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## **IIPRC-A-I-APP**

### **INDIVIDUAL ANNUITY APPLICATION STANDARDS**

1. Date Adopted: November 15, 2014
2. Purpose and Scope: The Individual Annuity Application Standards apply to paper, telephonic or electronic applications for coverage provided by individual annuity contract forms. These standards are intended to apply to new business applications as well as applications used to request changes to existing contracts. These standards do not apply to applications for any combination of life, annuity, disability income and long term care applications.
3. Rules Repealed, Amended or Suspended by the Rule: In accordance with the 5-year Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission, this rule amends the Individual Annuity Application Standards originally adopted by the Interstate Insurance Product Regulation Commission (“IIPRC”) on October 29, 2008 and amended on December 4, 2009. The amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments. See the Transmittal Memo under the Standards History on the Record for a more detailed description of the amendments.
4. Statutory Authority: Among the IIPRC’s primary purposes and powers is to establish reasonable uniform standards for the insurance products covered in the Interstate Insurance Product Regulation Compact (“Compact”), specifically pursuant to Article I §2, Article IV §2 and Article VII §1 of the Compact, as enacted into law by each IIPRC member state.
5. Required Findings: None
6. Effective Date: March 5, 2015

# INDIVIDUAL ANNUITY APPLICATION STANDARDS

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## INDIVIDUAL ANNUITY APPLICATION STANDARDS

**Scope:** These standards are intended to apply to paper, telephonic or electronic applications for coverage provided by individual annuity contract forms. These standards are intended to apply to new business applications as well as applications used to request changes to existing contracts.

A company may submit one multi-purpose application to accommodate new business and all contract changes, submit separate applications for each purpose, or submit an application with any combination of purposes.

Separate additional standards will apply to applications for any combination of life, annuity, disability income and long term care insurance. Consult the IIPRC web site to determine when additional standards are available for filing.

Wherever the term “proposed owner or annuitant” is used in these standards, such use shall not preclude the inclusion of both proposed owner and proposed annuitant.

**Mix and Match:** These standards are available to be used in combination with State Product Components as described in Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

**Self-Certification:** These standards are not available to be filed on a self-certification basis in accordance with the Rule for the Self-Certification of Products Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards the following definitions apply:

“Application” means any form used to apply for an annuity whether or not the form is attached to the contract at issue. The application form shall be filed for approval.

“Signed or signature” means any symbol or method executed or adopted by a person with the present intention to authenticate a record, and which is on or transmitted by paper, electronic or telephonic media, and which is consistent with applicable law.

“Written or writing” means a record which is on or transmitted by paper, electronic or telephonic media, and which is consistent with applicable law.

### **§ 1. ADDITIONAL SUBMISSION REQUIREMENTS**

#### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (1) All forms filed for approval shall be included with the filing. Changes to a previously approved form shall be highlighted.

- (2) The application may be submitted in a proof format for preliminary review, provided that the company certifies that the text and format so filed accurately reflects what the final copy would look like, including contrasting color, font size, bold face, highlighting, or any other similar type of differentiation that may be used. If the application is determined to be acceptable, the company shall submit a final copy for approval, along with a certification that the final copy represents an exact copy of the proof and that no changes had been made after the company was notified that the proofs were determined to be acceptable.
- (3) If the application is submitted for use by more than one company, the following requirements shall apply:
  - (a) The name of each company shall appear at the top of the first or cover page of the application, and a means of designating the appropriate company must be available, such as checkboxes in front of each company's name. A "blank space write in" format will not be acceptable;
  - (b) Multiple companies may be represented in one filing, provided that:
    - (i) All companies shown at the top of the first or cover page of the application are properly licensed in all states for which the filer is requesting approval;
    - (ii) The filer is requesting approval for an identical filing (no exceptions for any company represented in the filing) in all states for which the filer is requesting approval; and
    - (iii) Separate filing fees may apply and transaction fees for each combination of company and state shall apply; and
  - (c) The application shall have the same form number for each company, and the form number shall be unique within each company.
- (4) If the application will be used for multiple purposes:
  - (a) The intended purpose shall appear at the top of the first or cover page of the application, and a means of designating the appropriate use must be available, such as a checkbox in front of each use. A "blank space write in" format will not be acceptable; and
  - (b) The applicant shall be provided with instructions that specify which sections of the application must be completed for each purpose.
- (5) The filing shall include all the sections and questions that may be required to be completed by an applicant, including additional drop downs, scripts, questions, questionnaires or supplements that would be required if the applicant answers questions in a certain way, such as a "yes" response.
- (6) If a filing is being submitted on behalf of a company, include a letter or other document authorizing the firm to file on behalf of the company with the filing.

