman's terms. Don't accept calculations or examples you don't understand. Remember, if it sounds too good to be true, it probably is.
 - **Fill out your application completely and accurately.** It is important to give correct and complete answers when applying for insurance. If you omit or misrepresent information, the company can void the contract.
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Required Auto Insurance Coverages

- **Liability Coverage** - Pays for bodily injury to another person or property damage you cause due to the negligent operation of a vehicle. It may also pay if the accident was caused by a member of your family living with you or a person using your vehicle with your permission. The coverage may also pay for a legal defense if you're sued because of the accident. Liability coverage is often split into two separate coverages:
 1. **Bodily Injury (BI)** - Pays for costs due to injury or death to a pedestrian(s) or person(s) in another car. It may also cover your passengers' injury costs as long as they aren't members of your household. **Illinois law** (625 ILCS 5/7-203) **requires** BI limits of at least \$20,000 per person per accident and \$40,000 total per accident.
 2. **Property Damage (PD)** - Pays for damage to another person's car or property such as fences, buildings, utility poles, signs, and trees. **Illinois law** (625 ILCS 5/7-203) **requires** PD liability limits of at least \$15,000 per accident.

Note: You may want to consider buying higher limits because the state minimums may not be enough to fully protect you from lawsuits. Many vehicles today are worth more than \$15,000 and medical bills for injuries could easily exceed \$20,000 for one person. If you are found negligent in an accident and the damages exceed your insurance limits, you can be sued in court for those amounts not covered by your insurance.

- **Uninsured Motorist Bodily Injury Coverage (UM)** - Covers you for your bodily injury caused by a hit-and-run driver or an at-fault driver who has no auto liability insurance. Currently, **Illinois law** (215 ILCS 5/143a) **requires** uninsured motorist limits of \$20,000 per person and \$40,000 per accident. For additional premium, you may buy higher limits to pay for claims that exceed those amounts.

- **Underinsured Motorist Bodily Injury Insurance (UIM)** - Pays the difference between your UIM limits and the liability limits of the at-fault driver, if lower than your UIM limits. **Illinois law** (215 ILCS 5/143a-2) **requires** this type of coverage if you purchase higher limits of uninsured motorist bodily injury coverage (UM).
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Other Coverages That May Be Required

- **Physical Damage** - Pays for damage to your auto. You may have to pay for part of the loss, called a deductible. Deductibles can range from \$0 to \$1,000. Illinois law doesn't require physical damage coverage, but your lender may. Depending on the value of your car, you may decide the cost of physical damage coverage is not worth it. Physical damage is split into two separate coverages:
 1. **Collision coverage** - Pays for damage caused by an accident with another car or fixed object (such as a tree).
 2. **Comprehensive coverage** - Pays for damage caused from most other causes, such as theft, fire, hail, etc.
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Optional Coverages for Additional Premium

In addition to the required coverages, you can buy optional coverages for extra premium.

- **Accidental Death Benefit** - Pays a death benefit if the insured dies because of an auto accident.
- **Custom/Non-Factory Equipment** - Covers customized features found in conversion vans, as well as tape decks, CD players, CB radios, cellular phones, etc. added after the vehicle left the factory.
- **Gap Coverage for Leased or Financed Vehicles** - Pays the difference between your vehicle's actual cash value and what you still owe on your loan or lease.
- **Medical Payments** - Covers medical and funeral expenses for you or your passengers if injured or killed in an accident in your vehicle. It also covers you and your family members if struck by a vehicle while walking or

while riding in another vehicle. This coverage pays even if you cause the accident.

- **Physical Damage/Repair/Replace Coverage** - Pays for a new vehicle if the cost to repair your vehicle is more than the value of a new car. The endorsement is usually available only during the first three model years.
 - **Rental Reimbursement** - Pays a specific amount per day (e.g. \$15) to rent a vehicle while yours is being repaired due to a covered loss.
 - **Towing** - Pays all or part of the cost to tow your disabled vehicle to a repair shop.
 - **Uninsured Motorist Property Damage (UMPD)** - Covers damage to your vehicle caused by an identified, at-fault, uninsured driver. If you don't have collision coverage, this coverage is available for a maximum of \$15,000 and subject to a \$250 deductible.
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Factors That May Affect The Premium

Rating factors are characteristics that place you in a group of drivers with similar risk-related characteristics. Companies set a rate for each group based on the claims paid for the people in that group.

Hundreds of companies sell insurance in Illinois and prices can vary greatly. Some factors companies use to set the cost include:

- **Age, gender, and marital status** - Statistics show certain groups of drivers (for example, young unmarried males) have more accidents. A higher chance of loss means more premium.
- **Coverage limits** - The more insurance you buy, the higher the premium will be.
- **Driving record** - Drivers with accidents and tickets usually pay higher premiums than those with good driving records.
- **Household driving information** - The ages and driving records of other drivers in your household may affect the premium. Most auto insurance policies cover family members while driving your car. You may jeopardize your coverage if you withhold this information.
- **Location** - Since heavily populated areas have more traffic, thefts, and vandalism, city drivers may pay higher premiums than rural drivers.

