

# *Finance, Management & Operations*

## **Reinstatement Risk Management**

Rita Bennett

Senior Consultant, Claims, Regulatory & Operational Risk  
Lincoln Financial Group

Michael Mazur

Divisional Executive Vice-President  
Great American Insurance Group

Nolan Tully

Associate

Drinker, Biddle & Reath, LLP

The logo for the Intercompany Long Term Care Insurance Conference (ILTCI) is a dark blue rectangle with the letters "ILTCI" in white, serif font.A photograph of a two-lane road stretching into the distance, flanked by green fields and a red rock cliff on the left. The road has a yellow center line and white edge lines. The background is slightly blurred.

**15th Annual Intercompany Long Term Care Insurance Conference**

- Intentional nonpayment of premium
  - rate increase
  - change in financial status
- Unintentional
  - bank account issues
  - problems with mail
    - notices not received
    - premium arrives after end of grace period
  - cognitive impairment
  - functional incapacity / hospitalization

# What is reinstatement?



- If a policy is now lapsed, it may be reactivated without a break in coverage in certain circumstances.
  - Regulatory allowances
  - Company provided opportunities

# Regulatory Requirements related to lapse



- Billing notice
- Third Party Designee
  - at time of issue (or waiver) and every 2 years
- Grace notice sent not earlier than 30 days after the date premium is due
- Must warn that policy will lapse in 30 days if premium is not received
- Notice is considered received 5 days after mailing
- A Third Party Designee letter must be sent and company will not lapse a policy for at least 30 days after this notice is sent



- State variations
  - Florida and Virginia certificate of mailing
  - New York and New Jersey mailing envelopes must be clearly marked with the following:  
“IMPORTANT INSURANCE INFORMATION: OPEN IMMEDIATELY”
  - Vermont and California require lapse notice to state the right to reduce benefits

- Cognitive / functional impairment
  - policy must include a provision for reinstatement if a request is received within 5 months and the policyholder was cognitively impaired or functionally incapacitated before the grace period expired
  - Criteria to determine cognitive impairment or functional incapacity must not be more stringent than the policy language for benefit eligibility

## Case Study 1

# Case Study 2



# Case Study 3

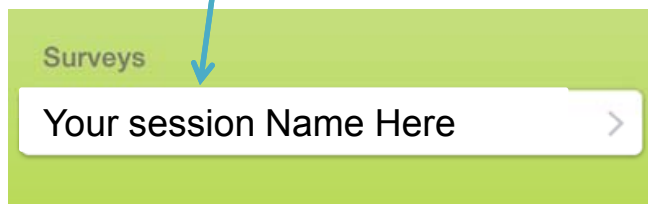
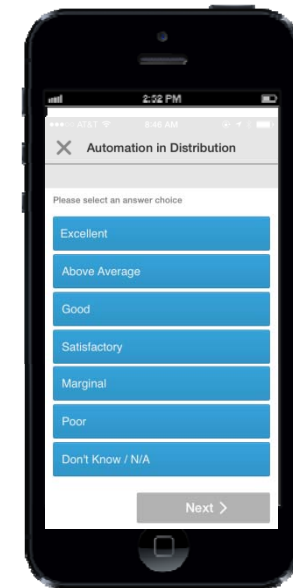
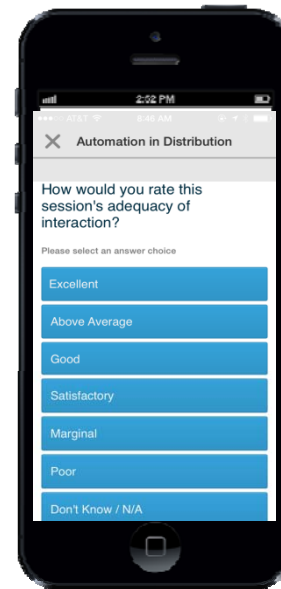
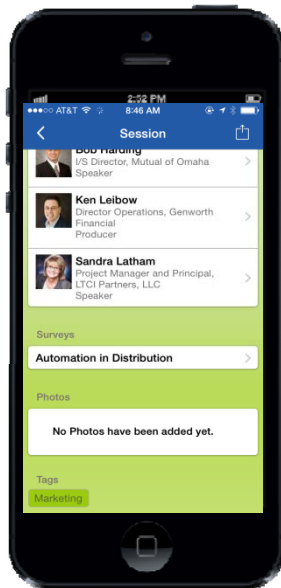
# Don't forget to fill out the survey



1<sup>st</sup> you must have download the ILTCI Mobile App  
- Go to your app store; search ILTCI. It's free.



1. Find the session
2. Scroll to the bottom
3. Tap on the session name below the survey



Tap on the answer you wish to submit

Click Next