- (7) If the application contains variable items, include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.
- (8) Include a certification signed by a company officer that the application has a minimum Flesch score of 50, if applicable. If the application or sections of the application are subject to federal jurisdiction, and accordingly, Appendix A requirements do not apply, include a statement to that effect.
- (9) Include a statement of the types of contract forms and products with which the application will be used. For example, flexible premium, fixed premium, single premium, modified single premium or limited payment period deferred annuity, single premium immediate annuity, variable and non-variable; indexed annuity.
- (10) Include a statement of how the application will be used, such as paper, electronic, and/or telephonic. For electronic and telephonic uses, the company shall:
  - (a) Describe the procedures that will be used to verify the authenticity of the transaction; and
  - (b) Include a John Doe sample that shows additional sections and questions that are required to be completed by an applicant, including additional drop downs, scripts, questions, questionnaires or supplements, if the applicant answers questions in a certain way, such as a “yes” response.

Additionally, for telephonic uses the company shall describe the process by which the applicant is given the completed application for signature prior to or on the date that the contract is issued.

- (11) Include a description of any innovative or unique features of the application.
- (12) If the replacement questions will be included in a separate form, include a certification that this is the case.
- (13) If the company includes underwriting questions in the application, include an explanation of why underwriting is required.

## **B. VARIABILITY OF INFORMATION**

- (1) The company may identify items that will be considered variable in the application, but such variability shall be limited to:
  - (a) The company address and other contact information;
  - (b) In the case of applications for use by more than one company, the name of each company may be variable only to permit:

- (i) Deletion if the company ceases to do new business; and
  - (ii) Addition of a company authorized to do business by the respective Interstate Insurance Product Regulation Commission states;
- (c) Product information, including product marketing name or logo.
- (d) Acknowledgement of receipt of disclosures or illustrations required by state or federal law.

The item shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

- (2) If the company identifies product information that may be variable in the application, such information shall be consistent with the Statement of Variability that has been or is being filed for use with the respective contract form. For variable annuity products, items such as the Separate Accounts and Funds available under the product may be identified as variable to the extent allowed by the contract form.

### **C. READABILITY REQUIREMENTS**

- (1) The application text shall achieve a minimum score of 50 on the Flesch reading ease test or an equivalent score on any other approved comparable reading test. See Appendix A for Flesch methodology. This requirement shall not apply to annuity applications, or sections of annuity applications, that are subject to federal jurisdiction.
- (2) The application text shall be presented in not less than ten point type, one point leaded.
- (3) The style, arrangement and overall appearance of the application shall give no undue prominence to any portion of the text or section of the application.

## **§ 2 GENERAL FORM REQUIREMENTS**

### **A. COVER PAGE OR FIRST PAGE**

- (1) The full corporate name of the company shall appear in prominent print on the cover page or first page of the application. "Prominent print" means, for example, all capital letters, contrasting color, underlined or otherwise differentiated from the other type on the form.
- (2) If an application will be used by more than one company, each company's full corporate name shall appear in prominent print on the cover page of the application, and a means of designating the appropriate company must be available, such as checkboxes in front of each company's name.

- (3) If an application will be used for multiple purposes, the intended purpose shall appear at the top of the first or cover page of the application, and a means of designating the appropriate use must be available, such as a checkbox in front of each use.
- (4) If the application will be used for contract changes, the application shall:
  - (a) Instruct the applicant to provide the contract number for the existing contract for which change is being requested; and
  - (b) Identify the annuitant or owner to whom the changes apply.
- (5) A marketing name or logo may also be used on the cover page or first page of the application provided that the marketing name or logo does not mislead as to the identity of the company.
- (6) Each company's complete mailing address shall appear on the cover page or first page of the application.
- (7) A form identification number shall appear at the bottom of the application in the lower left hand corner of the application. The form number shall be adequate to distinguish the form from all others used by the company. The form number shall include a prefix of ICCxx (where xx represents the appropriate year the form was submitted for filing) to indicate it has been approved by the Interstate Insurance Product Regulation Commission.
- (8) A brief description that shall appear in prominent print on the cover page or the first page of the application indicating that the application is for an individual annuity.

**B. FAIRNESS**

- (1) The application shall not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses, provisions that are against public policy as determined by the Interstate Insurance Product Regulation Commission, nor shall it contain exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the contract forms with which the application will be used.
- (2) The application questions shall be presented as single direct questions, not as declaratory statements.
- (3) If the company includes underwriting questions in the application, the application questions shall not require the applicant to make a diagnosis of a medical condition of the proposed insured. Questions such as "Are you in good health," "Do you have symptoms of," "Do you have any known indication of," "have you ever had," "Any history of," or "Do you think you have" are not acceptable.