- **Type of vehicle** - Certain vehicles cost more to insure because they're more likely to be damaged in an accident, cost more to repair, or are frequently stolen.
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 - **Use of vehicle, how far you drive to work, and annual mileage** - Drivers who commute long distances or drive more miles per year may pay more than those who commute shorter distances and drive fewer miles per year.
 - **Credit history** - Companies may consider your financial stability and charge higher premiums based on your financial status (i.e., credit card history, amount of credit, how timely you pay your bills, etc.).
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Discounts That May be Available

- **Anti-theft devices** - Given on your comprehensive coverage for devices that deter theft or vandalism.
- **Auto/home packages** - Given if you buy your auto and homeowners policies from the same company.
- **Car pool** - Offered to those in a shared-vehicle car pool.
- **College student away from home** - For college students who attend school over 100 miles away from home if no vehicle is taken along.
- **Defensive driver** - Given to drivers over the age of 55 who have passed an approved defensive driving course.
- **Good driver** - For policyholders who maintain good driving records.
- **Good student** - Offered to young drivers who maintain a "B" average or better.
- **Low annual mileage** - For vehicles operated less than a given number of miles per year, usually 7,500.
- **Mature driver credit** - Offered to drivers over a certain age, usually 50.
- **Multiple vehicles** - Given when the same company insures more than one vehicle in your household.

- **Safety devices** - Offered for such items as air bags, automatic seatbelts, and anti-lock brakes.
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Ways to Lower Your Insurance Costs

- **Ask about discounts.** The type and amount of discounts offered may vary by company. Some discounts affect a portion of your coverage; other discounts may affect the entire premium.
 - **Take the highest deductible you can afford.** If you raise your deductible, you may be able to significantly lower the price of coverage; but you will pay more out of pocket each time you have a claim.
 - **Consolidate your insurance needs.** If you have a need for more than one type of insurance, you may be able to obtain a discount by having all your insurance serviced by one insurance provider.
 - **Maintain a good driving record.** Moving violations and accidents may result in higher premiums. Be a law-abiding and defensive driver.
 - **Choose your vehicle carefully.** Some vehicles are more costly to insure than others. Contact your insurance producer or company before you make a final decision.
 - **Keep a good credit history.** Many companies are now looking at your credit information and may charge higher premiums for those with less than perfect credit profiles.
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Getting Rate Quotes

When comparing prices among companies, be sure to compare the same coverages, and ask about the types and amounts of discounts offered.

A rate quote from an insurance producer is only an estimate of what the insurance will cost. If the producer quotes the premium incorrectly, the correct amount figured by the insurance company is the price you will actually be required to pay. Therefore, before you switch companies, ask the new producer to submit a **non-bound** application for you.

With a **non-bound** application, there is no coverage and you pay **no money**. The producer submits the application to the company and the company lets you know whether you will be accepted and at what price before canceling your current policy.

If You Can't Find Auto Insurance

If you cannot find auto insurance through normal insurance markets because of your driving record or the type of vehicle you own talk to your insurance producer about the Illinois Automobile Insurance Plan . To qualify for auto insurance through the Plan, you must meet four requirements:

1. You must be turned down for auto insurance from other insurance companies.
2. You must have a valid driver's license or be eligible to apply for one.
3. You must not owe an outstanding premium for prior insurance coverage during the past 36 months.
4. Your vehicle must be safe to drive.

The premiums may be higher than premiums of companies in the normal insurance markets. However, if you maintain a good driving record while in the Plan, you should be able to eventually return to a standard company.

For More Information

Call our Consumer Services Section at (312) 814-2427 or our Consumer Assistance Hotline Toll Free at (866) 445-5364 or visit us on our website at www.idfpr.com

Illinois Homeowner Insurance- What Every Illinois Resident Should Know About Illinois Homeowner Insurance

Who Needs Illinois Homeowners Insurance

Homeowners insurance protects you from financial losses resulting from theft or damage to your house, other buildings on your property and your personal belongings and from liability if you are legally responsible for causing injury to others or damage to their property. Most lenders require you to have homeowners insurance.

Renters need insurance too. Your landlord may insure the building you live in, but the landlord's insurance doesn't cover your personal belongings.

Although you can buy separate policies for theft, liability and other perils, package plans combining these coverages are more common. Homeowners policies can vary among companies, so it's important to shop around and to read your policy.

