



IIPRC-DI-I-H11-BuySell Checklist

INDIVIDUAL DISABILITY INCOME BUY SELL INSURANCE POLICY STANDARDS

Effective Date: July 10, 2023

Scope: These standards shall apply to individual *Disability Buy-Sell* insurance policies that are individually underwritten, including policies that are marketed through employer and association groups (“multi-life” plans).

Separate additional standards will apply for:

- disability income plans;
- business overhead expense plans; and
- key-person plans.

Consult the Interstate Insurance Product Regulation Commission website to determine when these additional standards are available for filing.

Mix and Match: These standards are not 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, except that these standards are available to be used in combination with state-approved individual life insurance policies and annuity contracts, provided that the disability income rider and all the components associated with the disability income rider, e.g. application and rates, are filed and approved in accordance with the applicable uniform standards.

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*.

Drafting Note 1: References to “policy” or “plan” do not preclude Fraternal Benefit Societies from substituting “certificate” in their forms.

Drafting Note 2: Any reference to “policy” in these standards shall not include a group policy or a group certificate because these standards only apply to individual forms.

Drafting Note 3: Unless otherwise stated, all terms used in these standards shall have the same meaning as defined in the Standards for Individual Disability Income Insurance Policies

§ 1. ADDITIONAL FILING SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements apply:

YES N/A

		(1) For new policy filings, the filing shall indicate the respective application, the outline of coverage,-and the rate schedules to be used with the policy.
		(2) All forms filed for approval shall be included with the filing.
		(3) Subsequent <i>Disability Buy Sell</i> insurance filings submitted for approval shall include only those forms being submitted for approval and should specify any other forms previously approved by the Interstate Insurance Product Regulation Commission that will be used with the subsequently filed form(s). Changes to a previously approved form shall be highlighted.
		(4) The specifications page of the policy shall be completed with hypothetical data that is realistic and consistent with the other contents of the policy and any required actuarial filings.
		(5) If the filing contains variable items, include a Statement of Variability that presents reasonable and realistic ranges for each item. The filing shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements of the Variability of Information section, including any requirements for prior approval of a change or modification.
		(6) Include a certification signed by a company officer that the policy has a minimum Flesch Score of 50.
		(7) If the filing is being submitted on behalf of the company, include a letter or other document authorizing the firm to file on behalf of the company shall be included with the filing.
		(8) If the filing contains an insert page, include an explanation of when the insert page will be used.
		(9) Include a description of any innovative or unique features of each policy form.

B. ACTUARIAL SUBMISSION REQUIREMENTS

YES N/A

		(1) Include the information required by the initial rate filing standards of the Interstate Insurance Product Regulation Commission.
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C. VARIABILITY OF INFORMATION

YES N/A

		(1) The company may identify items that will be considered variable. The items shall be bracketed or otherwise marked to denote variability. Variability shall be limited to benefit data applicable to the owner or insured, <i>Disability Buy Sell</i> benefit, amounts, durations, and premium information. Variability shall also include the limitations and exclusions that are required to comply with applicable law in the state where the policy is delivered or issued for delivery under Section 3.F. (4), (11) and (12). The filing shall include a Statement of Variability that will discuss the conditions under which each variable item may change as well as the alternative content to which the item may change.
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	(2) Any change or modification shall be limited to only new issues of the policy and shall not apply to in force policies.
	(3) A change in any variable outside of the conditions discussed in the Statement of Variability requires prior approval.
	(4) Notwithstanding Paragraph (1) above, items such as the insurance department address and telephone number, company address and telephone number, officer titles and signatures of officers located in other areas of the policy may be denoted as variable and changed without notice or prior approval.

D. READABILITY REQUIREMENTS

YES N/A

	(1) The policy 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 policy shall be presented, except for specification pages, schedules and tables, in not less than ten-point type, one point leaded.
	(3) The style, arrangement and overall appearance of the policy shall give no undue prominence to any portion of the text of the policy or to any endorsements or riders.
	(4) The policy shall contain a table of contents or an index of the principal sections of the policy, if the policy has more than 3,000 words printed on three or fewer pages of text or if the policy has more than three pages regardless of the number of words.

§ 2. GENERAL FORM REQUIREMENTS

A. COVER PAGE

YES N/A

	(1) The full corporate name, including city and state of the insuring company shall appear in prominent print on the cover page of the policy. “Prominent print” means, for example, all capital letters, contrasting color, underlining, or otherwise differentiating from the other type on the form.
	(2) A marketing name or logo may also be used on the cover page of the policy provided that the marketing name or logo does not mislead as to the identity of the insuring company.
	(3) The company’s complete mailing address for the home office or other office that will administer the policy shall appear on the cover page of the policy. The cover page of the policy shall include a telephone number of the company and, if available, some method of Internet communication. The telephone number of the insurance department of the state where the policy is delivered or issued for delivery is also required on either the cover page or the first specifications page.

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	(4) Two signatures of company officers shall appear on the cover page of the policy.
	(5) A Right to Examine Policy provision shall appear on the cover page of the policy or be visible without opening the policy
	(6) A form identification number shall appear at the bottom of the form in the lower left-hand corner of the form. 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.
	(7) A brief description shall appear in prominent print on the cover page of the policy or is visible without opening the policy. The brief description shall contain at least the following information:
	(a) A statement that <i>Disability Buy Sell</i> coverage is being provided;
	(b) A statement as to whether the policy is <i>Conditionally Renewable; Continuable with Guaranteed Premiums; Guaranteed Renewable</i> or <i>Noncancellable</i> .
	(c) A conspicuous statement as follows: <i>Preexisting Condition</i> limitations or exclusions and other limitations or exclusions may apply. Please read your policy carefully.
	(d) A statement as to any benefit limits or reductions due to the insured's attainment of certain ages; and
	(e) A statement as to whether the policy is <i>Participating</i> or <i>Non-Participating</i> .

B. SPECIFICATIONS PAGE

YES N/A

	(1) The specifications page shall include the <i>Disability Buy Sell</i> benefits, amounts, durations, premium information, and any other benefit data applicable to the owner or insured. Any policy fee shall be identified.
	(2) If rates are scheduled to increase due to the attainment of certain ages by the insured or due to the duration of the policy, the specifications page shall include an applicable schedule of rates. For a policy issued on a non-cancellable basis that subsequently changes to <i>Conditionally Renewable</i> at a specified age, the specifications page that is initially provided shall include only the schedule of rates that initially applies.
	(3) If the rates included on the current specifications page are subsequently changed, a revised specifications page shall be issued for the policy.
	(4) If the policy is a <i>Participating</i> policy, the specifications page shall indicate that the dividends are not guaranteed. In addition, if the company does not intend to credit dividends, then the specifications page shall state that dividends are not expected or anticipated to be paid.