**§ 3 APPLICATION SECTIONS**



**A. PROPOSED OWNER OR ANNUITANT**

- (1) The application shall request the information that the company determines it needs to identify the proposed owner or annuitant and provide contact information, such as: name, address, telephone number, email address, age, date of birth, place of birth, gender, tax identification or social security number, marital status, and driver license number and state and country of issue, or other official document used to verify identity. The section may accommodate joint, corporate, trustee, custodian, UTMA/UGMA applicants.

**B. OTHER PROPOSED OWNERS OR ANNUITANTS**

- (1) The application may allow the applicant to designate other proposed owners or annuitants and provide the information that the company determines it needs to identify the other proposed owners or annuitants and their related contact information. Such information may be the same as that required for the proposed owners or annuitants.

**C. TYPE OF PRODUCT**

- (1) The type of annuity product and product features selected shall be specified in the application.

Such as:

- (a) Flexible premium, fixed premium, single premium, modified single premium or limited payment period deferred annuity, single premium immediate annuity, variable and non-variable, indexed annuity
  - (b) Non-qualified, qualified;
  - (c) Additional benefits such as living benefits, spousal living benefits, death benefit, etc.;
  - (d) Annuity commencement date; and
  - (e) Investment options for a variable annuity and index options for an indexed annuity.
- (2) In the case of variable products, the application shall include an acknowledgement by the applicant, in prominent print, that the contract values that are based on the separate account assets are not guaranteed and will decrease or increase with investment experience.

**D. SUITABILITY**

- (1) The company may use the application to require the applicant to answer questions designed to elicit information which enables the agent to determine the suitability of the product to the applicant.

**E. PREMIUM AND BILLING**

- (1) The application shall allow the applicant to specify the amount paid with the application, premium mode and billing information for fixed premium products. The application shall request the payor information needed by the company to administer the product, such as the

payor's name, telephone number, address, email address, tax identification or social security number, and relationship to the owner and the annuitant.

- (2) The application may request information concerning the source and/or method of funding the premium.

**F. BENEFICIARY**

- (1) The application shall allow the applicant to designate the beneficiary and shall require the beneficiary information that the company determines it needs to administer the product, such as the beneficiary's name, telephone number, address, email address, tax identification or social security number, and relationship to the owner.
- (2) The application may state that unless otherwise directed, the annuity proceeds shall be divided equally among all persons who are named as primary beneficiary and who survive the owner or annuitant, as applicable, but if none survive, equally among all persons who are named as contingent beneficiary and who survive the owner or annuitant, as applicable.

**G. AGREEMENT TO SELL OR ASSIGN CONTRACT FOR WHICH APPLICATION IS BEING MADE**

- (1) The application may include a question regarding whether any party to the application, such as the applicant, proposed annuitant, owner, if other than the applicant, or any beneficiary, has entered or has made plans to enter into any agreement or contract to sell or assign the ownership of, or a beneficial interest in the applied-for contract. The application may also include a question regarding whether any person has promised or agreed to give or has given to any party to the application, or that any party to the application has received or will receive from any person, any inducement, fee or compensation as an incentive to purchase the contract. For a "yes" response, details shall be requested regarding any agreement or incentive.
- (2) The application may include a question regarding whether any party to the application, such as the applicant, proposed annuitant, owner, if other than the applicant, or any beneficiary, has ever sold, transferred or assigned any annuity contract to a third party, such as a viatical settlement entity, life settlement entity, insurance company, other secondary market provider, or premium financing entity, or if these persons have ever received any inducement, fee or compensation as an incentive to purchase, sell, transfer or assign an annuity contract. For a "yes" response, details shall be requested regarding any prior transactions.
- (3) The application may include language similar to the following:

**NOTICE:** State insurance law may prohibit the owner of an annuity contract from entering into any agreement to sell, transfer or assign an annuity contract prior to the date the contract was issued, or within a period of time specified by state law after the date the contract was issued. You should consult with legal advisors if you have any questions about these matters.

## **H. OTHER INSURANCE**

- (1) The application may include a question for each proposed owner or annuitant in regard to other life insurance and annuity contracts in-force and life insurance and annuity applications pending with the company or any other company. Details may be requested such as: company name, policy or contract number, date issued, amount, owner, and if business or personal.

## **I. REPLACEMENT OF INSURANCE**

- (1) If the company elects to include the replacement questions in the application:
  - (a) The application shall require the applicant to specify if the applicant has existing life insurance or annuity contracts with the company or any other company; and
  - (b) The application shall require the applicant to specify if the insurance applied for is intended to replace or change any life insurance or annuity contract in force with the company or any other company.

