UNDERWRITING & POLICY ISSUE PROCESS

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**Attending Physician Statement (APS)** – These requests, for information to help make the underwriting decision, ask a physician or medical facility for information. The agent can help the process by giving complete and accurate information about the physicians or medical facility name, address, phone number and reason for treatment.

**Avocation Questionnaire** – (KHL 125) – The two page questionnaire contains questions about the proposed insured regarding aviation, scuba diving, racing, sky diving, parachuting, hang gliding and ultra light flying.

**Blood Chemistry** – This underwriting requirement involves the withdrawal of blood from the proposed insured. The withdrawal of the blood by a medical professional and disclosure of the test results (see KHL 110) are made to the underwriter. Only single use, sterile, disposable needles are used to collect the blood specimen and vinyl gloves are worn.

**Body Fluid Consent Form (KHL 110)** – This form when signed by the proposed insured allows us to test for blood cholesterol, related lipids, cotinine, drugs, liver or kidney disorders, diabetes, immune disorders and other physical conditions.

**Buyers Guide (Life Insurance and Annuity)** – The Kentucky Department of Insurance requires delivery of the document with each life insurance policy. The purpose is to assist the buyer in determining insurance needs.

**Dating of Policies** – When the initial premium accompanies the application and the policy is issued as applied for, with a standard premium rate, the policy will bear the date of the application or the medical examination, whichever is later. If the policy is issued other than applied for, the policy will bear the date of approval.

Policies will not be dated later than the 28th of the month. If an application is written on the 29th, 30th or 31st day of the month, the policy will be dated on the first day of the following month.

Policies may be postdated by no more than thirty (30) days and only if clearly requested in the “Remarks” section of the application. Postdated policies will not be released by the Home Office until five days prior to the effective date requested and should not be delivered until the effective date. A current statement of health may be required at the time of delivery.

Policies may be dated back as much as six months provided such backdating is in compliance with the law of the state in which the application was written. Term policies should not be backdated.

Requests to change the effective dates of policies should be limited to those exceptional cases where the applicant insists that the change be made, and then only if the first premium is collected and forwarded to the Home Office.

**Declinations and Postponements** – Notice of a declined or postponed application will be sent to the applicant immediately after such decision is made, and a copy of the notice will be sent to the agent. The reason for such decision will be discussed in the letter to the applicant, in compliance with the laws of some states. Other states may soon be enacting similar legislation as current trends advocating the consumer’s “right to know” continue to spread. Due to various federal and state laws regarding the handling of personal information and the right to privacy, Kentucky Home Life may not be able to tell its agent the specific reason for its declination.
**Delivery of Policies** – It is recommended that you personally deliver the policy. The transmittal form which accompanies each new policy shows the special requirements or supplemental forms which must be secured before the policy may be delivered. Policies should be delivered promptly subject to any special requirements and the following rules:

1. A policy cannot be delivered unless the full settlement has been made for the first premium and all required papers have been properly signed and delivered.
2. If the agent finds that since the date of the medical examination or other evidence of insurability, there has been any change whatever in the health or occupation of any person to be insured under the policy, or if any statement of health or insurability discloses any adverse information, then the policy cannot be delivered. The agent has no authority to judge the importance of such matters; instead the agent must secure the details of all adverse information and forward immediately to the Underwriting Department along with the returned policy.
3. Policies cannot be delivered by mail unless the first premium was paid with the application and the policy was issued exactly as applied for.
4. Policies must be delivered within ten (10) working days after being mailed from the Home Office, unless a shorter delivery period has been specified. If delivery is not made within ten (10) working days, the policy must be returned for cancellation.

**Diseases** – This listing of approximately 30 common diseases gives the agent information on common diseases. In some cases the effects of the disease and mortality are noted. In some cases, drug medications are noted. The agent should be aware of these diseases and the underwriting decision.

