



## IIPRC-DI-H11-APP

### **INDIVIDUAL DISABILITY INCOME INSURANCE APPLICATION STANDARDS AS APPLICABLE TO THE FOLLOWING PRODUCTS:**

- **DISABILITY INCOME PLANS**
- **BUY-SELL PLANS**
- **KEY PERSON PLANS**
- **BUSINESS OVERHEAD EXPENSE PLANS**

1. Date Adopted: September 26, 2011
2. Purpose and Scope: The Individual Disability Income Insurance Application Standards are intended to apply to paper, telephonic or electronic applications for coverage provided by insurance policy forms for disability income plans, buy-sell plans, key person plans and business overhead expense plans that are individually underwritten, including such plans that are marketed through employer and association sponsored groups (“multi-life” plans), as applicable. These standards are intended to apply to new business applications as well as applications used to request changes to existing policies.

The company may submit one multi-purpose application to accommodate new business and all policy changes (conversion, reinstatement, suspension of coverage while in military service, exercise of guaranteed insurability option, plan changes, risk class improvements, addition of benefit feature, changes to existing benefit feature, etc.), submit separate applications for each purpose, or submit an application with any combination of purposes (new business and reinstatement only, all policy changes only, etc.).

3. Rules Repealed, Amended or Suspended by the Rule: None.
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: These standards are available to be used in combination with the following State Product Components: a policy form, rider, amendment or endorsement for disability income plans, buy-sell plans, key-person plans and business overhead expense plans, and as provided in Section 111(b) of the *Operating Procedure for the Filing and Approval of Product Filings*. These standards are not available to be filed using the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.
6. Effective Date: January 11, 2012

#### **INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION (IIPRC)**

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**Scope:** The Individual Disability Income Insurance Application Standards are intended to apply to paper, telephonic or electronic applications for coverage provided by insurance policy forms for disability income plans, buy-sell plans, key person plans and business overhead expense plans that are individually underwritten, including such plans that are marketed through employer and association sponsored groups (“multi-life” plans), as applicable. These standards are intended to apply to new business applications as well as applications used to request changes to existing policies.

The company may submit one multi-purpose application to accommodate new business and all policy changes (conversion, reinstatement, suspension of coverage while in military service, exercise of guaranteed insurability option, plan changes, risk class improvements, addition of benefit feature, changes to existing benefit feature, etc.), submit separate applications for each purpose, or submit an application with any combination of purposes (new business and reinstatement only, all policy changes only, etc.).

**Mix and Match:** These standards are available to be used in combination with the following State Product Components: a policy form, rider, amendment or endorsement for disability income plans, buy-sell plans, key-person plans and business overhead expense plans, and as provided 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 using the Rule for the Self-Certification of Product Components 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 disability income insurance whether or not the form is attached to the policy at issue. The application shall be filed for approval.

“Disability income” means disability income plans, buy-sell plans, key person plans and business overhead expense plans that are individually underwritten, including such plans that are marketed through employer and association sponsored groups (“multi-life” plans), as applicable.

“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.

**Drafting Note 1:** Any reference to “policy” in these standards shall include a rider, endorsement or amendment used to provide disability insurance. “Policy” shall not include a group policy or a group certificate because these standards only apply to individual forms.

**Drafting Note 2:** The references to “policy” or “plan” do not preclude Fraternal Benefit Societies from substituting “certificate” in their forms.

## **§ 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 intended purpose shall be available, such as a checkbox in front of each purpose. A “blank write in” format is not acceptable.
  - (b) The applicant shall be provided instructions that specify which sections of the application must be completed for each purpose.
- (5) 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.
  - (7) If the application contains variable items, include the Statement of Variability required in the specific Interstate Insurance Product Regulation Commission uniform standard. 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.
  - (9) Include a statement of the types of policy forms and plans with which the application will be used. For example, individual disability income insurance plans, buy-sell plans, key-person plans or business overhead expense plans.
  - (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 the policy is delivered or issued for delivery.

- (11) Include a description of any innovative or unique features of the application.
- (12) The replacement questions may be included in the application or in a separate form. If the replacement questions will be included in a separate form, include a certification that this is the case.

## **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 compacting states;
  - (c) Plan information, including plan marketing name or logo, plan design and premium mode options.
- (2) 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.
- (3) If the company identifies plan 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 policy 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.
- (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 the 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 purpose must be available, such as a checkbox in front of each purpose.
- (4) If the application will be used for policy changes, the application shall:
  - (a) Instruct the applicant to provide the policy number for the existing policy for which change is requested; and
  - (b) Identify the insured 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 shall appear in prominent print on the cover page or the first page of the application indicating that the application is for coverage under an individual disability income plan, buy-sell plan, key-person plan or business overhead expense plan.