The appropriate details required for a “yes” response shall be provided in accordance with applicable state regulations.

- (2) If the company elects to include both item (1) questions in a separate form, the company shall certify to this.

## **J. FOREIGN RESIDENCY**

- (1) The application may include a question regarding whether each proposed owner or annuitant has lived outside the United States within a specified period of time (not to exceed the last 2 years) or do they plan to live outside the United States within a specified period of time (not to exceed the next 2 years). For a “yes” response, details may be requested such as: the travel mode, country, cities, provinces, purpose and length of stay. Alternatively, the application may require the completion of a Foreign Residency supplement which shall request details such as those described above.

## **K. CITIZENSHIP**

- (1) The application may include a question regarding whether each proposed owner or annuitant is a citizen of the United States. For a “no” response, details may be requested such as: the type of visa, country that issued it, and whether each proposed owner or annuitant is a permanent resident of the United States and if “yes” for how long.

## **L. HOME OFFICE CHANGES**

- (1) The application may include a section for home office changes, such as amendments, corrections, or additions, for use by the company. Any change in the annuity product, amount, age at issue, gender, class or benefits shall require the written consent of each proposed owner.

## M. AGREEMENTS

- (1) The application for entity owned contracts shall include the statements agreed to by each proposed owner or annuitant such as:
  - (a) That they have read the application and all statements and answers as they pertain to them, and that these statements and answers are true and complete to the best of their knowledge and belief;
  - (b) That the statements and answers in the application are the basis for any contract issued by the company, and that no information about them will be considered to have been given to the company unless it is stated in the application, and that they will notify the company of any changes in the statements or answers given in the application between the time of the application and delivery of the contract;
  - (c) That a sales representative does not have the company's authorization to accept risk, pass on insurability, or make, void, waive or change any conditions or provisions of the application, contract or receipt, as applicable;
  - (d) That the company will have no liability until:
    - (i) A contract is issued on this application and delivered to and accepted by the owner; and
    - (ii) The first premium due is paid in full while each proposed owner and annuitant is alive.
  - (e) That the applicant authorizes the company to obtain personal information on the applicant from a third-party information provider, such as the MIB, Inc., provided the authorization includes a description of the type of information to be obtained and the type of information provider from which the information will be obtained. With respect to time limits in an authorization, the statement agreed to by the applicant shall state that the time limit complies with the time limit, if any, permitted by applicable law in the state where the contract is delivered or issued for delivery.
- (2) The application may include an acknowledgment by each proposed owner of receipt of the following as required by state or federal law:
  - (a) The most current prospectus for a variable annuity, which includes summary descriptions of the underlying investment options;
  - (b) Notice of tax withholding on distributions or withdrawals;
  - (c) Any required disclosures.

- (3) The application may include an acknowledgment by each proposed owner that, to the best of each proposed owner's knowledge and belief, the annuity and any additional benefits applied for are suitable for their investment time horizon, goals and objectives and financial situation and needs.
- (4) For applications for entity owned applications, the application may include acknowledgments that:
  - (a) Authorized individuals are signing on behalf of the entity purchasing the annuity and that these individuals are authorized and empowered to individually or collectively authorized to enter into contracts and financial transactions including but not limited to the purchase of an annuity, make any subsequent withdrawals or surrenders and exercise all ownership rights under the annuity in the entity's name;
  - (b) The entity is duly organized and existing in compliance with all laws and regulations;
  - (c) The entity shall notify the company in writing of a change in or revocation of authorized individuals, or any change in the entity's status that would cause any of the statements in the application to be incorrect or incomplete;
  - (d) The entity has consulted an independent tax and/or legal advisor for more information deemed necessary to understand the tax treatment of the annuity; and
  - (e) The authorized individuals and entity agree to indemnify the company, its affiliates or representatives for liability of any kind arising out of or related to any acts or omissions taken by the company upon their instructions and in reliance on their representations to the company in connection with the annuity.
- (5) The application for a non-tax qualified annuity may include an acknowledgment that if each proposed owner purchases another such annuity in the same calendar year from the company or its affiliates, both annuities will be considered as one annuity for tax purposes.
- (6) The application may include an acknowledgment by each proposed owner that federal law requires sufficient information to identify the parties to the purchase of an annuity, and that failure to provide such information could result in the annuity contract not being issued, delayed, unprocessed transaction requests, or annuity contract termination.
- (7) The application may include an acknowledgment by each proposed owner of the Right To Examine Contract provision of the annuity.
- (8) For applications used with products approved by the Interstate Insurance Product Regulation Commission under the Core Standards for Index Linked Variable Annuity Uniform Standard, the application shall include an acknowledgment by each proposed owner of receipt of a written product comparison of each indexed-linked variable annuity strategy with a comparable non-variable indexed annuity strategy and a variable annuity. The acknowledgement shall state that the product comparison contains at least the following elements:

- (i) An explanation of the key features; and
- (ii) Numerical example/s of how interest is credited under economic scenarios that illustrate the key features of the products. For example, for an ILVA with a cap and buffer, economic scenarios that show the impact of a negative index change lower than the buffer and higher than the buffer, as well as a positive index change lower than the cap and higher than the cap.
- (iii) All other product comparison elements required under state or federal law.