- **Alzheimer’s/dementia** – A progressive irreversible decline in mental function marked by memory impairment, and often, a decrease in reasoning, judgment, comprehension, and intellectual abilities.
- **Aneurysm** – Refers to any localized widening or out pouching of an artery, a vein, or the heart. All aneurysms are potentially dangerous since the wall of the widened (dilated) portion of the involved vessel can become weakened and may possibly rupture.
- **Angioplasty** – Repair of damaged heart vessels – most commonly used to reopen narrowed or blocked vessels to restore blood flow. Most commonly referred to as “balloon procedure”.
- **Amputation due to disease** – Does not include amputation due to accident.
- **Angina** - Severe pain around the heart caused by a relative deficiency of oxygen supply to the heart muscle. Nitroglycerin, Imdur and Ismo are frequently prescribed for this condition.
- **Atrial Fibrillation** – An abnormality of the rhythm of the heart which results in ineffective blood flow. This condition can result in heart failure or stroke and often contributes to other diseases and conditions including congestive heart failure.
- **Bipolar Disorder** – A disorder marked by manic or manic and depressive episodes. Involves severe pathologic mood swings from euphoria to sadness, with spontaneous recoveries, and a tendency to recur. This illness is associated with significant mortality because many patients die as a result of suicide.
- **Black Lung, Chronic Asthma, Chronic Bronchitis, Cystic Fibrosis, and Emphysema** - These conditions are all considered to be Chronic Obstructive Pulmonary Disease (COPD). This does not include acute
bronchitis or mild seasonal asthma, caused by seasonal allergies, which does not require daily prescription medication or inhalers (versus over-the-counter treatments).

**Chronic Asthma** – By definition, asthma is a chronic condition. We have agreed to permit writing applications on individuals with mild, intermittent asthma. This would include mild seasonal allergies, which does not require daily prescription medication or inhalers (versus over-the-counter treatments).

Individuals with asthma, or bronchitis, requiring daily medications (including inhalers) should be viewed as having chronic asthma or chronic bronchitis.

If your client indicates that he/she may have asthma or bronchitis, the following questions should help you determine if the condition is chronic:
1. Do you take prescription medication for this condition? If yes, how often? If the answer is daily and remains consistent, the condition is chronic.
2. Has your doctor ever told you that you have COPD? If yes, the condition is chronic.
3. Have you had any hospitalizations for asthma or bronchitis? If yes, the condition is probably chronic.

**Cancer** – Any cancer including Lymphoma and Leukemia; but excluding basal cell skin cancer.

**Cardiomyopathy** – Refers to the general diminished ability of the heart to function normally and effectively, and can be caused by a number of different disease processes.

**Cerebral Palsy** – An “umbrella” term for a group of nonprogressive, but often changing, motor impairment syndromes secondary to lesions or anomalies of the brain arising in the early stages of its development.

**Chronic Obstructive Pulmonary Disease (COPD)** – A disease process causing obstruction of air flow through the airways and out of the lungs which is usually permanent and progressive, and includes one or more of the following: Black Lung, Chronic Asthma, Chronic Bronchitis, Cystic Fibrosis, and Emphysema.

**Circulatory Disorder** – Any condition which results in decreased, impaired or abnormal circulation. Varicose veins will not be considered a circulatory disorder within our underwriting guidelines.

**Congestive Heart Failure** – Characterized by myocardial dysfunction that leads to impaired pump performance (diminished cardiac output) or progresses to complete heart failure and abnormal circulatory congestion. It is generally a chronic disorder associated with retention of salt and water by the kidneys.

**Coronary Artery Disease** – Narrowing of the coronary arteries, usually as a result of atherosclerosis. It is the single most common cause of death. Occurs more often in people who smoke or who have diabetes mellitus, hypertension, and adverse lipid profiles or a familial predisposition to coronary heart disease. Also referred to as CAD, ASHD, and ASCVD.

**Diabetes** – A chronic (lifelong) disease marked by high levels of sugar in the blood. High blood levels of glucose can cause several problems including blurry vision, excessive thirst and fatigue.
**Down Syndrome** – Sometimes referred to as Trisomy 21 (the clinical consequences of having three copies of chromosome 21). The condition is marked by mild to moderate mental retardation and certain physical characteristics, in addition to higher risks for cardiac valvular disease and a tendency to develop Alzheimer-like changes in the brain.

**Heart Disease** – Any condition of the coronary arteries, heart valves, myocardium, or electrical conduction system of the heart.

**Insulin Dependent Diabetes** – Does not include diabetes being treated with diet or oral medication. This would include insulin given in any form.

**Kidney Dialysis** – Procedure that is a substitute for many of the normal duties of the kidneys once the kidneys have failed.