C. FAIRNESS

YES N/A

		(1) The policy 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 or contain exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the policy.
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§ 3. POLICY PROVISIONS

A. AMENDMENTS, RIDERS, AND ENDORSEMENTS

YES N/A

		(1) Except for amendments, riders or endorsements by which the company effectuates a request made in writing by the owner under an individual <i>Disability Buy Sell</i> insurance policy, all amendments, riders or endorsements added to an individual <i>Disability Buy Sell</i> insurance policy on or after its date of issue or at reinstatement or renewal that reduce or eliminate benefits or coverage in the policy shall require signed acceptance by the owner, except if the decreased benefits or coverage are required by applicable law. After the date of policy issue, any amendment, rider or endorsement which increases benefits or coverage with a concomitant increase in premium during the policy term shall be agreed to in writing signed by the owner, except if the increased benefits or coverage are required by applicable law. Where a separate additional premium is charged for benefits provided in connection with amendments, riders or endorsements, the premium charge shall be set forth in the policy, amendment, rider or endorsement.
		(2) The policy may permit the company to make unilateral changes in the policy if a change or clarification in applicable law officially compels the company to make such changes to an in-force policy. In such case, the policy shall provide that the company shall make unilateral changes to the minimum extent required to comply with applicable law. The policy shall also provide for timely notification before the change becomes effective (no less than 30 days unless the change or clarification in applicable law officially compels the company to use a shorter time period) and a statement that the company will provide the effective date of the change to the owner. Drafting Note 1: Terms and conditions stated in certain policies (often in policy renewal provisions) eliminate or curtail the company's right to make unilateral changes to the language and/or premium rates of in-force policies either for the entire time the policy is in force or for stated time periods while the policy is in force. These limitations placed upon the company in the policy terms and conditions are marketed by the company as safeguards for an insured from any possible adverse unilateral company changes to in-force coverage. The intent of Paragraph (2) above is to clarify the ability of the company to make only required and necessary unilateral changes to any in-force policy only when the company is compelled to do so due to a change or clarification in applicable law.

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		Drafting Note 2: These standards are modified, as required, or permitted by law, to enable fraternal to implement their respective articles and bylaws. See Appendix B.
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B. DEFINITIONS AND CONCEPTS

The policy shall define certain terms or describe concepts that, as used in the policy, will have specific meanings. If the policy contains the terms or describes the concepts set forth below, the definitions of the terms or descriptions of the concepts shall be consistent with the standards set forth below. The actual terms or concepts may vary as long as the language used to define the actual terms or describe the concepts is consistent with the standards set forth below. The terms may be defined, or concepts described in a definitions section of the policy, or the terms may be defined or concepts described in a policy provision that is a logical place for the definitions or concept descriptions.

YES N/A

YES	N/A	
		(1) “ Active Full-Time Work ” or “ Active Full-Time Basis ” means that the insured spends at least a specified number of hours a week, such as 30 hours, working in their <i>Occupation</i> . The policy may also require that the insured be working the specified number of hours a week in their <i>Occupation</i> for the <i>Business</i> .
		(2) “ Aggregate Benefit Amount ” means, subject to satisfaction of all policy terms and conditions by the insured, the maximum amount of benefit for which the owner or assignee can be paid either in a lump sum and/or divided into monthly installments, as described in the policy specifications page.
		(3) “ Beneficiary ” means the person or persons designated as such in the application. If the policy will include benefits for which a <i>Beneficiary</i> may be designated, the policy shall contain a <i>Beneficiary</i> provision. The provision shall state that, unless the owner designates an irrevocable <i>Beneficiary</i> , the right to change the <i>Beneficiary</i> is reserved to the owner, and the consent of the <i>Beneficiary</i> shall not be required to: (a) Terminate or assign the policy. (b) Change the <i>Beneficiary</i> ; or (c) Make any other changes in the policy. The company has the option not to permit the designation of an irrevocable <i>Beneficiary</i> .

		(4) “ Benefit Factor ” means, subject to satisfaction of all policy terms and conditions by the owner or assignee, the number of payment installments that should be made when monthly or combination benefits are selected.
		(5) “ Benefit Payment Methods ” means the methods of benefit payments are:
		(a) Monthly payment means the maximum monthly amount payable for any <i>Total Disability</i> after satisfying the <i>Elimination Period</i> .
		(b) Lump sum payment means the maximum lump sum amount payable for any <i>Total Disability</i> after satisfying the <i>Elimination Period</i> .
		(c) Combination payment means a combination of the monthly payment and lump payment methods.
		(6) “ Benefit Period ” means, subject to satisfaction of all policy terms and conditions by the <i>owner</i> or assignee, the length of time as stipulated in the contract for which a Disability Buy Sell benefit may be paid. If there is a maximum <i>Benefit Period</i> , the maximum shall be stated in the policy.
		(7) “ Business ” means the business or professional entity in which the insured has an ownership interest, as named in the application, or any other business or professional entity in which the insured develops an ownership interest after becoming insured under the policy, if the policy provides for such coverage.
		(8) “ Buy-sell Agreement ” means the written agreement between the insured and the owner(s) establishing the purchase of the insured’s entire ownership interest in the <i>Business</i> in the event of the insured’s <i>Total Disability</i> .
		(9) “ Concurrent Disability ” means one continuous period of <i>Disability</i> that is caused or is continued by more than one <i>Injury</i> or <i>Sickness</i> . Benefits for a <i>Concurrent Disability</i> will be paid as if the <i>Concurrent Disability</i> was caused by one <i>Injury</i> or one <i>Sickness</i> . In no event will an insured be considered to have more than one continuous period of <i>Disability</i> at the same time.
		(10) “ Conditionally Renewable ” means that renewal of the policy is based on certain conditions, which shall be clearly described in the policy. A company may decline to renew on the basis of class, geographic area or for stated reasons other than the deterioration of the insured’s health.
		(11) “ Continuable with Guaranteed Premiums ” means this policy may be terminated only as stated in the termination provision and premiums are guaranteed.
		(12) “ Death Benefits ” means, subject to satisfaction of all policy terms and conditions by the insured, the benefit to be paid due to the death of the insured resulting from an <i>Injury</i> and/or <i>Sickness</i> .
		(13) “ Disability ” or “ Disabled ” means that due to <i>Injury</i> or <i>Sickness</i> , or the insured meets the definition of <i>Total Disability</i> , or other <i>Disability</i> benefit triggers specified in the policy. Other <i>Disability</i> benefit triggers may include:
		(a) The insured is terminally ill with a life expectancy of twelve (12) months or less, as certified by a <i>Physician</i> .
		(b) The insured is cognitively impaired, suffering significant and irreversible deterioration or loss of intellectual capacity, as measured by clinical