**Drafting Note:** These standards are modified, as required or permitted by law, to enable fraternal to implement their respective articles and bylaws. See Appendix B.

## N. AUTHORIZATIONS FOR ELECTRONIC INSTRUCTIONS

- (1) Applications that provide an authorization for the company to act on electronic and/or telephonic instructions from parties specified in the application shall also provide the means for such an

authorization to be rejected by the annuity purchaser, and in the absence of a positive authorization, there shall be a rejection of the authorization. The authorization may state that proper identification must be provided and that the company will be held harmless for any claim, liability, loss or cost, when it has used reasonable procedures to confirm these transactions are authorized and genuine and these procedures have been followed.

- (2) Applications that provide an authorization for the electronic delivery of statements, prospectuses and other documents shall also provide a means for an electronic authorization to be rejected by the annuity purchaser and, in the absence of a positive authorization, there shall be a rejection of the authorization. Such authorization will include a statement that the proposed owner has access to the Internet for the purposes of accepting electronic delivery of the documents and a means by which the proposed owner can provide a current Internet email address.

#### **O. TAX IDENTIFICATION AND CITIZENSHIP CERTIFICATIONS**

- (1) The application may include a certification by each proposed owner or annuitant of their tax identification number and citizenship/residency status as provided in the application, and whether each proposed owner or annuitant, as applicable, has been notified by the Internal Revenue Service that each proposed owner or annuitant, as applicable, is subject to backup withholding due to underreporting of interest or dividends.

#### **P. FRAUD NOTICE/WARNING**

- (1) The application shall include the following fraud notice/warning: “Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.”

#### **Q. SIGNATURE REQUIREMENTS**

- (1) The application shall include a signature section which includes items such as: city and state where signed; date of signature; signature of each proposed owner or annuitant of the age of majority required by the state where the contract is issued for delivery, or the applicant’s legal residence; signature of spouse for spouse benefits; signature of parent, guardian or person liable for any proposed owner or annuitant’s support; title of officer signing as owner if owner is a corporation, partnership, trust, custodian or UTMA/UGMA; printed name and signature of a witness (the company may require that the sales representative sign as witness).

### **§ 4 ADDITIONAL STANDARDS FOR UNDERWRITING QUESTIONS**

#### **A. TOBACCO USE**

- (1) The application may include questions for each proposed owner or annuitant regarding tobacco use, such as: smoking cigarettes, pipes or cigars; using snuff, chewing tobacco or a nicotine delivery device such as a patch or gum.

## B. GENERAL BACKGROUND QUESTIONS

- (1) The application may include the following questions to be answered by each proposed owner or annuitant:
  - (a) ***Driving Record.*** Whether the proposed owner's or annuitant's driver's license has ever been suspended or revoked, whether the proposed owner or annuitant has ever plead guilty to or been convicted of driving while impaired, intoxicated or under the influence of any drug; and/or whether during a specified period of time (not to exceed the last 5 years) the proposed owner or annuitant has plead guilty to or been convicted of any moving violation or been involved in any accident in which they were found to be at fault. For a "yes" response, details may be requested such as: a description of the Department of Motor Vehicles' action, plea, conviction or accident; the number of times the various issues had taken place, the date and state of occurrence;
  - (b) ***Felony or Misdemeanor.*** Whether the proposed owner or annuitant has ever plead guilty to or been convicted of a felony or misdemeanor or do they have such charge currently pending against them. For a "yes" response, details may be requested such as: the nature of the plea, conviction or charge, and the date and state where the plea, conviction or charges occurred, and whether time was served in prison;
  - (c) ***Aviation Activity.*** Whether the proposed owner or annuitant has ever flown, or intends within the next two years to fly, other than as a fare paying passenger on a scheduled airline. For a "yes" response, details may be requested such as: type of license, type of aircraft, instrument flight rating, number of hours flown, number of hours to be flown within a specified period of time, if flying is for business purposes, flying accidents that proposed insured has been involved with, experimental flying, flying restrictions imposed, flying outside the United States, flying for pay and flying for the military. Alternatively, the application may require the completion of an Aviation supplement which shall request details such as those described above;
  - (d) ***Recreational Activity (Vocation, Hobby, Sport).*** Whether the proposed owner or annuitant has ever engaged, or intends within the next two years to engage, in certain activities such as: motor sports events or racing (auto, truck, cycle, boat, etc.); rock or mountain climbing; skin or scuba diving; aeronautics (hang-gliding, sky diving, parachuting, ultralight, soaring, ballooning, etc.). For a "yes" response, details may be requested such as: type of activity, number of times performed within a specified period of time, type of vehicle used, competitive class, division or category, member of any activity-specific association, group or sanctioning body, whether activities take place outside the United States, professional competition. Alternatively, the application may require the completion of an Activity Specific supplement which shall request details such as those described above;
  - (e) ***Military Service.*** Whether the proposed owner or annuitant is a member of the military, military reserve, or National Guard, whether active or inactive, and whether the proposed insured has entered into a written agreement to become a member of the military, military