**Kidney Failure** – Also referred to as Renal Failure and is a critical illness that involves interruption of kidney function due to obstruction, reduced circulation, or renal disease. Usually requires kidney dialysis.

**Liver Disease** – This includes Hepatitis, Cirrhosis, and Fibrosis.

- **Hepatitis** – Inflammation of the liver usually caused by exposure to an infectious agent (a hepatitis virus), a toxin (alcohol), or a drug (such as acetaminophen).

- **Cirrhosis** – A chronic liver disease characterized by liver scarring and areas of ineffective regeneration.

- **Fibrosis** – The replacement of normal organ tissue by scar tissue.

**Mental Retardation** – Below-average intellectual function that is evident before the age of 18 and is associated with impaired learning or communication; poor social, community, or interpersonal adjustment; or inability to function independently (to support oneself, to live safely and healthfully).

**Multiple Sclerosis** - A chronic disease of the central nervous system in which there is destruction of myelin and nerve axons within several regions of the brain and spinal cord at different times.

**Muscular Dystrophy** – One of nine distinct genetic syndromes that affect muscular strength and action causing difficulties with walking or maintaining posture, muscle spasms, and in some instances, neurological, behavioral, cardiac, or other functional limitations.

**Parkinson’s Disease** – A common, chronic degenerative disease of the central nervous system that produces movement disorders and changes in cognition and mood.

**Peripheral Vascular Disease** – Any condition that causes partial or complete obstruction of the flow of blood from the arteries or veins from the heart to the limbs and/or internal organs.

**Progressive Memory Loss** – “Progressive Memory Loss” is a term we are seeing frequently in medical reports and is actually the diagnosis given by many doctors. Alzheimer’s/Dementia can be very difficult to diagnose and some doctors are prescribing the same medications that are used to treat these two conditions, but the diagnosis is “Progressive Memory Loss”.


An agent might want to discuss these conditions with their client by asking – Has your doctor diagnosed you as having Alzheimer’s, Dementia, or has your doctor explained that you have “Progressive Memory Loss” and prescribed medication to help this condition.

These medications are generally prescribed for Progressive Memory Loss, Alzheimer’s and Dementia. These medications would not be prescribed for someone experiencing the normal, occasional, memory loss that comes with aging.

1. Aricept (Donepezil)
2. Cognex (Tacrine)
3. Exelon (Rivastigmine)
4. Namenda
5. Reminyl (Razadyne) (Galantamine)

**Spina Bifida** – A birth defect in which there is a bony defect in the spinal column so that part of the spinal cord is exposed. People with Spina Bifida can suffer from bladder and bowel incontinence, learning problems and limited mobility.

**Systemic Lupus** – A chronic autoimmune inflammatory disease involving multiple organ systems and marked by periodic acute episodes.

**Rheumatoid Arthritis** – A chronic systemic disease marked by inflammation of multiple joints usually on both sides of the body. Systemic diseases marked by pleural effusions, pericarditis, pulmonary fibrosis, neuropathies, and ocular disorders can lead to symptoms from each of these organs.

**Schizophrenia** – A disorder that alters perception, thinking, language and communication, behavior, affect, social functioning and attention. Symptoms may include delusions, hallucinations and disorganized speech and behavior. Prognosis is variable.

**Sickle Cell Anemia** – Results from a defective hemoglobin molecule that causes red blood cells to roughen and become sickle-shaped. Such cells impair circulation, resulting in chronic ill health (fatigue, dyspnea on exertion, swollen joints), periodic crises, long-term complications, and premature death.

**Stent Placement** – A material or device is inserted into narrowed or blocked arteries or vessels to restore and maintain blood flow.

**Surgery for Heart Disease** – Including (but not limited to) by-pass surgery, heart valve replacement, pacemaker implant and angioplasty. Does not include heart catheterization when the results are negative for heart disease (no problems found – no medications prescribed).

**Electrocardiograms** – These test the heart at a resting state and after use of a treadmill to determine reaction of the heart to these situations. An EKG records electric impulses of the heart. This test usually takes less than 10 minutes.

**Evidence of insurability** – This term refers to a certification of a person's physical condition, medical history, habits, occupation or other factors used by an insurance company to determine the insurability of the applicant.
Foreign Travel Questionnaire (KHL 120) – This questionnaire is requested by the underwriter to determine the location, frequency, purpose, and travel method of travel outside the United States, Puerto Rico or Canada.