Helpful Tips When Shopping for Illinois Homeowner Insurance

- **Find a reliable company.** Contact the Division of Insurance to find out if a company is **licensed** in Illinois. Unlicensed companies are not required to comply with state insurance laws or participate in the Insurance Guaranty Fund which protects policyholders if a company goes bankrupt. Check a company's **complaint ratio**. Our website lists complaint information for all companies with ten or more homeowners insurance complaints. Check a company's **financial stability** to ensure that it can pay its claims. Refer to our fact sheet *Finding a Reputable Insurance Company - Using Financial Rating Agencies* for assistance.
- **Find a reliable agent.** Some companies sell through local agents and some through direct marketing or group plans. If you wish to buy insurance from an agent, look in the yellow pages or ask people you know and respect for their recommendations. Look for a licensed agent (insurance producer) who is reliable and helpful in answering any your questions. You can verify an agent's licensing status by contacting the Division of Insurance or visiting the Producer Licensing Record of the Producer Information section on our website.
- **Shop carefully.** Insurance is expensive. You should shop around for the best product at the best price. The key to comparison-shopping is to determine what coverage you need, how much of it you need and what it will cost. Obtain more than one estimate or quote. Do not be rushed into

buying a policy by high-pressure sales tactics. Do not be misled by advertising or buy a policy simply because it is endorsed on television, radio, in newspapers or other advertisements by famous people.

- **Understand what you are buying.** Ask for a detailed explanation in layman's terms. Don't accept calculations or examples you don't understand. Remember, if it sounds too good to be true, it probably is.
 - **Fill out your application completely and accurately.** It is important to give correct and complete answers when applying for insurance. If you omit or misrepresent information, the company can void the contract.
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Basic Homeowners Insurance Coverages

- **Liability Coverage** - Pays for bodily injury to another person or property damage for which you or members of your household are legally responsible. It may also pay for a lawyer to defend you if you need one.
 - **Medical Payments Coverage** - Pays for injury to another person who is accidentally injured on your property, or injured by you or members of your family. It pays up to the limit of medical payments coverage you purchased. This coverage pays no matter who is at fault. It does not apply to your own injuries or your family members living with you.
 - **Property Coverage** - Pays for physical damage to your home, personal property, and detached buildings on your property such as garages and tool sheds. Property coverage is the most complex part of your policy, and generally includes coverage for:
 1. **covered perils** - events such as fire, windstorm and theft that cause sudden and accidental damage to your property. Your personal property is covered anywhere in the world. Keep in mind though that policies often limit how much you can recover for belongings damaged or destroyed away from home, or on high-priced items like jewelry, antiques, art, or computers.
 2. **additional living expenses** - costs incurred above your normal living expenses when a covered loss forces you to move from your home temporarily. For example, it may pay a portion of your motel and restaurant expenses if a fire destroys your house or apartment.
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Common Homeowners Policies

Most insurance companies offer the following policy forms, although the company may call them by other terms (such as HO-2 = Silver Policy; HO-3 = Gold Policy, and HO-5 = Platinum Policy):

- **Broad Form (HO-2)** - Covers only the perils specifically listed in the policy.
 - **Special Form (HO-3)** - Offers property and liability coverage for the dwelling, other structures, and loss of use of the dwelling and other structures for all risks specifically listed in the policy (e.g., fire, lightning, windstorm and hail, falling objects, etc.). Personal property is also covered for perils listed in your policy. HO-3 covers more perils than an HO-2 policy.
 - **Comprehensive Form (HO3/HO5)** - Covers your home and personal property for everything that is not specifically excluded in your policy. This type of policy provides the broadest coverage available but is not offered by all insurers and is usually more expensive.
 - **Tenants Form (HO-4)** - Provides coverage for a renter's personal property, liability, and additional living expenses.
 - **Condominium Form (HO-6)** - Covers a condominium owner's personal property and any additions and alterations made to the inside of the owner's unit. Condominium owners can also buy endorsements to protect property and for liability associated with their shares in the condominium association's common ownership.
 - **Modified Coverage Form (HO-8)** - Provides coverage when an older home's replacement cost far exceeds its market value.
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What Isn't Covered

Insurance isn't designed to pay for every loss that happens. Under certain circumstances, called "exclusions," there's no coverage. Exclusions are specifically listed in your policy. Events are usually excluded for one of four reasons.

1. The event is not sudden and accidental - for example, policies do not cover damage caused by wear and tear, age, rotting, or lack of maintenance such as a rotting wooden porch. Policies also exclude coverage for damage or intentional acts committed by an insured.
2. The property or event is more appropriately covered by another type of policy - for example, cars, boats, motorcycles, jet skis, all-terrain vehicles (ATV's), snowmobiles, or exposures due to business activities are usually excluded because they are covered by different kinds of policies.
3. The event is catastrophic in nature - for example, earthquake, flood, war, or nuclear disaster. Most policies also exclude property damaged by collapse of an underground mine, sewer back up, or sump pump overflow.
4. The event is a peril the company does not want to cover for the premium charged - for example, some companies now exclude liability coverage for injuries caused on trampolines or by animals.

You can "buy back" coverage for some of these exclusions using policy endorsements. An endorsement adds to or changes the terms of the contract, usually for an additional premium.

