



INSURANCE COMMISSIONER JOHN GARAMENDI ANNOUNCES STRONG NEW PROTECTIONS FOR DISABILITY INSURANCE CONSUMERS

Disability insurers must now follow tough guidelines established in a settlement reached with the nation's largest disability insurer last year

SACRAMENTO – Insurance Commissioner John Garamendi announced today a settlement with several insurance industry associations that will lead to strong protections for disability insurance policyholders and require insurers to comply with regulations that establish California as a leader in the regulation of disability insurance.

“Last year I developed tougher standards for disability policies sold in California,” said Commissioner Garamendi. “I vowed to require all disability insurers observe those standards. Today’s announcement fulfills that promise and provides significantly more protection for consumers from arbitrary and harmful practices within the industry.”

The settlement was reached with three industry groups who sued the Department last December over the new regulatory standards. They were led by America’s Health Insurance Plans and also included the Association of California Life and Health Insurance Companies, and the American Council of Life Insurers.

The agreement establishes a number of important standards, including:

Disability insurance policies may not contain a “discretionary clause” that allows the insurer to determine whether a policyholder who makes a claim is entitled to benefits. They must abide by an upcoming San Francisco Superior Court ruling on the issue in “Hartford v. Garamendi. The court has previously issued a proposed decision in the Department’s favor, holding that it can require insurers to drop the discretionary clause.

Policies must contain a definition of “disability” that is consistent with California’s established definition. Basically, if a person cannot perform with reasonable continuity all of the substantial and material acts required by his/her occupation, then that person is totally disabled from performing that occupation.

The definition of what constitutes a pre-existing condition has been substantially narrowed and clarified. A claimant must now have received treatment for a diagnosed condition in order for it to qualify as a pre-existing condition.