		evidence and standardized tests commonly accepted for use in the medical community.
		(c) The insured is confined as an inpatient in a skilled nursing home or <i>Rehabilitation</i> facility where a daily room and board charge is made.
		(d) The insured is receiving home health care or hospice care.
		(e) The insured is a risk for transmitting a contagious disease and the ability to perform the <i>Substantial and Material Duties</i> of the insured's <i>Occupation</i> is restricted by a state licensing board or by another appropriate government authority because the risk of transmission of a contagious disease to others with whom the insured may be in contact. Drafting Note: The buy-sell uniform standard is drafted based on total disability benefits which is currently the standard for this product. If companies start to offer and receive approval from Compacting States for partial or residual disability benefits, companies or regulators can submit a request during the annual prioritization process to amend the standards to expand these benefits.
		(14) " <i>Elimination Period</i> " means, subject to satisfaction of all policy terms and conditions by the insured, the length of time an insured shall wait before <i>Disability Buy Sell benefit</i> amounts are payable under the policy. Benefit amounts may or may not accrue during the <i>Elimination Period</i> at the option of the company. The length of time required to satisfy the <i>Elimination Period</i> may, but need not consist of, consecutive units of time. The trigger for the start of the <i>Elimination Period</i> shall be commencement of <i>Disability</i> for the insured as defined in the policy. The definition or concept may specify a separate <i>Elimination Period</i> for <i>Injury</i> and a separate <i>Elimination Period</i> for <i>Sickness</i> .
		(15) " <i>Fair Market Value</i> " – means the price the business would sell for under normal market conditions as of the date the <i>Insured</i> is <i>Totally Disabled</i> . The value may be determined by an independent certified public accountant applying mutually acceptable business valuation techniques, or by a pre-set formula contained in the policy or both.
		(16) " <i>Guaranteed Renewable</i> " means that the owner has the right to continue the policy in force by the timely payment of premiums set forth in the policy until at least the insured's age 65, or as an alternative, until receipt of retirement benefits by the insured under the Social Security Act of the United States. During such period, the company shall not unilaterally make any change in any provision of the policy while the policy is in force, except that the company may make changes in premium rates by classes. This policy may also become <i>Conditionally Renewable</i> after the insured's age 65 at the option of the company. Drafting Note: See also Amendments section for renewal provision language that may be added at company discretion concerning changes or clarification in applicable law.
		(17) " <i>Hospital</i> " means an institution that is licensed as a <i>Hospital</i> by the proper authority of the state in which it is located. The term does not include any institution, or part thereof, that is used primarily as a clinic, convalescent home,

		rest home, home for the aged, nursing home, and facilities primarily affording custodial, educational, or rehabilitative care.
		(18) “Injury” means bodily injury resulting from an accident, independent of disease or bodily injury, that occurs on or after the policy effective date and while the policy is in force. The company may indicate that the <i>Injury</i> shall be sustained independent of <i>Sickness</i> . The definition or concept shall not use words such as “external, violent, visible wounds” or similar words of characterization or description. The definition or concept shall state that the <i>Disability</i> shall have occurred within a specified period of time (not less than thirty (30) days) of the <i>Injury</i> , otherwise the condition shall be considered a <i>Sickness</i> .
		(19) “Insured” means the person named as the <i>Insured</i> on the application
		(20) “Maximum Benefit Amount Payable” means the amount payable to the Owner(s). This amount is the lowest of the <i>Aggregate Benefit Amount</i> stated in the policy specifications; or <i>Fair Market Value</i> ; or <i>Purchase Price</i> .
		(21) “Mental or Nervous Disorder” shall be no more restrictive than those classified in the Diagnostic and Statistical Manual of Mental Disorders (DSM), published by the American Psychiatric Association (APA), most current version as of the start of a <i>Disability</i> . If the DSM is replaced by the APA, these disorders will be those classified in the diagnostic manual then in use by the APA as of the start of a <i>Disability</i> . At the discretion of the company, the definition or concept may refer to: 1. disorders listed in the DSM, or 2. only certain disorders listed in the DSM. If the APA no longer publishes a diagnostic manual or the APA ceases to exist, the company may substitute a comparable diagnostic manual subject to approval by the Interstate Insurance Product Regulation Commission before use of the comparable diagnostic manual. Drafting Note: The company shall have the ability to exclude certain DSM disorders from the definition or concept. Inclusion or exclusion of DSM disorders may expand or restrict coverage for the insured. When inclusion or exclusion of DSM disorders restricts coverage, such restrictions shall be consistent with the Interstate Insurance Product Regulation Commission standards for the exclusions and limitations sections of the policy.
		(22) “Noncancellable” means that the owner has the right to continue the policy in force by the timely payment of premiums set forth in the policy until at least the insured’s age 65, or as an alternative, until the insured’s receipt of retirement benefits under the Social Security Act of the United States. During this period, the company shall not unilaterally make any change in any provision of the policy (including premium rates) while the policy is in force. This policy may also become <i>Conditionally Renewable</i> after the insured’s age 65 at the option of the company. Drafting Note: See also Amendments section for renewal provision language that may be added at company discretion concerning changes or clarification in applicable law.

		(23) “ Non-Participating ” means that the company does not allocate divisible surplus to the policy and, therefore the owner does not share in the divisible surplus of the company.
		(24) “ Occupation ” means a position or professional calling for which a person receives or can receive remuneration from the <i>Business</i> .
		(25) “ Owner(s) ” means the person or Business named as the <i>Owner(s)</i> on the application or a later written request for change of ownership which is approved by the company.
		(26) “ Participating ” means that the company may allocate divisible surplus to the policy and, if it does so, the owner may share in the divisible surplus of the insurance company.
		(27) “ Physician ” means a person legally licensed to practice medicine or psychology and acting within the scope of his or her license, or a health care practitioner who is legally licensed, and is acting within the scope of his or her license, to treat an <i>Injury</i> or <i>Sickness</i> causing <i>Disability</i> . The definition or concept may exclude the insured, the owner, the assignee, any person related to the insured, owner or assignee by blood or marriage, any person who shares a significant business interest with the insured, owner or assignee, or any person who is a partner in a legally sanctioned domestic partnership or civil union with the insured, owner, or assignee.
		(28) “ Preexisting Condition ” means a condition for which symptoms existed that would cause an ordinarily prudent person to seek diagnosis, care or treatment within a one-year period preceding the effective date of the coverage of the insured, or for which medical advice, diagnostic testing, or treatment was recommended by a <i>Physician</i> or received from a <i>Physician</i> , or for which a qualified health professional prescribed drugs or medications within a two-year period preceding the effective date of the coverage of the insured. The term “coverage of the insured” as used in this definition or concept refers to initial coverage amounts when a policy is first issued, and it may, at company discretion, also refer to coverage increase amounts which are issued after the policy is first made effective when those coverage increase amounts are subject to evidence of medical insurability. In the case of coverage increase amounts subject to evidence of medical insurability, the time periods in this definition or concept run anew from the effective dates of the increased coverage amounts and apply anew only to the coverage increases.
		(29) “ Purchase Price ” means the amount the <i>Insured</i> is to be paid for their ownership interest in the <i>Business</i> if they become <i>Disabled</i> . This amount may also include other fees incurred in execution of the <i>Buy-Sell Agreement</i> .
		(30) “ Recurrent Disability ” means a <i>Disability</i> that occurs within a specified period of time immediately following a prior period of <i>Disability</i> and which is due to the same or related cause applicable to the prior period of <i>Disability</i> . The specified period of time used to determine whether a subsequent period of <i>Disability</i> is a continuation of a prior period of <i>Disability</i> cannot exceed 180 days.
		(31) “ Rehabilitation ” a program of receiving services that is geared toward aiding an insured to better perform the <i>Occupation</i> . Some services of a <i>Rehabilitation</i> program may include but are not limited to: (a) coordination of physical