Additional Coverages You Can Buy

For an added cost, you can add optional endorsements that change the policy to meet your specific needs. Some common endorsements include:

- **Personal Property Replacement Cost** - Pays to replace your personal belongings such as furniture, appliances, clothes, jewelry, and bicycles with materials of like kind and quality, without subtracting for depreciation. You are reimbursed for your personal belongings based on the amount it would cost you to buy a new one at today's cost, not the depreciated actual cash value.
- **Building Guaranteed Replacement Cost** - Pays to rebuild your home even if it costs more than the policy limit (usually restricted to a certain percentage above your policy's limit: e.g., 20%). This is the most complete coverage you can buy for your home.

- **Refrigerated Products** - Pays for goods damaged in your refrigerator or freezer.
 - **Business Insurance** - Provides limited coverage for business machines, tools, and liability. If you have a business in your home, ask about this endorsement.
 - **Earthquake Insurance** - Pays for damage caused by an earthquake.
 - **Inflation Guard** - Automatically raises your coverage limits each year based on price increases for building materials and labor (inflation).
 - **Mine Subsidence** - Pays when an underground mine shifts, causing damage to your property. Insurance companies must offer mine subsidence insurance in counties where mines are located under one percent or more of the land. Underground mines are common in central and southern Illinois, but other areas of the state may be affected as well. You must sign a rejection form to remove this coverage if you live in a county where mine subsidence insurance is required to be offered.
 - **Scheduled Personal Property (also called a "floater")** - Pays for damage to special belongings like jewelry, furs, coins, computers, antiques, artwork, silverware, and covers them for more perils. Payment for these items is usually limited under a homeowners policy.
 - **Sewer Backup and Sump Pump Overflow Endorsement** - Pays for damage to your finished basement caused by sewer backup or sump pump overflow. Even if your basement isn't finished, some contents may still be covered.
 - **Increased Limits on Money and Securities Endorsement** - Increases the coverage on money, bank notes, securities, deeds, etc.
 - **Watercraft Endorsement** - Provides liability and medical payments coverage for damage or injury caused by small sailboats and outboard motor boats.
 - **Flood Insurance Coverage** - Pays for damage caused by flooding. Flood insurance is available from a variety of insurance companies, as well as the National Flood Insurance Program. You must live in a community that participates in this federal program. Lenders require flood insurance if you live in certain flood hazard areas.
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Determining How Much Coverage You Need

On the building:

Your home is probably your largest single investment, so it is important to insure it for the amount you would want to receive if it were damaged or destroyed completely. Listed below are three ways companies use to settle your insurance claim. The loss settlement method you choose (and pay for) will determine how much money you receive for your loss.

- **Actual cash value (ACV)** - Pays replacement cost minus depreciation. Depreciation is the decrease in your home or property's value due to age or wear and tear. The company will pay you what your property was actually worth immediately before the loss, not what it would cost you to buy that same property new today.
- **Replacement cost** - Pays what it costs to rebuild or replace your property today with materials of like kind and quality. This settlement method pays you more than ACV because it does not deduct for depreciation.
- **Guaranteed replacement cost (also called extended replacement cost)** - Pays to replace your home even if it costs more than the policy limit. A company may limit this to a certain percentage above your policy's limit, like 20%. There may be other restrictions. For example, a company may offer this policy only on homes less than 30 years old.

On your personal property:

Most policies insure personal belongings for half the building limit. If your home is insured for \$100,000, your personal property limit may be \$50,000. Talk to your insurance agent if you need more coverage than your policy provides.

Factors That May Affect The Premium

Hundreds of companies sell homeowners insurance in Illinois and prices can vary greatly. Some factors companies use to set the cost include:

- **Type of construction (brick, wood, masonry, block)** - Wood homes cost more to insure because they're more likely to be damaged by fire.
- **Fire protection** - Premiums may be affected by the distance between your home and fire department, the quality of the department's fire fighting equipment, level of training, and response history.
- **Location** - Rates can be higher in areas where crime, fires, or natural disasters are common.

- **Type of policy and amount of coverage** - Policies with high limits that cover the most perils cost more.
 - **Deductible** - Taking a high deductible lowers your premium, but you'll pay more out of pocket every time there's a loss.
 - **Number of living units** - Multi-family dwellings cost more to insure.
 - **Age of dwelling** - Older homes with outdated electrical and heating systems could cost more to insure.
 - **Claim history** - Some companies charge higher rates if you've had losses.
 - **Credit history** - Companies may consider your financial stability and charge higher premiums based on your financial status (i.e., credit card history, amount of credit, bill payments, etc.).
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Unacceptable Risks for Some Companies

Insurance companies are starting to exclude or limit coverage for certain types of homeowners risks such as: trampolines, unfenced swimming pools, vicious pets or pets with a history of biting, older/outdated plumbing/roofs/electric/heating systems, and property that is vacant or unoccupied.