## **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 policy forms with which the application will be used.
- (2) The application questions shall be presented as single direct questions, not as declaratory statements.
- (3) 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," or "Do you think you have" are not acceptable.
- (4) Open-ended questions are not permitted.



**§ 3. APPLICATION SECTIONS**

**A. PROPOSED INSURED**

- (1) The application shall request the information that the company determines it needs to identify the proposed insured and provide contact information, such as: name, address, telephone number, email address, age, date of birth, place of birth, gender, occupation, tax identification or social security number, marital status, driver license number and state and country of issue, or other official document used to verify identity. The section may also ask for the best time to call the applicant.

**B. OTHER PROPOSED INSURED**

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

**C. EMPLOYMENT DATA**

- (1) The application shall request the information that the company determines it needs to verify employment data, such as: current employer and previous employer (within last 2 years) name, address and other contact information; job change plans; employer tax identification number; nature of employer's business; length of time with the employers; proposed insured's occupation and duties, length of time in occupation/duties, percentage of duties that are office, sales, supervisory, manual; full-time and/or part-time duties elsewhere; transportation mode to work.
- (2) Any employment data requested for a period of more than 5 years shall require justification to be included in the filing.

**D. FINANCIAL DATA**

- (1) The application shall request the information that the company determines it needs to verify financial data, such as:
- (a) The proposed insured's earned income (salary, fees, commissions and bonuses) and unearned income (interest, dividends, net rental income, etc.) as reported for federal tax purposes for current and previous two tax years; retirement plan contributions made by proposed insured and employer; personal net worth (assets minus liabilities); personal or business bankruptcy filing; and
- (b) For an owner of a business or a practice, in addition to the information in (a) above, an explanation of how the business is organized (corporation, partnership, etc.); length of ownership; percentage of ownership; number of employees.

**E. TYPE OF POLICY**

- (1) The application shall allow the applicant to specify the type of individual disability income plan, buy-sell plan, key-person plan or business overhead expense plan selected for the proposed insured, such as: the policy plan of insurance, the type of disability benefits to be provided (such as total, recurrent, residual, presumptive, etc.), additional benefits (such as incidental accident, incidental accidental death and dismemberment, cost of living, waiver of premium, social insurance integration, survivorship or transition, etc.).

**F. PREMIUM AND BILLING**

- (1) The application shall allow the applicant to specify the amount paid with the application, a payor if other than the owner, premium mode and billing information. If a payor is other than the owner, the application shall request the payor information needed by the company to administer the insurance plan, such as the payor's name, telephone number, address, email address, tax identification or social security number, and relationship to the owner and the insured.
- (2) The application may request information concerning the source and/or method of funding the premium payments.

**G. OWNER**

- (1) The application shall allow the applicant to designate the owner and provide the owner information that the company determines it needs to administer the insurance plan, such as the owner's name, telephone number, address, email address, tax identification or social security number, and relationship to the insured.

**H. BENEFICIARY**

- (1) The application may allow the applicant to designate the beneficiary and shall require the beneficiary information that the company determines it needs to confirm insurable interest and administer the insurance plan, such as the beneficiary's name, telephone number, address, email address, tax identification or social security number, and relationship to the insured.

**I. OTHER INSURANCE**

- (1) The application may include a question for the proposed insured regarding having, applying for, currently being eligible for, or becoming eligible for within a specified period of time (such as the next 12 months), any of the following disability income plans: individual, association, employer sick pay, business overhead expense, buy-sell, key-person. Details may be requested such as: insurance company name, policy or contract number, employer plan name, date issued, monthly amount of insurance, type of coverage, elimination period, benefit period, who pays premium and if such payment is included in the proposed insured's taxable income, owner, and if business or personal.
- (2) The application may include a question regarding if the proposed insured has ever had life or health insurance declined, modified, or rated. For a "yes" response, details may be requested such as: company name, year of action, amount applied for or reason for action.

**J. REPLACEMENT OF INSURANCE**

- (1) If the company elects to include the replacement question in the application:
- (a) The application shall require the applicant to specify if the proposed insured has existing individual disability income insurance 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 disability income insurance in force with the company or any other company.

The appropriate details 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.

**K. 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 plan of insurance, amount, age at issue, gender, class or benefits shall require the written consent of the owner and the proposed insured.