		<i>Rehabilitation</i> and medical services, (b) financial and business planning, (c) vocational evaluation and transferable skills analysis, (d) career counseling and retraining, (e) labor market surveys and job placement services, and (f) evaluation of necessary worksite modifications and adaptive equipment. Participation in a training or <i>Rehabilitation</i> program shall be completely voluntary on the part of an insured and nonparticipation in a program shall not affect the company's determination of whether an insured is <i>Disabled</i> .
		(32) " <i>Sickness</i> " means illness, disease or complications of pregnancy that first manifests itself on or after the effective date of the policy and while the policy is in force. The requirement that the <i>Sickness</i> "first manifest itself" shall not override the provision entitled Time Limit for Certain Defenses Other Than Misstatements in the Application .
		(a) <i>Disability</i> benefits for pregnancy will be paid on the same basis as for <i>Sickness</i> .
		(b) The company shall accept a <i>Physician's</i> diagnosis of complications of pregnancy. Drafting Note: This Definition or Concept is expressed as a benefit trigger. In lieu of the phrase "first manifests itself" the phrase "is diagnosed or treated" may be used. See Permissible Limitations or Exclusions section, <i>Preexisting Conditions</i> for how the meaning of the Definition or Concept <i>Sickness</i> interrelates with the meaning of the Definition or Concept <i>Preexisting Condition</i> and permissible <i>Preexisting Condition</i> time limitations on benefits on or after the policy effective date. This Definition or Concept may interrelate with other policy provisions, riders, amendments, or endorsements.
		(33) " <i>Substantial and Material Duties</i> " means the important tasks, functions and operations generally required for an <i>Occupation</i> that cannot be reasonably omitted or modified. This term may include an insured's ability to work on a regular work schedule for a specified number of hours.
		(34) " <i>Total Disability</i> " means a definition of <i>Total Disability</i> no more restrictive than an insured is unable to perform the <i>Substantial and Material Duties</i> of the <i>Occupation</i> .
		(a) A company may require care by a <i>Physician</i> . If it can be shown that the insured has reached his or her maximum point of recovery yet is still <i>Totally Disabled</i> under the terms of the policy, the regular care and attendance of a <i>Physician</i> on a regular basis is not required.
		(b) The policy may allow the <i>Insured</i> to work in another occupation for the <i>Business</i> but is <i>Disabled</i> from their <i>Occupation</i> .
		(c) The policy may require a minimum loss of income

C. REQUIRED PROVISIONS

Each policy shall contain all of the provisions as set forth below. The company may, at its option, substitute for one or more of the provisions below corresponding provisions of different wording

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approved by the Interstate Insurance Product Regulation Commission as not less favorable in any respect to the insured and/or owner.

YES NA

		(1) Benefit Payment Methods. The methods and amounts of benefit payments will be displayed on the specification page. Any amount paid will be equal to or less than the actual <i>Purchase Price</i> or the policy's benefit amount but not to exceed the <i>Aggregate Benefit Amount</i>
		(2) Claim Forms. The policy shall include a provision obligating the company to furnish a claimant with claim forms. Upon receipt of a notice of claim, the company will furnish to the claimant forms usually furnished by the company for filing proofs of loss. If the forms are not furnished by the company within fifteen (15) days after the giving of such notice, the claimant shall be deemed to have complied with the requirements of the policy as to proof of loss when the claimant submits written proof covering the occurrence, character, and extent of the loss for which claim is made within the time stated in the policy for filing proofs of loss.
		(3) Conformity with Interstate Insurance Product Regulation Commission Standards. The policy shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The policy shall also state that any provision of the policy that on the provision's effective date is in conflict with the applicable Interstate Insurance Product Regulation Commission standards for this product type in effect as of the provision's effective date of Commission contract approval is hereby amended to conform to the applicable Interstate Insurance Product Regulation Commission standards in effect as of the provision's effective date of Commission policy approval.
		(4) Eligibility. The policy shall include provisions addressing any conditions of eligibility that may apply on or after the effective date of the policy.
		(5) Entire Contract. The policy shall include a provision regarding what constitutes the entire contract between the company and the owner. No document may be included by reference. This provision shall also state that no change in the policy shall be valid until approved by an executive officer of the company, and such approval needs to be endorsed or attached to the policy for the approved change to be binding on the owner. 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.
		(6) Evidence of Insurability. If the policy requires evidence of insurability on or after the effective date of the policy, the policy shall explain those conditions, which may include, but not be limited to, medical, financial, and occupational requirements, as applicable. Evidence of insurability shall not be required for eligibility for benefits under in-force coverage. The company may not use medical evidence of insurability on or after the effective date of the policy to affect renewal of an in-force policy-

		(7) Grace Period.
		(a) The policy shall include a grace period provision and describe the conditions of the provision.
		(b) A grace period shall be provided for the payment of any premium due except for the first, as follows:
		(i) For premiums paid on a weekly basis, at least seven (7) days.
		(ii) For premiums paid on a monthly basis, at least ten (10) days;
		and
		(iii) For all other premium modes, at least thirty-one (31) days.
		(c) The coverage shall continue in force during the grace period. However, if premium is not paid by the end of the grace period, coverage will automatically end on the date of the last period for which premium was paid.
		(d) In a policy which the company reserves the right to refuse renewal, the grace period provision shall state that the owner has a grace period unless, not less than 30 days prior to the renewal date, the company has delivered to the owner (or sent by first class mail to the owner) written notice of the company's intent not to renew the policy beyond the period for which premium has been accepted by the company. The provision shall state that the company may refuse renewal of the policy, only as of the renewal date occurring on, or nearest the policy's first anniversary, or as of an anniversary of such renewal date, or at the option of the company, as of the renewal date occurring on or nearest the anniversary of the policy's date of last reinstatement.
		(8) Legal Actions. The policy shall include a provision stating that no action at law or in equity shall be brought to recover on the policy prior to the expiration of sixty days after written proof of loss has been furnished in accordance with the requirements of the policy. The policy shall also state that no such action shall be brought after the expiration of three years after the time written proof of loss is required to be furnished.
		(9) Misstatements in the Application. The policy shall include one of the following provisions:
		(a) Incontestable. At the discretion of the company, a policy which the owner has the right to continue in force subject to its terms by timely premium payments until at least the insured's age 50 (or for at least five (5) years in the case of a policy issued after the insured's age 44) may include an Incontestable provision in lieu of the Time Limit for Certain Defenses provision. This Incontestable provision, if used by the company, shall state that, after the initial coverage or subsequent increases in coverage has been in force for a period of two years during the lifetime of the insured, the coverage shall become incontestable as to statements made in the application. The company may add a phrase to this Incontestable clause giving the company the right to toll the running of the two-year period during any period when the insured is disabled.
		(b) Time Limit for Certain Defenses. The policy may include this provision stating that, after two (2) years from the date of issue of the initial