Homeowners Discounts

Some companies offer discounts that can lower your premium. Examples include:

- **Protective devices** - for having fire extinguishers, smoke alarms, deadbolt locks on all outside doors, a sprinkler system, or security alarm system hooked up to the police station.
 - **Mature homeowners** - for those over 55 and retired.
 - **Non-smoker** - for a non-smoking household.
 - **Multiple policies** - for consumers who have more than one policy with the same insurance company, such as home and car insurance.
 - **New home** - for a brand new home, or even a home less than nine years old.
 - **Fire resistant building materials** - for buildings that are built with fire resistant materials.
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Ways to Lower Your Homeowner Insurance Costs

- **Ask about discounts** - The type and amount of discounts offered may vary by company. Some discounts affect a portion of your coverage; other discounts may affect the entire premium.
 - **Take the highest deductible you can afford** - You become responsible for small losses, not your insurer. If you raise your deductible, you may be able to significantly lower the price of coverage, but you will pay more out of pocket each time you have a claim.
 - **Consolidate your insurance needs** - If you need more than one type of insurance, you may be able to obtain a discount by buying all your insurance from one company.
 - **Keep a good credit history** - Many companies are looking at your credit information and may charge higher premiums for those with less than perfect credit profiles.
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The Need for Household Inventories

The period of time after a loss can be very traumatic. By making a complete inventory of all your possessions now, you will be able to determine what has been lost, stolen, damaged, or destroyed, and make a much more accurate claim to your insurance company

Your household inventory should include a complete list of your household possessions, model and serial numbers, the original costs, and receipts. Take photographs or videos of your home and important property to support a claim in the event of a loss. Keep a copy of your inventory and/or video at a relative's home or in a safe deposit box. You may also provide a copy to your insurer. Your insurance company may offer you an inventory "guide" to help you list your property.

If You Can't Find Homeowners Insurance

If you cannot find homeowners insurance, talk to your insurance agent about the Illinois FAIR Plan. The FAIR Plan is an association that operates like an insurance company. All property and casualty companies that sell basic property insurance in Illinois fund the plan.

To qualify for coverage with the FAIR Plan, you must have three unsuccessful attempts to buy property coverage from insurance companies and your property must meet basic fire, loss prevention, and safety standards.

The FAIR Plan offers most of the home, personal property, and personal liability coverages that you can get with a private insurance company. However, the FAIR Plan should be your last resort. You may be able to get a better deal with a traditional insurance company.

For More Information

Call our Consumer Services Section at (312) 814-2427 or our Consumer Assistance Hotline Toll Free at (866) 445-5364 or visit us on our website at www.ins.state.il.us

Illinois Life Insurance - What Every Illinois Resident Should Know About Illinois Life Insurance.

General Questions about Illinois Life Insurance

1. How do I know which life insurance companies are reputable?

The Division of Insurance can provide you with the following information to assist you in making a decision about purchasing coverage: whether or not the company is licensed in Illinois; the number of complaints we have received about the company in recent years; and the company's financial rating from A.M. Best Company.

2. Is there a law against the insurance company or agent returning a portion of the premium when a new insurance policy is purchased?

The practice of the agent or company returning part of the commission or providing some other thing of value, such as a return in whole or part of the premium, is known as "rebating." This practice is prohibited by law in Illinois. No refund, discount, gift or other inducement may be given to the insured to encourage the purchase of insurance.

3. Will my life insurance policy be protected if my company goes broke?

Insurance companies licensed to write life insurance policies in Illinois are members of the Illinois Life and Health Insurance Guaranty Association. If you are an Illinois resident who bought life insurance from an Illinois licensed company, Illinois law provides protection up to the following limits:

- \$300,000 in life insurance death benefits on any one life, regardless of the number of contracts issued
- \$100,000 in life insurance net cash surrender and net cash withdrawal values.

4. What about my annuities? Are they also protected if my company goes broke?

The Illinois Life and Health Insurance Guaranty Association covers up to \$100,000 in present value, including net cash surrender or withdrawal values, per annuitant; and up to \$5,000,000 in present value per unallocated group annuity.

5. My mom died recently. We think she had life insurance but we can't find any policies. Is there a central records bureau that keeps track of all life insurance policies sold in Illinois?

Unfortunately, there is no clearinghouse of information for life insurance policies. You should go through your mother's cancelled checks and credit card receipts for names of insurance companies to which she may have paid premiums. You should contact her employer or her former employer or union to find out if she was covered by a group policy. Also, if she belonged to an association, she may have had insurance through them. You might also check with her insurance agent to see if he has a record of a policy for your mom. There are several services available on the Internet that perform searches for lost life insurance policies. Many of these services charge a fee. To find a service, do a search for "lost life policies" on any Internet search engine such as Yahoo or Gomez. The Department does not regulate or endorse these services.