**L. AGREEMENTS**

- (1) The application shall include the statements agreed to by the proposed insured, such as:
- (a) That the proposed insured has read the application and all statements and answers as they pertain to the proposed insured, and that these statements and answers are true and complete to the best of the proposed insured’s knowledge and belief;
  - (b) That the statements and answers in the application are the basis for any policy 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;
  - (c) That a sales representative, agent or medical examiner 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, policy or receipt, as applicable;
  - (d) That the company will have no liability until:
    - (i) A policy 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 insured is alive.

- (2) The application may include an acknowledgement by the proposed insured of receipt of disclosures as required by law.
- (3) For applications for entity-owned policies, the application may include acknowledgments that:
  - (a) Authorized individuals are signing on behalf of the entity purchasing the disability income insurance and that each individual is authorized and empowered to individually or collectively enter into contracts and financial transactions including but not limited to the purchase of disability income insurance, to make any subsequent withdrawals or surrenders and exercise all ownership rights under the policy 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 policy; and
  - (e) The authorized individuals and the 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 policy.

**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.

#### **M. 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 owner, 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 owner 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.

**N. OWNER CERTIFICATIONS**

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

**O. FRAUD NOTICE/WARNING**

- (1) The application shall include a fraud notice/warning. The notice/warning shall include language similar to the following: "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."

**P. 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 insured of the age of majority required by the state where the policy 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 insured's support; signature of owner if other than the proposed insured; title of officer signing as owner if owner is a corporation, partnership or trust; 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 insured 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**

The application may include the following questions to be answered by each proposed insured:

- (1) ***Driving Record.*** Whether the proposed insured's driver's license has ever been suspended or revoked, whether the proposed insured 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 insured 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.
- (2) ***Felony or Misdemeanor.*** Whether the proposed insured has in the past 10 years plead guilty to or been convicted of a felony or misdemeanor. For a "yes" response, details may be requested

such as: the nature of the plea or conviction, the date and state where the plea or conviction occurred, and whether time was served in prison.

- (3) **Aviation Activity.** Whether the proposed insured 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. As an alternative to requesting the details in the application, the application may require the completion of an Aviation supplement which shall request details such as those described above.
- (4) **Recreational Activity (Avocation, Hobby, Sport).** Whether the proposed insured has ever engaged, or intends within the next two years to engage, in activities identified by the company as recreational 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. As an alternative to requesting the details in the application, the application may require the completion of an Activity Specific supplement which shall request details such as those described above.
- (5) **Military Service.** Whether the proposed insured 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. As an alternative to requesting the details in the application, the application may require the completion of a Military Service supplement which shall request details such as those described above.
- (6) **Foreign Travel.** Whether the proposed insured 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. As an alternative to requesting the details in the application, the application may require the completion of a Foreign Travel supplement which shall request details such as those described above.
- (7) **Foreign Residency.** Whether the proposed insured has lived outside the United States within a specified period of time (not to exceed the last 2 years) or plans 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. As an alternative to requesting the details in the application, the application may require the

completion of a Foreign Residency supplement which shall request details such as those described above.

- (8) **Citizenship.** Whether the proposed insured 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 the proposed insured is a permanent resident of the United States and if “yes” for how long.
- (9) **Suspension, Surrender or Revocation of Professional License or Certificate.** Whether the proposed insured has had a professional license or certificate suspended or revoked, or whether the proposed insured surrendered it. For a “yes” response, details may be requested, such as: type of license or certificate held, date issued, date suspended, revoked or surrendered, reasons for such actions.

#### **C. PERSONAL PHYSICIAN OR MEDICAL FACILITY**

- (1) The application may require the identity of the proposed insured’s personal physician or medical facility that they consulted within a specified period of time 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 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 the proposed insured’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. ACTIVELY AT WORK**

- (1) The application may include a question regarding if the proposed insured, within a specified period of time (not to exceed 180 days prior to the date of application) has not been continuously at work on a full-time basis (minimum of 30 hours per week) performing the duties of their occupation due to an injury or sickness. For any “yes” answer, details may be requested such as: number of days missed due to the injury or sickness, specification of the injury or sickness, explanation of inability to work; name, address and telephone number of medical professional or facility consulted; diagnosis; treatment prescribed; medications prescribed; date of onset and recovery.

#### **F. MEDICAL QUESTIONS**

- (1) The application may include the following questions to be answered by the proposed insured:
  - (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 insured 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 insured is pregnant. For a “yes” response, the application may request the anticipated delivery date;
- (d) **Drug and Alcohol Use.** Whether a proposed insured has within the past 10 years:
  - (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. As an alternative to requesting details in the application, 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 insured has, within a specified period of time (not to exceed 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 insured has within the past 10 years 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 insured has within the past 10 years 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 insured, 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 insured 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 insured, 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.
- (2) The application may state that, in responding to any of the questions, the proposed insured 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 insured may provide the details to “yes” answers. The details shall include information such as: name of proposed insured; 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.

