

DATE: May 31, 2011

TO: IIPRC Product Standards Committee (PSC)

FROM: Industry Advisory Committee

SUBJECT: DI Standards Dated April 5, 2011

- Policy Change Form
- Application Change Form
- Underwriting Exclusions

General Inconsistency in DI Standards

*In the 4/21 **policy draft***, the title of the standards was changed to include all the products, as was the first paragraph under Scope. The definition, which is second paragraph of Scope, also includes all the products. The “individually underwritten” was inserted into the definition.

*In the 4/21 **application draft***, the title of the standards was changed to include all the products, *but the first paragraph under Scope was not*. The definition, which is at the bottom of page 1 also includes all the products. The “individually underwritten” was inserted into the definition.

*In the 4/21 **outline of coverage draft***, the title of the standards was changed to include all the products, *but the first paragraph under Scope was not*. The definition, which is below the Scope section also includes all the products. The “individually underwritten” was inserted into the definition.

*In the 4/21 **initial rate filing draft***, the title of the standards was changed to include all the products, *but the first paragraph under Scope was not*. The definition, which is at the end of the Scope section also includes all the products. The “individually underwritten” was inserted into the *first paragraph under Scope*.

*In the 4/21 **rate revisions filing draft***, the title of the standards was changed to include all the products, *but the first paragraph under Scope was not*. The definition, which is at the end of the Scope section also includes all the products. The “individually underwritten” was inserted into the *first paragraph under Scope*.

The 4/5 drafts for the policy change form, the application change form and the underwriting exclusions follow the 4/21 policy draft.

The PSC may want to consider updating the drafts for consistency.

Re: DI Policy Change Form Standards

Scope, Page 1

In the last sentence of the first paragraph, the word “policy” was changed to “form”. We suggest that “policy” be reinstated since the policy change form is attached to a policy.

§2.A.(6), Page 3 (bottom)

We question the need to require a certification. The previous language established a process for eliminating the signature – why was this not enough? This is the same language that is in the current life, annuity and LTC change forms (policy and application), and if we were to go back and change these accordingly and implement the use of 8 new certifications, we view this as totally unnecessary.

Re: DI Application Change Form Standards

§1.A.(2), Page 1 (bottom)

Whereas the proof format was important for application forms which are costly to produce for the filing purposes only, the change form is a simple word processed one or two pager. So it is not necessary to provide for a “proof format”, but harmless.

§1.A.(4), Page 2

The application change form is used to correct or change what was originally stated in an application. So at the time an application change form is used, the application which is to be changed has already identified if it was used for new business or a policy change. Companies do not need a “multi-purpose” application change form since the identification required in the standards (name of insured, name of owner if other than the insured, the date of the application, and policy number if one was assigned) would be sufficient to identify which application is being changed by the change form.

Accordingly, we suggest that we do not need item (4).

§1.A.(5), Page 2

As stated in the Scope section, the purpose of a change form is for “use during the underwriting process to make changes to answers that have been provided by the applicant.”

The application change form is not intended to be used to ask any medical questions, or any other questions, or have sections to be completed by the applicant. The form is used to record changes being made by the applicant to the information originally provided in

the application. The only application questions/sections that may be used are to be included in the application, supplemental questionnaires, drop downs, etc. All “yes” responses are supposed to be recorded in the application materials.

Having said this, it is possible that if an application question was incorrectly answered “yes” and the application change form is used to change the answer to “no”, the change form may repeat the question as it appeared in the application, but in no case is the change form to include a new question, questionnaire or drop down that was not filed for use with the application.

Accordingly, we suggest that item (5) be deleted.

§1.D.(2) and (3), Page 3

Note comments above for ***§1.A.(5), Page 2***. There will not be any new questions on the application change form that were not included in the application. Accordingly, we suggest deleting these two items.

§2.A.(7), Page 4

The intent here is to have the same people who signed the application to also sign the application change form. The addition of “change form” is not appropriate and we suggest deleting the change.

Submitted by:

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