If you know the name of the insurance company but cannot locate a policy, you may contact the company and ask them to do a search. Make sure to provide the company with all names your mother may have used, as well as her social security number.

If you find a policy but cannot locate the company named on the policy, the Division of Insurance can tell you if the company has moved, changed its name, or merged with another life insurance company, and provide you with a current address and phone number.

6. I purchased a life insurance policy from an insurance company over twenty years ago. This company is no longer in business. How can I find out where my policy is now held?

The Division of Insurance can tell you what happened to the original company. If, for example, it was purchased by another company, we can provide the name, address and phone number of the new company. If you are unable to determine if your policy has been assumed by the new company, contact our Department in writing or by e-mail. We will then contact the succeeding carrier to see if we can determine what happened to the policy.

Beneficiary Questions

7. Can I designate whomever I want to be a beneficiary on my life insurance policy?

Most insurance companies require that the beneficiary have an insurable interest in the life of the insured at the time of application. In other words, the named beneficiary would suffer a financial loss should death of the insured occur. An insurable interest is presumed for close family members such as spouse, children, parent, grandchild, sibling, etc. However, an insurable interest is not presumed when the designated beneficiary is a more distant relative or a person who is not related. An insurance company may decline to issue a life insurance

policy to an applicant if the company questions the appropriateness of the beneficiary designation.

8. In that case, how can a bank be named a beneficiary of a life insurance policy I purchased when I borrowed money to buy my home?

The beneficiary must be able to satisfy the insurable interest requirement. If you borrow money from the bank to purchase your home, the bank would have a financial, and consequently insurable, interest in your life.

9. My husband passed away. The beneficiary on his life insurance policy is his ex-wife because he forgot to change it. What can I do to receive the benefit?

The beneficiary designation by your husband probably states, "(ex-wife's name), wife of insured." While she is no longer married to the insured, the courts have ruled that words such as "wife of the insured" are descriptive only. The name of the beneficiary itself is controlling. Therefore, the courts have held that the benefit is payable to the person named as beneficiary whether or not the descriptive term is correct.

Cash Value Questions

10. How can I find out the cash value of my whole life insurance policy?

All policies that produce cash values must state the method used to compute such values and they must list the cash value available at the end of each of the first 20 years that the policy is in force. You may also write to the company to request the exact cash value of your policy. Many companies also send an annual statement to the insured, which specifies the cash value of the policy.

11. Why is the cash value of my life insurance policy much less than the total premiums paid?

Cash value or cash surrender value of a whole life insurance policy is the amount of money the policyowner will receive as a refund if the policyowner cancels the insurance and surrenders the policy to the company before the policy matures. The amount of cash value depends on the face amount of the policy, the length of time the policy has been in force, and the length of the policy's premium payment period. The cash value will increase throughout the life of the policy and will eventually equal the face amount of the policy, but usually not until the insured reaches the age at the end of the mortality table used to calculate premiums for the policy, usually age 100.

12. I bought a life insurance policy one year ago. I thought that after one year I could surrender the policy and receive a refund of premium paid in

excess of \$1,000. The company says the cash value is zero. Why is there no value to my policy?

Most whole life insurance policies do not provide cash value until the end of the second or third year. However, insurance companies are permitted to provide cash values sooner as a means of competing in the sale of life insurance. Check your policy to determine when the cash value is provided.

13. I borrowed money from my life insurance policy. How does that affect the cash value?

The cash value of your policy will be reduced by the outstanding amount of the loan. If you write the insurance company for the cash value of your policy, their response should include adjustments for loans outstanding against the policy.

14. I purchased a life insurance policy for my child who is now an adult. I tried to cash the policy in for its cash value but was told by the insurance company that my child owns the policy now. How did this happen?

Most life insurance policies which cover the life of a minor child state that the child will automatically assume ownership of the policy when he or she becomes an adult. Check the section of the policy on ownership to determine if that is what has happened in your case.

15. I surrendered my life insurance policy over 30 days ago. How long does the company have to send me the cash value of my policy? How much interest am I entitled to collect?

Illinois law allows the insurance company to defer payment of the cash surrender value of a life insurance policy up to six months after the application for surrender is made. However, most insurance companies pay in a timely manner. Insurance companies are not required to pay interest for cash surrender. If you believe your company is taking too long to pay you, you should contact the Department for assistance.

16. I have a life insurance policy with a \$1,000 benefit. I have paid over \$1,200 in premiums on this policy. How can it only be worth \$1,000?

Premiums paid for life insurance are not like deposits in a bank where the insured can always get back at least the amount which has been paid in. The primary purpose of life insurance is to provide protection in case of death. If you die, the company pays the death benefit regardless of the amount of premiums that have been paid. The company must stand ready to pay the death benefit guaranteed by the policy even though that benefit may be many times the amount of premium received. A basic insurance principle is that the losses of one individual are shared by many. The claims of those who die are met in part by the

premiums paid by those who survive. Thus, part of the premiums you have paid went toward the payment of death claims for other policyholders.