		<p>coverage or subsequent increases in coverage, no misstatements by the insured in his or her application for insurance shall be used by the company to void the policy or deny a claim for loss incurred or disability* commencing after the expiration of such two-year period. The two-year period shall not apply to fraudulent misstatements made by the applicant.</p> <p>Drafting Note: This provision is not using the terms “<i>Disability</i>” or “<i>Disabled</i>” as defined in the definitions or concepts section and purposely uses a small “d.” This is necessary so that losses incurred or disabilities commencing on or after the coverage effective date which are: (a) due to <i>Injury</i> or <i>Sickness</i> and are not <i>Preexisting Conditions</i> (i.e. meet the requirements for <i>Disability</i> or <i>Disabled</i>), or (b) due to conditions disclosed in the application, but the company takes no express underwriting action for those conditions, are included within the parameters of these standards for this specific provision dealing with application misstatements.</p>
		<p>(10) Notice of Claim. The policy shall include a provision for notice of claim. Such a provision shall state that written notice of claim shall be given to the company within twenty (20) days after the occurrence or commencement of any loss covered by the policy or as soon thereafter as reasonably possible. Notice given by the owner to the company at an office designated by the company or to any authorized agent of the company shall be deemed notice to the company.</p> <p>If the policy has an elimination period of twelve (12) months, or more, the provision may state that the Owner(s) shall, at least once in every six (6) months after having given notice of claim, give the company notice of continuance of disability, except in the event of legal incapacity of the Owner(s). In calculating the six (6) months noted in the preceding sentence, the period of six (6) months following any filing of proof by the owner or any payment by the company on account of such claim or any denial of liability in whole or part by the company shall be excluded in applying the provision. Delay in the giving of such notice stated in this provision shall not impair the owner’s or assignee’s right to any indemnity which would otherwise have accrued during the period of six (6) months preceding the date on which such notice is actually given by the owner.</p>
		<p>(11) Participation. If the policy is <i>Participating</i>, the conditions of the participation shall be included in the policy.</p>
		<p>(12) Payment of Claims. The policy shall include a provision stating to whom benefits shall be paid and the terms and conditions for the payment under the policy-</p>
		<p>(13) Payment of Premium. The policy shall include a provision describing the terms and conditions for the payment of premiums. The policy shall provide for payment of the initial premium on or before the policy effective date. A refund of unearned premium shall be made in the event of death or at the owner’s request to discontinue coverage.</p> <p>Drafting Note: This provision should not be construed to abrogate any rights which an applicant has under a conditional receipt, interim insurance agreement</p>

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		or other similar form issued by the company when the company or its agent accepts initial premium for coverage at time of application.
		(14) Physical Examinations and Autopsy. The policy shall include a provision stating that the company, at its expense, shall have the right and opportunity to examine the person of the insured when and as often as it may reasonably require for the duration of a claim under the policy and to make an autopsy, at its expense, in case of death where it is permitted by law.
		(15) Proofs of Loss. The policy shall include a provision describing how to submit proofs of loss. This provision shall state that written proof of loss shall be furnished to the company at an office address specifically identified by the company in the policy.
		(a) In the case of claims for loss for which the policy provides any monthly payment contingent upon continuing loss, written proof of loss shall be furnished to the company within ninety (90) days after termination of the period for which the company is liable.
		(b) In the case of claims for loss other than loss for which the policy provides any periodic payment contingent upon continuing loss, written proof of loss shall be furnished to the company within ninety (90) days after the date of loss.
		(c) Failure to furnish proof of loss within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably possible and in no event, except in the absence of legal capacity of the insured, later than one year from the time proof is otherwise required.
		(16) Reinstatement. The policy shall include a reinstatement provision describing the company procedures when a renewal premium is not timely paid by an owner.
		(a) When the owner does not timely pay a renewal premium and the company or an agent duly authorized to accept premium payment subsequently accepts payment of the renewal premium without requiring an application, this provision shall state the policy is reinstated as of the date of receipt of the renewal premium.
		(b) When the owner does not timely pay a renewal premium and the company or its agent requires an application for reinstatement, this provision shall state that the policy is reinstated upon approval of the application by the company; or, if the company does not act to approve the application, the policy is reinstated on the 45th day following the date of the receipt of the application for reinstatement unless the company has given notice to the owner of company disapproval of the application previous to the expiration of the forty-five (45) day time limit. Evidence of insurability may be required.
		(c) This provision shall state that the reinstated policy shall cover loss resulting from accidental injury sustained on or after the date of reinstatement and loss due to <i>Sickness</i> as may begin on or after the date of reinstatement. The company may add riders, amendments or endorsements to the reinstated policy otherwise complying with these standards.

		(d) Any premium accepted with a reinstatement shall be applied to a period for which the owner did not previously pay premium, but not to any period more than sixty (60) days prior to the date of reinstatement. (The last sentence may be omitted from any policy which the owner has the right to continue in force subject to its terms by timely premium payment until at least the insured's age 50 or, in the case of a policy issued after the insured's age 44, for at least five years from its date of issue.)
		(e) Misstatements in the application for reinstatement are subject to the same standards for misstatements in the original application. The company may impose a reasonable time limit to apply for reinstatement, but in no event less than six months from the termination date of the policy.
		(17) Right to Examine Policy. The Right to Examine Policy provision appearing on the cover page or that is visible without opening the policy shall provide a minimum of thirty (30) days for the owner to examine the policy, beginning on the date the policy is received by the owner. The provision shall include a requirement for the return of the policy to the company or an agent of the company, and state that the policy is considered void from the beginning and the parties shall be in the same position as if no policy had been issued. The provision shall state that if the policy is returned, a refund of any premium paid, including any policy fees or other charges, shall be made.
		(18) Suspension of Coverage While in Military Service.
		(a) The policy shall include a provision that entitles persons in military service to have their coverage suspended during a period of military service. To be entitled to coverage suspension an insured shall:
		(i) Be in the military service (land, sea, or air) of any nation or international authority or in a reserve component of the armed forces of the United States, including the National Guard; and
		(ii) Have entered voluntarily or involuntarily upon active duty or had active duty voluntarily or involuntarily extended (other than for the purpose of determining physical fitness and other than for training). The policy may state that there shall be no entitlement to coverage suspension for a period of active military training lasting three months or less.
		(b) The company may restrict the period of suspension of coverage to five (5) years beyond the date of suspension but not to exceed the period of active duty. The policy shall state that in the implementation of the coverage suspension:
		(i) The owner shall make a written request to the company or its agent for coverage suspension providing information that the insured is eligible for the coverage suspension; and
		(ii) The company shall suspend the coverage for eligible insureds from the earlier of the date of receipt of the owner's written request for coverage suspension or the date military service begins (or a later date if requested by the owner) and refund any unearned premiums for the period of suspension.