## **G. 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 insured 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 insured, these may include the same questions as those included in these standards for Proposed Insured, 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 insured 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 DISABILITY BUSINESS OVERHEAD EXPENSE PLANS**

**A. PROPOSED INSURED**

- (1) The application shall request the information that the company determines it needs to identify the proposed insured, such as: if the proposed insured is a sole proprietor (100% owner), a partner (ownership percentage will be required), shareholder of a corporation (ownership percentage will be required), or other (ownership percentage will be required).
- (2) If the proposed insured is a partner or shareholder, the application may request additional information such as:
  - (a) Number of other partners or shareholders, and how many of these work on a full-time basis for the business;
  - (b) What percentage of total business expenses is proposed insured responsible for? If the percentage is different from the percentage of ownership, an explanation may be requested.

**B. EMPLOYEE DATA**

- (1) The application may request the number of employees, excluding the proposed insured, other partners or shareholders, who are employed on a full-time and part-time basis.

**C. BUSINESS DATA**

- (1) The application shall request an explanation of the type of business conducted by the proposed insured, including the proposed insured's profession.
- (2) The application may request additional information about the proposed insured's business and/or profession, such as:
  - (a) Does the business share office space and/or expenses with another person or business? For a "yes" response, details may be requested.
  - (b) Does the proposed insured or the business own all or part of the building in which the business is located? For a "yes" response, details may be requested regarding if it is owned by the proposed insured personally or by the proposed insured's business, and what percentage of ownership applies.
  - (c) Are there other members of the proposed insured's profession, or related profession, employed by the proposed insured or the proposed insured's business? For a "yes" response, details may be requested such as how many persons are employed and what they do.
- (3) The application may request additional information regarding the monthly base salary, fees and wages that would be paid to certain employees hired to perform the proposed insured's duties.

This amount may be limited to the lesser of a specified percentage (such as 50%) of all covered expenses or a specified percentage (such as 80%) of the proposed insured's current salary, fees and wages.

- (4) The application shall request a breakdown of the current average (specified period of time, such as the last 12 months) fixed monthly expenses, and a total of these. In the case of shared business ownership, only those expenses representing the proposed insured's share shall be listed. The breakdown may include, but is not limited to:
- Employee wages;
  - Employer paid FICA, other taxes and benefits for employees;
  - Rent, lease payments;
  - Equipment lease, rental payments;
  - Equipment loan principal or depreciation, whichever is greater;
  - Utilities (telephone, electricity, heat, water, internet access);
  - Laundry, janitorial expenses;
  - Legal, accounting expenses;
  - Property, liability insurance;
  - Malpractice insurance;
  - Professional, association dues;
  - Interest on business debt;
  - Mortgage interest;
  - Mortgage principal or depreciation, whichever is greater;
  - Business property taxes;
  - Office supplies, postage, subscriptions; and
  - Other specified expenses, excluding bonus, profit or commission paid to anyone; cost of sales or inventory; travel and entertainment, income taxes for the proposed insured or the business; any business expenses for which the proposed insured is not liable; compensation for any person sharing overhead expenses or any person employed to perform the proposed insured's duties.

#### **D. OTHER DISABILITY BUSINESS OVERHEAD EXPENSE INSURANCE**

- (1) The application may include a question for the proposed insured, partners and shareholders regarding having, applying for, currently being eligible for, or becoming eligible for within a specified period of time (such as the next 12 months) any Disability Business Overhead Expense insurance. For a "yes", response, details may be requested such as: insurance company name, policy number, date issued, monthly amount of insurance, type of coverage, elimination period, benefit period, who pays the premium and if such payment is included in the proposed insured's taxable income, who the owner is, and if business or personal.

### **§ 6. ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES**

#### **A. GENERAL**

The application may include the following:

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(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 this paragraph and certifies, in writing, that the language or terminology is entitled to be excepted by this paragraph.

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- (7) At the option of the company, riders, endorsements, amendments, 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 codes in all jurisdictions due to their unique structure, operations and legal obligations. The Drafting Notes included at the ends of the **AGREEMENTS** standards, the new section entitled **ADDITIONAL STANDARDS FOR FRATERNAL BENEFITS 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 Interstate Insurance Product Regulation Commission 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 capitol 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 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 fraternal as “certificates” or “certificates of membership and insurance”. Further, due to the membership requirements, fraternal certificates often include a provision stating that the insured 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.