17. I purchased a term life insurance policy which has expired. Shouldn't the company refund some of my money since no claims were ever filed?

Term life insurance products provide coverage for a specified, limited period of time that can be as short as one year or as long as thirty or forty years. Term life insurance provides for insurance protection only and provides no further benefits when the term expires.

Death Benefit Questions

18. Is double indemnity a standard provision of all life insurance policies?

Typically, an accidental death benefit is provided in an amount equal to the amount of insurance provided by the life policy. For example, if the death benefit were \$10,000, the accidental death benefit would be \$20,000. For this reason, the accidental death benefit is often referred to as "double indemnity." However, as a general rule, the accidental death benefit is available only on application and is added to the policy by rider for an additional premium.

19. My insurance company has returned my premium after a claim was filed for a death benefit for my wife. Can they do that?

The insurance application form is part of the life insurance contract. The applicant signs the application affirming that all information is true and correct to the best of his/her knowledge, and the insurance company issues a policy based on that information. Contracts may be rescinded (coverage voided and all premiums returned) within the first two years if the insurance company discovers a material misrepresentation. "Material" means that the information would have affected the issuance of the policy.

For example, if a person answers a question on the application about heart disease as "no" and the company learns that the applicant had been treated for a heart attack, this would be considered a material misrepresentation since the coverage may not have been issued if the correct information had been provided. When a claim is filed within the first two years after issuance of the policy, it is not unusual for the company to investigate the validity of the application. Even if a material representation was not intentional, the company may rescind the policy.

20. What if the reason for the rescission had nothing to do with the cause of death?

The company may rescind the coverage for any material misrepresentation, whether or not it was directly related to the cause of death. For example, if an applicant fails to disclose on the insurance application that he has heart disease but then dies from cancer, the company may rescind the coverage for failure to disclose the heart disease.

21. After my mother died, I filed a claim with the life insurance company and received a death benefit check from them. In the meantime, my cousin has filed a claim and states she was the named beneficiary. The company has now stopped payment on the benefit check and has turned the matter over to the courts. What has happened?

When an insurer is faced with conflicting claims for policy proceeds, and there is reasonable doubt as to which of the claimants is entitled to the proceeds, the matter is turned over to the courts using interpleader. This means that the insurance company pays the policy proceeds directly to the court, stating that they cannot determine the proper recipient. The court examines the evidence and determines the proper party to receive the money and awards the money. Unfortunately, you will have to defend your right to policy proceeds and may need the assistance of an attorney to do so.

22. I have been approached by someone who says they want to purchase my life insurance policy and can pay me a percentage of the death benefit now (the benefit amount payable on the death of the covered person). Can I sell my policy?

Such a practice is usually called either a viatical settlement or life settlement. While this practice is legal, we encourage you to review the Illinois Division of Insurance fact sheet entitled Viatical Settlements and Accelerated Death Benefits prior to selling your policy. It is important that you fully understand your options, as well as the financial impact of your decision.

Illinois Health Insurance – What Every Illinois Resident Should Know About Illinois Health Insurance

Introduction to Illinois Health Insurance

If you cannot obtain health insurance through an employer or another group, you may want to consider buying an individual health insurance policy. This Fact Sheet provides information about one type of individual health insurance known as Major Medical Health Insurance.

Illinois Health Insurance - Individual Major Medical Insurance

Individual Major Medical coverage is an insurance policy issued directly to an individual. It provides coverage for hospitalizations, physician visits, medical services and supplies, and may cover other items such as prescription drugs. Individual major medical coverage usually provides less extensive benefits than a group policy and is generally more expensive.

Assessing Your Needs for Individual Major Medical Insurance

You do not need individual major medical coverage if you are covered through a group plan with your employer. Generally, persons who need individual policies are self-employed and not eligible for group coverage, unemployed persons, those whose benefits have been exhausted under a state or federal health insurance continuation plan, or employees of companies that offer no medical benefits. When purchasing individual major medical coverage, your aim should be to insure yourself and your family against the most serious and financially disastrous losses that can result from an illness or accident. Look for a policy that will cover the major expenses and provide the highest possible lifetime maximum. You can save money on the premiums, if necessary, by taking large deductibles and paying smaller costs out-of-pocket.

Shopping For Individual Major Medical Insurance

If you have access to a computer, an Internet search can lead you to websites that allow you to obtain quotes from several companies. Just be sure the insurance company is licensed to do business in Illinois before you buy the coverage. For more personal service, a local insurance agent can provide information on coverage available in your area. In some geographical locations, HMOs offer coverage to individuals and families who do not qualify for group policies.

The Illinois Division of Insurance can tell you: whether or not a company is licensed; the number of complaints filed against specific companies; and the A.M. Best rating for a company if one is available. For help with those questions,

contact the Department's Office of Consumer Health Insurance toll-free at 1-877-527-9431.