		<p>(c) The policy shall state that there will be no coverage during the period of suspension, and the owner will have to pay no premiums during the period of coverage suspension. Upon termination of active duty, the owner shall have the right to resume coverage without the insured giving evidence of insurability, and the resumption of coverage shall be on the same basis as before the coverage suspension took effect. No exclusion, limitation or modification of coverage shall be imposed in connection with coverage of the health or physical condition of an insured entitled to resumption of coverage (or the health or physical condition of any other person covered by the policy as a dependent who is not entitled to exercise resumption of coverage). These are the exceptions:</p>
		<p>(i) The exclusion, limitation or modification was stated in the policy prior to the period of suspension (in the case of a waiting period, the waiting period had not been completed prior to the period of suspension); or</p>
		<p>(ii) The company may exclude, limit, or modify coverage for any <i>Disability</i> that occurred during the period the policy was suspended. If coverage is excluded, only disabilities from a <i>Sickness</i> which first manifests itself or an <i>Injury</i> which occurs after the policy is restored will be covered.</p>
		<p>(d) The policy shall state that in calculating the expiration of a waiting period for a condition that did not arise during a period of active duty, the entire waiting period shall equal the waiting period that would have applied before coverage suspension took effect and time elapsed before and after the period of suspension shall be used to determine satisfaction of the entire waiting period.</p>
		<p>(e) Coverage shall be resumed as of the date of termination of active duty subject to written application and payment of the required premiums not less than ninety (90) days after the date of termination of the period of active duty. Required premiums will be the same as they would have been if coverage had remained in force without any coverage suspension and required premiums for resumption of coverage shall be paid for a period commencing no earlier than the date of termination of active duty.</p>
		<p>(19) Time Limit for Certain Defenses Other Than Misstatements in the Application. The policy shall include a provision that no claim for loss incurred or disability commencing after two years from the policy issue date shall be reduced or denied on the ground that a disease or physical condition not excluded from coverage by name or specific description effective on the date of loss had existed prior to the effective date of coverage of the policy. This time limit shall not apply to fraudulent misstatements in the application.</p> <p>However, for underwritten coverage increases issued subsequent to initial policy issuance, the policy may state that a new two-year time period applies from issuance of the underwritten coverage increases, and that any such new two-year time period applies only to the underwritten coverage increase. This time limit</p>

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		shall not apply to fraudulent misstatements in the application for coverage increase. Drafting Note: This provision does not use the term “ <i>Disability</i> ” or “ <i>Disabled</i> ” as described in the definitions or concepts section because the statutory origin of the language to be used in this required policy provision requires a broader meaning.
		(20) Timely Payment of Claims. The policy shall include a provision stating when a company shall be required to pay claims. Indemnities provided under the policy for any loss, other than loss for which the policy provides any periodic payment, shall be paid immediately upon receipt of due written proof for such type of loss. Subject to due written proof of loss, all accrued indemnities for loss for which the policy provides monthly payment shall be paid no less frequently than monthly and any balance remaining unpaid upon termination of liability of the company shall be paid immediately upon receipt of due written proof of loss. The policy shall state that if a claim is paid more than 30 days after a company receives satisfactory proof of loss, as described in the policy, the delayed payment shall be subject to simple interest at the rate of 10% per year beginning with the 31 st day after receipt of satisfactory proof of loss and ending on the day the claim is paid.

D. OPTIONAL PROVISIONS

The Interstate Insurance Product Regulation Commission may approve the following optional provisions if the provisions meet the standards as set forth below. The company may, at its option, use a provision of different wording approved by the Interstate Insurance Product Regulation Commission that is not less favorable in any respect to the insured and/or the owner. The company may include in the policy one or more of these optional provisions.

YES N/A

		(1) Arbitration. Only arbitration provisions that permit voluntary post-dispute binding arbitration shall be allowed in policy forms. With respect to such a provision, the following guidelines apply:
		(a) Arbitration shall be conducted in accordance with the rules of the American Arbitration Association (“AAA”), before a panel of 3 neutral arbitrators who are knowledgeable in the field of <i>Disability Buy Sell</i> insurance and appointed from a panel list provided by AAA.
		(b) Arbitration shall be held in the city or county where the owner is located.
		(c) The cost of arbitration shall be paid by the company, to include any deposits or administrative fee required to commence a dispute in arbitration, as well as any other fee including an arbitrator’s fee.
		(d) Where there is an inconsistency between these guidelines and AAA rules, these guidelines control. Drafting Note: These standards are modified, as required, or permitted by law, to enable fraternal to implement their respective articles and bylaws. See Appendix

		(2) Assignment. The policy may include an assignment provision. The provision shall describe the procedures for an assignment. Unless otherwise specified by the owner, an assignment will take effect on the date the assignment is signed subject to any payments made or actions taken by the company prior to receiving notice of the assignment. The provision may state that the company shall not be liable for the validity of the assignment.
		(3) Buy-sell Agreement – The policy may include a provision to require the agreement must be in place within one year of the policy being placed in force or prior to a claim being filed.
		(4) Misstatement of Age, Sex or Tobacco Use Status. The policy may include a provision that shall state that if the insured’s age, sex or tobacco use status has been misstated, all amounts payable under the policy shall be amounts as the premium paid would have purchased at the correct age, sex, or tobacco use status. The company may terminate coverage and refund premiums if the correct age is outside the issue age ranges of the form.
		(5) Ownership. The policy may include an ownership provision. If included, the provision shall:
		(a) Describe the procedures for designating or changing the owner and indicating when the designation is effective; and
		(6) Procedures for Review of a Denial of a Claim. The policy may include a provision for review of denial of a claim. If included:
		(a) The provision shall state that the insured must request, in writing, a review of the denial of claim within a specified number of days after the insured receives notice of the denial.
		(b) The policy shall include a provision that an insured has the right to review, upon request and free of charge, copies of all documents, records, and other information relevant to the insured’s claim for benefits, and the insured may submit written comments, documents, records, and other information relating to the claim for benefits.
		(c) The policy shall include a provision that the insurance company will review an insured’s claim after receiving the insured’s request and send the insured a notice of its decision within a specified number of days after the insurance company receives the request, or within another specified period of days if special circumstances require an extension. The number of days shall be specified in the policy. The insurance company will state the reasons for its decision and refer the insured to the relevant provisions of the policy. The insurance company will also advise the insured of the insured’s further appeal rights, if any.
		(7) Supplemental Benefits. The policy may include supplemental Disability Buy-Sell benefits for specified <i>Injury, Sickness</i> or <i>Injury and Sickness</i> , or for other specified business expenses, such as an option for a future increase of the Disability Buy-Sell Benefits which would not be subject to evidence of insurability. The terms and conditions for such supplemental benefits shall be specified in the policy. Such supplemental benefits shall be in addition to, and not in lieu of, Disability Buy-Sell benefits payable under the policy.
		(8) Termination of benefits – A policy may include a provision to terminated benefits upon the death of the Insured.

