

Key Information:

Chapter 7

Mandatory and Optional Provisions:

- Mandatory provisions, such as the grace period, protect the insured. Optional provisions, such as probationary periods, protect the insurance company.
- An insurance company may contest a claim after 2 years, if they prove fraud. Companies are usually reluctant to charge fraud, since it requires proof of intent to deceive and is usually difficult to prove.
- The incontestability clause's primary purpose is to protect the insurance company.
- The time limit on certain defenses clause is another name for the incontestability clause.
- 31 days is the longest grace period.
- If a reinstatement application is required, the insured is reinstated when the company says so or after 45 days, whichever comes first. When the insured is reinstated, a 10-day probationary period begins on sickness only.
- If no reinstatement application is required, the insured is reinstated effective upon payment of their late premium to either the company or the producer.
- Claims may be denied if they occur after policy expiration.
- Under the time payment of claims provision, claims must be paid immediately. Disability income claims must be paid at least on a monthly basis.
- The time payment of claims provision allows the claims department time to investigate (maximum of 60 days).
- Under the legal actions provision, if a claim is not paid immediately, the claimant must wait at least 60 days before filing a lawsuit for failure to pay. Such suits must be filed within 3 years of the original loss.

Other Provisions and Riders:

- In the insuring clause the insurer promises to pay.
- The maximum probationary period on a policy varies by state.
- The probationary period is different from the time limit on the certain defenses provision (incontestability), which is a maximum of 2 years.
- On disability income policies, to reduce the premium, an insured may choose a longer waiting period.
- On disability income insurance, the waiting period is just another name for the elimination period.
- If an insurer wants fewer claims, they should lengthen the waiting period.
- The waiting period is waived on a disability income policy if the same recurrence happens within 90 days.
- Waiver of premium does not pay money to the insured; it pays the premium to the insurer on behalf of the insured.
- A family deductible limits the total amount the family must pay during the year, no matter how many family members become sick or injured.
- If an insurer wants to stress preventive care, they should waive the deductible for office visits.
- To find what is covered on a health insurance policy, the insured would want to look at the area of the policy entitled eligible expenses.
- URC stands for usual, reasonable and customary.
- The guaranteed purchase option is a rider which allows the insured to purchase additional coverage at certain intervals without a physical exam. This rider is also known as the guaranteed insurability rider (GIR).

Rights of Renewability:

- A conditionally renewable policy must be renewed if certain specified conditions are met.
- Optionally renewable policies provide the biggest disadvantage for the insured.
- On a noncancellable policy, the insurance company cannot change the coverage or the rates, but can decline to offer renewal.
- Medical expense policies are usually written as cancellable, which means the company can cancel at any time as long as it gives advance notice.
- A cancellable policy may be canceled at any time by either party, with proper advance notice.
- Cancellation will have no effect on a pending claim, only on future claims.
- On a guaranteed renewable policy, the insurance company cannot change the coverage; however, it can change the rates by class, although not individually.
- At the option of the insured, a guaranteed renewable policy is renewable by paying the premium up to a certain, specified age (usually aged 65).