Applying For An Individual Major Medical Insurance Policy

Most companies will require you to complete an application and provide personal information, including your medical history. If your application is incomplete or inaccurate, the company may deny benefits at claim time and rescind your coverage. **It is important that you disclose all conditions and answer all questions completely to assure you have coverage when it is time to submit a claim.**

Companies frequently request medical records and may require you to take a physical exam or have blood tests. If you have serious or chronic health conditions, you may be charged a higher premium for coverage or you may be unable to find individual health insurance in the standard market.

If You Can't Qualify For An Individual Health Insurance Policy

If you have applied for individual health insurance and have been declined due to existing health conditions, you may be able to obtain coverage through the Illinois Comprehensive Health Insurance Plan (ICHIP). ICHIP is also available for individuals who are close to exhausting their continuation rights under a group insurance plan. If this is your situation, you should apply to the ICHIP prior to the end of your coverage to assure continuity of coverage.

For more information, call ICHIP toll free at 866-851-2751 or visit its web site: www.chip.state.il.us/chip.htm

The Cost of Individual Major Medical Insurance

Many factors contribute to the construction of health insurance premiums, including: the health of those individuals seeking to become insured; the age and sex of the adult applicants; the geographic location of the residence of the applicants; the desired deductible and coinsurance levels; and the availability of any managed care options such as incentives for the use of PPO providers. Each year the premium on individual policies will increase due to age. Rates may be increased more often than annually. However, these increases are based on such factors as the attained age of the insured adults, the percentage of medical cost increases in the previous year, claim experience for all policyholders covered under the same type of individual policy in the state and certain other demographic factors.

Tips on Buying Individual Health Insurance

Finding an Agent - Look in the yellow pages or ask people you know and respect if they would recommend their agent. Find an agent who is reliable and helpful in answering any questions you have regarding your policy. You can check the licensing status and any Division of Insurance regulatory action against a producer on our website (www.ins.state.il.us/producerinfo.htm) or by calling toll-free 1-877-527-9431.

Shop Carefully - Health insurance is expensive, so comparison shopping is worth the time it takes. Obtain more than one estimate or quote. Do not be rushed into buying a policy by high-pressure sales tactics. Do not be misled by advertising or buy a policy simply because it is endorsed on television, radio, in newspapers or other advertisements by famous people.

Fill Out Your Application Completely and Accurately - If you do not give correct and complete answers to medical questions, your claims may be denied or your policy rescinded. If someone else fills out the application for you, read it carefully before signing it. When you sign an application, you are agreeing that it is correct and complete.

Look for Exclusions and Pre-Existing Condition Language - Most health insurance policies contain a pre-existing condition benefit limitation. A pre-existing condition is a health condition you already have when you buy a policy. It may include a condition you have recovered from. Any condition, whether or not revealed on the application, for which symptoms existed prior to the effective date of coverage, causing an ordinarily prudent person to seek diagnosis, care or treatment, or one in which medical advice or treatment was recommended by or received from a physician may also be considered a pre-existing condition. One of the main reasons for claim denials or delayed payments is pre-existing condition exclusions in the policy. Even if health questions are not asked on the application, the policy may not cover conditions you already have. Make sure you understand the definition of pre-existing condition and how long such conditions will not be covered. Read the limitation and exclusion provisions of your policy very carefully.

Replacing a Policy - Replacing an old policy with a new one may not be a good idea. As stated above, a new policy may have waiting periods and pre-existing condition exclusions that could leave you without coverage for a period of time. The company may also attach riders to a new policy that completely exclude coverage for an existing health condition.

Know If and When a Company Can Refuse to Renew Your Policy - Read the renewal provision that is usually found on the first page of the policy.

Make Sure There is a "Free Look" Provision - Companies issuing individual health insurance in Illinois are required to give you a minimum period of ten days to review the policy and return it if you are not satisfied for any reason. The ten

days begin the day you receive the policy either in the mail or by delivery from an agent. If during the ten-day period, you decide not to retain the policy, return it to the agent and obtain a receipt, or return it to the company by certified mail. Once the ten days have passed, the company is not required to refund the premium. Some companies, however, will take extenuating circumstances into consideration, so it is worth the effort to explain any unusual delay in returning the policy for a refund.

How to Pay Policy Premiums - It is best to pay by check, money order, or bank draft made directly to the **insurance company**. If you pay in cash, obtain a receipt for the payment. Keep in mind that when you pay an annual or semi-annual premium, the company considers the premium to be fully earned when they receive it and seldom will they refund any portion of the prepaid premium if you decide to change companies and drop the current policy.

If a Problem Occurs - Contact your agent or company first. If you do not receive a satisfactory response, contact the Illinois Division of Insurance.

For More Information

Call our Consumer Services Section at (312) 814-2427 or our Office of Consumer Health Toll Free at (877) 527-9431 or visit us on our website at www.ins.state.il.us