reserve or National Guard, whether active or inactive, at a future date. For a “yes” response, details may be requested such as: military duties and responsibilities, rank, and dates and locations of service; for agreement for future service: date, location and duties of anticipated service. Alternatively, the application may require the completion of a Military Service supplement which shall request details such as those described above.

- (f) **Foreign Travel.** Whether the proposed owner or annuitant has traveled outside the United States within a specified period of time (not to exceed the last 2 years) or intends to travel outside the United States within a specified period of time (not to exceed the next 2 years). For a “yes” response, details may be requested such as: the travel mode, country, cities, provinces, purpose and length of stay. Alternatively, the application may require the completion of a Foreign Travel supplement which shall request details such as those described above.

#### C. PERSONAL PHYSICIAN OR MEDICAL FACILITY

- (1) The application may require the identity of each proposed owner’s or annuitant’s personal physician or medical facility that they consult for routine health care or periodic check-ups. If a physician or facility is identified, details may be requested such as: patient identification number, full name of physician or facility and their telephone number, address, and date and reason last consulted.

#### D. PRESCRIBED AND NON-PRESCRIBED MEDICATION AND PRESCRIBED DIET

- (1) The application may include a question regarding each proposed owner’s or annuitant’s use of prescribed and non-prescribed medications or being on a prescribed diet. For a “yes” response, details may be requested such as: a description of the medication or diet, date prescribed, and name and address of prescriber.

#### E. MEDICAL QUESTIONS

- (1) The application may include the following questions to be answered by each proposed owner or annuitant:
  - (a) **Height/Weight.** The current height and weight, and any weight change within a specified period of time (such as in the past year);
  - (b) **Family Medical History.** Whether a proposed owner or annuitant has a parent or sibling diagnosed or treated by a member of the medical profession for certain conditions, such as heart or vascular disease, cancer, diabetes, high blood pressure, kidney disease, attempted suicide or mental illness. For a “yes” response, details may be requested such as: parent’s or sibling’s diagnosis, age of diagnosis and date last treated; parent’s or sibling’s age if alive and if not alive, age, date and cause of death;
  - (c) **Pregnancy.** Whether a proposed owner or annuitant is pregnant. For a “yes” response, the application may request the anticipated delivery date;

- (d) ***Drug and Alcohol Use.*** Whether a proposed owner or annuitant has ever:
- (i) Used narcotics, barbiturates, amphetamines, hallucinogens, heroin, cocaine, or other habit forming drugs, except as prescribed by a physician;
  - (ii) Received medical treatment or counseling for, or been advised by a physician to discontinue, the use of alcohol or prescribed or non-prescribed drugs; or
  - (iii) Been a member of any self-help group such as Alcoholics Anonymous or Narcotics Anonymous.

For a “yes” response, details may be requested such as: type of drug or alcohol used, contact information for the medical professional or facility providing treatment, advice or counseling, type and dates of treatment or counseling, and self-help membership periods. Alternatively, the application may require the completion of a Drug and Alcohol Use supplement which shall request details such as those described above;