		(9) Unpaid Premium. The policy may include a provision stating that, upon the payment of a claim under the policy, any premium then due and unpaid may be deducted from the claim payment.
		(10) Waiver of Premium.
		(a) The policy may include a provision stating that, for a time period of not more than ninety (90) days of <i>Total Disability</i> , which is eligible for payment under the policy (any days of such <i>Total Disability</i> occurring during an <i>Elimination Period</i> shall count toward the ninety (90) day time period), the company shall:
		(i) Refund to the owner any premiums that were due and paid for the policy while the insured was <i>Totally Disabled</i> ; and
		(ii) Waive the payment of premiums that become due for as long as the <i>Total Disability</i> continues. At the option of the company, the company may limit the waiver of premium so that the company waives the payment of premiums that become due for as long as the <i>Total Disability</i> continues, but not beyond the <i>Benefit Factor</i> , <i>Benefit Period</i> or <i>Aggregate Benefit Amount</i> .
		(b) The policy shall also state that, after <i>Total Disability</i> ends, the owner shall:
		(i) Resume the payment of premiums by paying the pro-rata portion of any premium until the next premium due date; and
		(ii) Continue to pay premiums as provided for in the policy after payment of the pro-rata portion of any premium until the next premium due date.
		(c) If the company requires proof of <i>Total Disability</i> for premiums to be waived, the policy shall state that satisfactory proof of <i>Total Disability</i> shall be provided to the company for premiums to be waived. The policy shall also state that, in the event of the death of the insured, any premium refunds due to the owner from the company may, at the option of the company, be paid to any beneficiary designated for loss of life or to the estate of the insured.
		Drafting Note: A company may expand the waiver of premium benefit to additional types of <i>Disability</i> benefits under the policy.

E. PERMISSIBLE LIMITATION OR EXCLUSION BASED ON THE UNDERWRITING PROCESS FOR EACH PROPOSED INSURED

YES N/A

		(1) Any limitation or exclusion based on information disclosed by the proposed insured in the application for the policy, or identified for the proposed insured during the underwriting process of such application, is subject to applicable law in the state where the policy is delivered or issued for delivery and must be based on the Standards for Forms Used to Limit or Exclude Individual Disability Income
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		Insurance Policy Coverage Based on the Underwriting Process for Each Proposed Insured, as Applicable to the Following Products:
		<ul style="list-style-type: none"> • Disability Income Plans.
		<ul style="list-style-type: none"> • Buy-Sell Plans.
		<ul style="list-style-type: none"> • Key Person Plans; and
		<ul style="list-style-type: none"> • Business Overhead Expense Plans.

F. PERMISSIBLE LIMITATIONS OR EXCLUSIONS

The Interstate Insurance Product Regulation Commission may approve the following limitations or exclusions if they meet the standards set forth below. The company may include in the policy one or more of these limitations or exclusions.

YES N/A

		(1) Aeronautics. <i>Disability</i> that results from hang-gliding, skydiving, parachuting, ultralight, soaring, ballooning, and parasailing may be limited or excluded.
		(2) Aviation. Loss that results from aviation, other than as a fare-paying passenger on a scheduled or charter flight operated by a scheduled airline, may be limited, or excluded. "Aviation" may also include travel in an aircraft or device used for testing or experimental purposes, used by or for any military authority, or used for travel beyond the earth's atmosphere.
		(3) Benefit Reduction On Account of Other Disability Buy-Sell Coverage.
		(a) The provision shall state that, if the Insured has a Disability Buy-Sell coverage with another company in effect at the time of <i>Total Disability</i> , the benefits of the policy will be adjusted to a proportion equal to the percentage the policy's benefit bears to the total amount of the Disability Buy-Sell coverage. The total benefits provided by the policy and any other Disability Buy-Sell coverage in effect at the time of <i>Total Disability</i> will not exceed the total <i>Purchase Price</i> due.
		Drafting Note: The use of the term "monthly" does not preclude a company from estimating payments on another reasonable periodic basis as set forth in the policy.
		(b) The provision shall also state that in no event will the total monthly amount of benefits paid under all valid Disability Buy-Sell coverage be reduced below the sum of three hundred dollars.
		(c) The use of the term "coordination of benefits" shall not be acceptable in describing this provision.
		(4) Chemical Dependency. Subject to the applicable law in the state where the policy is delivered or issued for delivery, loss that results from alcoholism or drug addiction may be limited or excluded.
		(5) Cosmetic Surgery. Loss that results from cosmetic surgery may be limited or excluded. However, cosmetic surgery shall not include reconstructive surgery when the surgery is incidental to or follows surgery resulting from trauma, infection or other diseases of the involved part and reconstructive surgery because of congenital disease or anomaly resulting in a functional defect.

		(6) Disabilities Not Verifiable by Objective Medical Means.
		(a) Loss that results from a specific <i>Injury</i> or specific <i>Sickness</i> not verifiable by objective medical means may be limited to the minimum available <i>Aggregate Benefit Amount</i> offered by a company for coverage of disabilities resulting from <i>Injury</i> or <i>Sickness</i> . The policy shall not exclude coverage for such disabilities from the policy.
		(b) An <i>Injury</i> or <i>Sickness</i> is considered not verifiable by objective medical means if it cannot be confirmed by medically acceptable clinical or laboratory diagnostic techniques. As used in this item, "Objective Medical Means" means medical evidence consisting of signs, symptoms, and laboratory findings. A diagnosis based solely on an insured's statement of symptoms will not be considered Objective Medical Means of verifying an <i>Injury</i> or <i>Sickness</i> .
		(7) Insured Residing Outside the United States, Territories or Possessions of the United States or Canada, as Applicable (the "Specified Area"). While an insured is residing outside the Specified Area, and claiming <i>Disability</i> , including during the Elimination Period, the Insured may be required to return to the United States or Canada as often as reasonably required by the company at the Insured's expense, for an in-person examination to substantiate the claim for <i>Disability</i> .
		(8) Felony. Loss that results from the insured's commission of or attempt to commit a felony may be limited or excluded.
		(9) Illegal Occupation or Activity. Loss that results from the insured's being engaged in an illegal occupation or activity may be limited or excluded.
		(10) Incarceration. <i>Disability</i> benefits may be limited or excluded during a period of legal incarceration in a penal or correctional institution of more than seven (7) days or during a period of legal detainment of more than seven (7) days where the period of legal incarceration or legal detainment results in an inability of the insured to meet any work requirements contained in the definitions of <i>Disability</i> set forth in the policy form.
		(11) Intoxicants, Narcotics or Other Controlled Substances. Subject to the applicable law in the state where the policy is delivered or issued for delivery, loss that results from the insured's legal intoxication defined by state law where the loss occurs, or loss that results from the use of narcotics or other controlled substances, unless administered on the advice of a physician, may be limited, or excluded.
		(12) Mental or Nervous Disorders. Subject to the applicable law in the state where the policy is delivered or issued for delivery, loss that results from <i>Mental or Nervous Disorders</i> may be limited or excluded. If coverage is to be limited, coverage shall be provided for at least twelve (12) months.
		(13) Preexisting Conditions.
		(a) Any provision included in a policy limiting or excluding coverage for losses incurred or disabilities arising from <i>Preexisting Conditions</i> shall clearly define the limitation or exclusion and disclose such limitation or exclusion in the policy.
		(b) Beginning no more than twelve (12) months following the effective date of the policy, the policy shall not limit or exclude coverage for a loss due to a <i>Preexisting Condition</i> if the application for the insurance does not seek

