

INTEREST RATE FOR FAILURE TO PAY A CLEAN CLAIM

This Bulletin is directed to all insurers issuing accident and sickness insurance policies, as defined at IC 27-8-5.7-1, all HMOs as defined at IC 27-13-36.2-2, and all health care providers submitting claims to those insurers and HMOs. The purpose of this Bulletin is to clarify provisions of the statutory provisions commonly referred to as the Clean Claims Laws, IC 27-8-5.7 and IC 27-13-36.2.

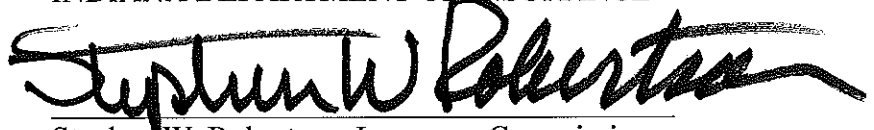
Indiana's Clean Claims Laws provide that interest shall be paid "at a rate that is the percentage rounded to the nearest whole number that equals the average investment yield on state money for the state's previous fiscal year, excluding pension fund investments, as published in the auditor of state's comprehensive annual financial report." The statute does not specify the frequency of the rate; however, the investment yield on state money referenced in the Clean Claims Laws is an annual rate. Therefore, the interest rate should be calculated as an annual rate, as well.

It has recently come to the attention of the Department that the rate published in the Auditor's Comprehensive Annual Financial Report ("CAFR") as the "average yield on investments, except for the pension trust funds" does not include yield on dedicated funds. When contemplating the average yield on all state money, the average yield was 2.49%. Thus, the rate to be paid for calendar year 2012 is Two Percent (2%) per year. Since, traditionally, the rate quoted in the CAFR has been relied upon to determine the appropriate interest rate, the Department is notifying companies that the 2% rate will take effect beginning Monday, March 5, 2012.

Insurers and HMOs should not consider the low interest rate as a license to become relaxed about prompt payment of clean claims. The Department reminds insurers and HMOs of the penalty provisions found at IC 27-8-5.7-8 and 27-13-36.2-6. Furthermore, failure to maintain appropriate claims handling practices could indicate violations of IC 27-1-3-4's requirements that companies establish and maintain safe and sound methods of conduct, or the unfair claims settlement practices requirements of IC 27-4-1-4.5. Companies failing to promptly pay clean claims could be subject to administrative action, including monetary fines and license revocation.

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INDIANA DEPARTMENT OF INSURANCE



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