- (e) ***Benefits, Pension or Compensation.*** Whether a proposed owner or annuitant has, within a specified period of time (not to exceed in the past 5 years) made a claim for or received benefits, compensation or pension for any injury, sickness, disability or impaired condition. For a “yes” response, details may be requested such as: date claim filed, type of benefits claimed, amounts and dates of payments received, contact information for the payor of the benefits, type of injury, sickness, disability or impaired condition, duration of these, and contact information for the treating physician;
- (f) ***Disorders and Diseases.*** Whether a proposed owner or annuitant has ever been diagnosed, treated, tested positive for, or been given medical advice by a member of the medical profession for a disease or disorder such as:
- (i) Any disorder or disease of the brain or nervous system;
  - (ii) Any disorder or disease of the heart, blood vessels or circulatory system;
  - (iii) Any disorder or disease of the respiratory system;
  - (iv) Any disorder or disease of the stomach, liver, intestines, rectum, pancreas or abdominal organs;
  - (v) Any disorder or disease of the genito-urinary organs;
  - (vi) Any disorder or disease of the skeletal system;
  - (vii) Any disorder or disease of eyes, ears, nose or throat;
  - (viii) Any disorder or disease of the blood, skin, thyroid, lymph or other glands;

- (ix) Any psychiatric or mental health disorder or disease;
- (x) Any gynecological disorders or diseases;
- (xi) Any cancer, tumor, cyst or nodule;
- (xii) Any sexually transmitted disorders or diseases; or
- (xiii) Any disorders or diseases of the immune system except those related to the Human Immunodeficiency Virus (AIDS virus).

For any category of disorder or disease included, the application shall include specific disorders and diseases that the company determines it needs for underwriting purposes;

For any “yes” answer, details may be requested such as: name, address and telephone number of the medical professional or facility providing treatment, diagnosis, dates of diagnoses, consultations, tests and treatments;

- (g) ***Immune Deficiency.*** Whether a proposed owner or annuitant has ever been:
  - (i) Diagnosed or treated by a member of the medical profession for specified symptoms such as: immune deficiency, anemia, recurrent fever, fatigue or unexplained weight loss, malaise, loss of appetite, diarrhea, fever of unknown origin, severe night sweats; unexplained or unusual infections or skin lesions; unexplained swelling of the lymph glands; Kaposi’s Sarcoma or Pneumocystis Carinii Pneumonia;
  - (ii) Diagnosed by a member of the medical profession or tested positive for Human Immunodeficiency Virus (AIDS virus) or Acquired Immune Deficiency Syndrome (AIDS).

For any “yes” answer, details may be requested such as: name, address and telephone number of the medical professional or facility providing diagnosis or treatment, diagnosis, dates of diagnoses, tests, and treatments;

- (h) ***Treatment by a Member of the Medical Profession.*** Whether the proposed owner or annuitant, within a specified period of time (not to exceed 5 years), has been:
  - (i) Treated, examined or advised by a member of the medical profession; or
  - (ii) Been advised by a member of the medical profession to get specified medical care which was not completed, such as any hospitalization, surgery or diagnostic test, except those tests related to the Human Immunodeficiency Virus (AIDS virus);

For any “yes” answer, details may be requested such as: name, address and telephone number of the medical professional or facility providing treatment, examination or advice, diagnosis, date of diagnosis, dates of treatment;

- (i) ***Inpatient and Outpatient Treatment.*** Whether the proposed owner or annuitant within a specified period of time (not to exceed 5 years), has been an inpatient or outpatient in a hospital, clinic or medical facility, or any similar entity. For any “yes” answer, details may be requested such as: name, address and telephone number of the place where treatment was provided, diagnosis, date of diagnosis, dates of treatment;
  - (j) ***Diagnostic Tests.*** Whether the proposed owner or annuitant, within a specified period of time (not to exceed 5 years), has had diagnostic tests such as: an electrocardiogram (EKG) or X-ray, except those related to the Human Immunodeficiency Virus (AIDS virus). For any “yes” answer, details may be requested such as: name, address and telephone number of the place where the tests were performed, name, address and telephone number of medical professional or facility prescribing the tests, dates of the tests; or
  - (k) ***Inability To Work, Attend School, or Perform Normal Activities of Like Age and Gender.*** Whether the proposed owner or annuitant, within a specified period of time (not to exceed 5 years) has been unable to work, attend school or perform the normal activities of like age and gender, or been confined at home. For any “yes” answer, details may be requested such as: explanation of inability or confinement; name, address and telephone number of medical professional or facility consulted; diagnosis; treatment prescribed; medications prescribed; date of onset and recovery.
- (2) The application may state that, in responding to any of the questions, the proposed owner or annuitant need not include colds, minor viruses or minor injuries which prevented normal activities for a period less than a specified period of days (such as 5 days).
  - (3) The application may include an additional details section where the proposed owner or annuitant may provide the details to “yes” answers. The details shall include information such as: name of proposed owner or annuitant; question number; name, addresses and telephone numbers of all medical providers; diagnosis; date of onset; dates of consultations, tests and treatment; date of surgery; medications prescribed; date of recovery.

