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SOCIAL SECURITY

The Commissioner

November 26, 2008

The Honorable William E. Kovacic
Chairman, Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

Dear Mr. Chairman:

I am writing to inform you of alleged industry-wide practices of insurance companies that may warrant your attention.

I understand that many providers of long-term disability (LTD) insurance require their beneficiaries to apply for Social Security Disability Insurance (SSDI) benefits in order to receive unreduced LTD insurance payments. If an LTD beneficiary fails to file for SSDI benefits, the insurance company reduces the LTD benefit by the amount of his potential SSDI payment. In addition, if we initially deny an LTD beneficiary's claim, insurance companies may require him to appeal regardless of the relative merits of his claim. We also are unsure whether insurance companies perform any meaningful screening of their cases to determine if an LTD beneficiary meets what are often the more stringent criteria for SSDI benefits.

These practices are of special concern to my agency, because LTD beneficiaries file as many as 10 percent of all SSDI applications. Unsupportable claims strain our system when we already are facing a significant backlog in our disability claims processing. We therefore would want insurers to stop any such practices that result in inappropriate claims that unnecessarily add to our workload.

These alleged practices are detailed in *qui tam* lawsuits pending in the United States District Court for the District of Massachusetts, *Patrick Loughren ex. rel. USA v. UNUM Insurance Company* and *Dawn Barrett ex. rel. USA v. CIGNA Insurance Company*. The parties who have brought these lawsuits are suing to eliminate such practices and obtain damages and penalties.

We would like to discuss this issue with you to see what our agencies can do to curb such practices and ensure that our disability claims processing system is not clogged with unwarranted applications for benefits simply because LTD insurers hope to reduce their costs.

Thank you for your consideration of this important matter, and I would be pleased to discuss it with you.

Sincerely,

Michael J. Astrue