

DATE: August 15, 2011
TO: IIPRC Management Committee
FROM: Industry Advisory Committee
SUBJECT: Disability Income Policy Standards Dated April 25, 2011

Page 1, Mix and Match

The end of the second sentence should say “individual life insurance and annuity forms” as was done for DBOE (6/27).

Page 1, §1.A.(1)

The words “and benefit features” should be deleted as they were for DBOE (6/27).

Page 7, Definition/Concept of “Injury”, Item (13)

Illinois has requested that the definition/concept be changed as shown below and we do not object to the change:

“Injury” means bodily injury resulting from an accident, independent of disease or bodily infirmity, that occurs on or after.....”.

Page 8, Definition/Concept of “Preexisting Conditions”, Item (21)

Illinois has requested that the definition/concept be changed as shown below and we do not object to the change:

“Preexisting Condition” means a condition for which symptoms existed that would cause an ordinarily prudent person to seek diagnosis, care or treatment within a one-year period preceding the effective date of coverage of the insured, or for which medical advice or treatment was recommended by a *Physician* or received from a *Physician* within a two-year period preceding the effective date of coverage of the insured.”

Page 14, Reinstatement, Item (15)(c)

The end of the item should say “complying with these standards.” as was done for DBOE (6/27).

Page 15, Suspension of Coverage While in Military Service, Item (18)

The draft makes reference to pending comments which have not yet been published, and we wish to confirm whether or not changes are pending.

Page 17, Time of Payment of Claims, Item (20)

Illinois has requested that additional information be included in the DI policy standards regarding an interest penalty applicable in situations where there is a delayed payment of claim.

Upon further research, we have determined that in addition to Illinois there are 22 other states, 16 of whom are IIPRC members, who have similar requirements. However, they all vary with regard to the definition of delay (number of days ranges from 15 to 120), interest required (ranges from 1+ prime to 18%) and whether the specific information needs to be included in a policy (most are silent and have approved forms without any reference).

There is a ***Proof of Loss*** standard on page 15 which requires a company to describe the process and content of satisfactory proof of loss.

The IIPRC has already established a precedent for a penalty standard in the life insurance standards, and we believe that the IIPRC can do the same for the disability standards. In recognition that 22 states and Illinois have penalty requirements, we are in favor of developing a national standard for the penalty and that such language be required to be included in a policy at issue. Accordingly, we recommend the following:

Change the title to say “***Timely Payment of Claims***”.

Add the following to the end of the current language:

“The policy shall state that if a claim is paid more than 30 days after a company receives satisfactory proof of loss, as described in the policy, the delayed payment shall be subject to simple interest at the rate of 10% per year beginning with the 31st day after receipt of satisfactory proof of loss and ending on the day the claim is paid.”

Page 22, H. BENEFIT PROVISIONS

In item (2), remove italics from heading.

In item (3), remove italics from the heading and note effect of forcing justification.

In item (4), remove italics from “Benefit”.

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