		disclosure of prior illness, disease or physical conditions or prior medical care and treatment and the <i>Preexisting Condition</i> is not specifically limited or excluded by the terms of the policy.
		(c) For a disease or physical condition that has not been excluded from coverage by name or specific description effective on the date of loss, losses incurred or disabilities commencing on or after the coverage effective date due to that disease or physical condition shall be covered immediately when:
		(i) The disease or physical condition is an <i>Injury</i> or <i>Sickness</i> as described in the Definitions and Concepts section and is not a <i>Preexisting Condition</i> as described in the Definitions and Concepts section; or
		(ii) The disease or physical condition is disclosed in the application, but the company has taken no express underwriting action for the disease or physical condition. Drafting Note: This provision does not use the term “ <i>Disability</i> ” or “ <i>Disabled</i> ” as described in the Definitions and Concepts section because this provision requires a broader meaning.
		(14) Recreational Activity (Avocation, Hobby, or Sport). <i>Disability</i> that results from participating in one or more of the following recreational activities may be limited or excluded: motor sports events, racing, speed, or endurance contest (auto, truck, cycle, boat), technical rock or mountain climbing, scuba diving in depths greater than one hundred (100) feet, including decompression, cave, and mixed gas diving, or dives requiring specialized equipment, or bungee jumping. The policy may also limit or exclude <i>Disability</i> that results from an insured’s participation in any sport for wage, compensation, or profit.
		(15) Suicide. Loss that results from attempted suicide or intentionally self-inflicted injury may be limited or excluded.
		(16) War, Riot, and Insurrection. Loss that results from one or more of the following may be limited or excluded as follows:
		(a) Declared or undeclared war or act of war. Drafting Note: Companies may consider additional language and in that case the Interstate Insurance Product Regulation Commission shall use the following guidelines: Declared or undeclared war or act of war is understood to be military activity by one or more national governments and does not include terrorist acts, other random acts of violence not perpetrated by the insured, or civil war or community faction. Civil activity as a whole cannot be excluded, except for direct participation or instigation by the insured.
		(b) Participation in a riot or insurrection; or Drafting Note: Companies may consider additional language and in that case the Interstate Insurance Product Regulation Commission shall use the following guidelines: An exclusion for riot or insurrection is limited to instigators and those pursuing participation and does not include civil commotion, disorder, injury as an innocent bystander, or injury for self-defense.

		<p>(c) Active duty in the armed forces of any nation or international governmental authority or unit's auxiliary thereto or the National Guard or similar government organizations (except that this limitation or exclusion shall not be construed to deny the owner any right to suspend coverage while the insured is serving in the armed forces of any nation or international governmental authority or units auxiliary thereto or the National Guard or similar government organizations. The Suspension of Coverage While In Military Service provision describes how suspension of coverage works.)</p> <p>Drafting Note: The Interstate Insurance Product Regulation Commission will maintain a comprehensive listing of state-specific requirements for those limitations and exclusions listed above that indicate "subject to applicable law in the state where the policy is delivered or issued for delivery," based on information reported by Member States.</p>
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G. PROHIBITED LIMITATIONS AND EXCLUSIONS

The following limitations and exclusions are prohibited:

YES N/A

		(1) Complications of Pregnancy. Disabilities due to complications of pregnancy as diagnosed by a <i>Physician</i> shall not be the subject of a Permissible Limitation or Exclusion.
		(2) Discretionary Clauses.
		(a) No policy may contain a provision:
		(i) Purporting to reserve sole discretion to the insurance company to interpret the terms of a policy; or
		(ii) Specifying a standard of review upon which a court may review denial of a claim, or any other decision made by an insurance company with respect to an insured.
		(3) Probationary Period for Specified Medical Conditions. Absent medical underwriting, <i>Disability</i> benefits shall not be limited or excluded through the use of a policy provision establishing a probationary period for specified medical conditions.

H. BENEFIT PROVISIONS

YES N/A

		(1) Death Benefit. <i>Death Benefits</i> , if included, shall be payable in addition to any <i>Disability Buy-Sell benefit</i> payable. The amount payable shall be a lump sum not to exceed the equivalent of three (3) monthly <i>Disability Business Overhead Expense</i> benefits payable under the policy.
		(a) If this <i>Death Benefit</i> is contingent upon death while <i>Disabled</i> ("Survivorship Benefit"), the company may require the insured to satisfy

		the <i>Elimination Period</i> , be determined by the company to be <i>Disabled</i> and be receiving <i>Disability Buy-Sell</i> benefits prior to the date of death.
		(b) The policy shall clearly state the conditions under which any <i>Death Benefit</i> may be payable
		(2) Exchange Privilege. Policy may allow the Insured to exchange the Disability Buy-Sell policy to a disability income policy if they no longer have ownership interest in the Business
		(3) Extension of Benefits. If the <i>Aggregate Benefit Amount</i> has not been paid during the <i>Benefit Period</i> , the <i>Benefit Period</i> may be extended for a specified period of time (up to a period of 6 months) beyond the maximum <i>Benefit Period</i> stated in the policy.
		(4) Rate Increases Based on Attained Age or Duration of the Policy. A <i>Disability Buy-Sell</i> policy whose rates increase due to the attainment of certain ages by the insured or due to the duration of the policy shall include an applicable schedule of rates showing the rates associated with attained ages of the insured or duration of the policy in a prominent place, such as the specifications page.
		(5) Rights to Purchase Future Benefits Without Evidence of Medical Insurability. A Disability Buy-Sell policy that offers the owner the right to purchase additional Disability Buy-Sell coverage for the insured in the future without evidence of medical insurability shall clearly specify the amount of future coverage that may be available for purchase and any requirements necessary (e.g., financial or occupational underwriting) to qualify for the future coverage.
		(a) A policy may state that any additional coverage will be provided by the purchase of a new policy or an increase in the coverage level of the existing policy. If the additional coverage will be provided by the issuance of a new policy, the policy shall clearly state that the new policy will have the same terms as those policies being issued by the company on the date of purchase of the new policy. The additional coverage purchased shall be subject only to any limitations and exclusions that may be in effect for the existing policy on the effective date of the additional coverage; however, no new medical limitations or medical exclusions shall be imposed on the additional coverage.
		(6) Termination of Insurance under the Policy.
		(a) The policy shall include a provision stating how and when insurance under the policy may end. The provision may include termination, as applicable, at the earliest of:
		(i) The expiry date shown in the policy, unless an owner renews the policy as provided in the renewal provisions of the policy.
		(ii) The end of the period for which premium has been paid, if premium is not paid by the end of the grace period.
		(iii) The date the company receives the owner's written request to end the policy.

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		(iv) The expiration of applicable Suspension of Coverage period(s) specified in the policy if the insured does not request that suspension end before such expiration; or
		(v) The date the insured dies.
		(vi) The date the Insured no longer has any ownership or is no longer employed or working for the <i>Business</i> ; or
		(vii) Once the lump sum or <i>Aggregate Benefit Amount</i> has been paid; or
		(viii) Date the <i>Buy-Sell Agreement</i> is terminated or executed.
		(7) Transfer Privilege. Allows the Insured to become the Insured under any other form of <i>Disability Buy-Sell</i> policy without medical evidence of insurability.

§ 4. ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES

A. MEMBERSHIP

YES N/A

		(1) The certificate may 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.
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B. MAINTENANCE OF SOLVENCY

YES N/A

		(1) The certificate may include a provision setting forth the legal rights and obligations in the case of a fraternal's financial impairment.
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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 subcaptions; 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

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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, 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 fraternal 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 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 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.