## **F. MEDICAL EXAM**

If the medical exam is considered part of or a continuation of the application and attached to the policy at issue, then the following standards apply:

- (1) The application may include a separate section for questions to be answered by the proposed owner or annuitant and a report of a paramedical or medical exam conducted by a medical professional designated by the company.

- (2) For the questions to be answered by the proposed owner or annuitant, these may include the same questions as those included in these standards for Proposed owner or annuitant, Tobacco Use, Personal Physician or Medical Facility, Prescribed Medication and Diet and Medical Questions. For “yes” answers, the same type of details requested in those sections may also be requested. The proposed owner or annuitant will be required to sign the section of questions to confirm that they have read the answers as written before signing, that the answers are true and complete to their best knowledge and belief, and that there are no exceptions to any answers other than as written, or statements to similar effect.

## **§ 5 ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES**

### **A. GENERAL**

The application may include the following:

#### (1) MEMBERSHIP

The application may require the membership information a fraternal determines it needs to administer the insurance plan, such as membership status (new or existing), lodge number, term of membership, state of membership, etc.

## **Appendix A**

### **Flesch Methodology**

The following measuring method shall be used in determining the Flesch score:

- (1) For policy forms containing 10,000 words or less of text, the entire form shall be analyzed. For policy forms containing more than 10,000 words, the readability of two, 200-word samples per page may be analyzed instead of the entire form. The sample shall be separated by at least 20 printed lines.
- (2) The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.
- (3) The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.
- (4) The sum of the figures computed under (2) and (3) subtracted from 206.835 equals the Flesch reading ease score for the policy form.
- (5) For purposes of (2), (3), and (4), the following procedures shall be used:
  - (a) A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;
  - (b) A unit of words ending with a period, semicolon, or colon, but excluding headings and captions, shall be counted as a sentence; and
  - (c) A syllable means a unit of spoken language consisting of one or more letters of a word as divided by an accepted dictionary. Where the dictionary shows two or more equally acceptable pronunciations of a word, the pronunciation containing fewer syllables may be used.
- (6) The term "text" as used in this section shall include all printed matter except the following:
  - (a) The name and address of the company; the name, number or title of the policy; the table of contents or index; captions and sub-captions; specifications pages, schedules or tables; and;
  - (b) Any policy language which is drafted to conform to the requirements of any federal law or regulation; any policy language required by any collectively bargained agreement; any medical terminology; any words which are defined in the policy; and any policy language required by law or regulation; provided, however, the company identifies the language or terminology excepted by the paragraph and certifies, in writing, that the language or terminology is entitled to be excepted by this paragraph.

- (7) At the option of the company, riders, endorsements, applications and other forms made a part of the policy may be scored as separate forms or as part of the policy with which they may be used.

## **Appendix B**

### **Fraternal Benefit Societies**

Fraternal Benefit Societies (“fraternals”) are subject to separate fraternal codes in all jurisdictions due to their unique structure, operations and legal obligations. The Drafting Note included at the ends of the **AGREEMENTS** standards, the new section entitled **ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES**, and **Appendix B** are included in the standards to allow fraternals to experience the benefits of participating in the single point of filing and review process that the IIPRC offers, without jeopardizing their ability to meet their unique obligations and to operate as required or permitted by law.

By law, a fraternal is defined by five basic elements:

1. one without capital stock;
2. one conducted solely for the benefit of its members and their beneficiaries by providing life, health and annuity benefits and by operating one or more social, educational, charitable, patriotic, or religious purposes for the benefit of members and others;
3. one that is a benevolent and charitable institution and not for profit;
4. one operated on a lodge system that may carry out charitable and other activities; and
5. one that has a representative form of government with a governing body and direct election of its members.

The laws governing fraternals impact the standards in several ways. Fraternals are required by law to issue insurance contracts that incorporate the laws of the Society and the application for membership. Thus, the contract must consist not only of the policy or certificate issued, and the application for insurance, but also the application for membership and the articles and bylaws. Further, the laws governing fraternals require or permit that the articles and bylaws address the structure of lodges, membership requirements, form of governance, grievance procedures, and eligible beneficiaries. Any amendments to the articles or bylaws made after issuance of a certificate must be applied consistently to all members retroactively. However, no amendment shall eliminate or reduce contractual benefits.

By law, fraternals are membership organizations. Because of this, the law refers to the insurance forms issued to members of a fraternal as “certificates” or “certificates of membership and insurance”. Further, due to the membership requirements, fraternal certificates often include a provision stating that the annuitant and/or owner is a member and that the form that has been issued to evidence coverage is a certificate of membership and insurance. In addition, fraternal certificates may include a Maintenance of Solvency provision setting forth the legal rights and obligations in the case of a fraternal’s financial impairment.