HIPAA Compliant Authorization for Release of Medical Information - In 1996 Congress enacted the Health Insurance Portability and Accountability Act ("HIPAA"). Later, the U.S. Department of Health and Human Services published and distributed its Administrative Simplification Rule entitled "Standards for Privacy of Individually Identifiable Health Information", also known as the "Privacy Rule".

At Kentucky Home Life, we take seriously our responsibility to abide by rules and regulations governing the privacy of the personal information of our policyowners, including their financial and health information. Since we are in the business of evaluating health and financial risks, it has required us to change how we do business. It has taken away some of our "small company personal character", but we defer to the voice of the people as expressed by the U.S. Congress.

As a result of the Privacy Rule, many physicians, hospitals and other health care providers will refuse to provide us with attending physician statements ("APS's"), protected health information or other personally identifiable health information without a completed "H.I.P.A.A. Authorization Form" containing certain specific disclosures and authorizations that match their expectations of a proper release under the Privacy Rule.

Therefore, for your benefit, the benefit of Kentucky Home Life, and the benefit of our joint clients, the "H.I.P.A.A. Compliant Authorization" must be completed for each proposed insured when you take an application for a Kentucky Home Life plan – with the exception of the plans (for which we do not generally request an APS). Please complete the form in its entirety, including proper signatures and date.

The form will only be used in those instances where our Underwriting Department must further investigate an application due to a "MIB hit" or other circumstance clearly calling for additional medical information. In the majority of applications submitted to Kentucky Home Life the form will not be used, but where it is needed it will help speed up underwriting and issue and work to the benefit of your business, our business and the needs of our joint clients.

Your clients should be familiar with H.I.P.A.A. They will likely have signed H.I.P.A.A. waivers at their pharmacy and their physician's office. This form is consistent with what they have signed elsewhere. It confirms that we have the right to review their medical records – but, again, only where we need to do so – and that we will only share that information with those people having a need to know and a right to know.

Please note that our App1 (12/09) application includes an attached H.I.P.A.A. form. If you have any questions or need additional copies of this form, please see the Partner Portal System under the forms tab and scroll down to "Notice To Applicant" and click on H.I.P.A.A.

Home Office Specimen – This underwriting requirement requires the proposed insured to produce a urine specimen sample that can be tested for various medical conditions.

Inspection Report (Also Known as Personal Inspection Report – PIR) – The inspection report is part of the underwriting process. However, since the agent orders the inspection report at application time, it was included in the application process.
**Juvenile Underwriting** – The Juvenile 10 Pay product should use the Juvenile 10 Pay application for the simple approach to underwriting. This product contains a provision that "If the insured is a minor on the policy date, the ownership will automatically pass to the insured on the insured's 21st birthday, unless the policy says otherwise". Use of App1 (12/09) for applicants under the age of 18 is allowed for many reasons (amounts, no GiO, premium, gender, and tobacco status).

**Medical and Paramedical** – Life Underwriting Guidelines (KHL 135) will indicate when medical exams and paramedical exams are required. For paramedical examinations KHL currently uses Examination Management Services, Inc. (EMSI). Other paramedical examination services will also be available if needed.

What Is a Paramedical Exam? – A paramedical examination is a personal interview with you to collect information about your medical history. This information allows the insurance company to perform a comprehensive evaluation of your current health. The exam usually includes recording of height, weight, blood pressure and pulse along with details of your medical history. The exam may also include the collection of blood, urine, oral fluid, and an EKG and/or X-ray, depending on the insurer's underwriting guidelines for the applicant's age and insurance amount. If any other services are performed, please notify EMSI.

Estimated Examination Time –

- 10 to 20 minutes for blood draw and urine.
- 20 to 30 minutes for paramed exam, blood draw and urine.
- 30 to 45 minutes for paramed exam, blood draw, urine and EKG.

Where Is the Exam Performed? – EMSI professionals perform examinations at your home, workplace or at an EMSI location at your convenience.

What Happens When the Exam Is Complete? – The paramedical examination and any additional requirements are forwarded to the insurance company. Any specimens obtained during the examination are sent to Quest Diagnostics or another designated laboratory and the results forwarded to the insurance company for assessment. EMSI professionals are not aware of the tests performed on the specimen(s) at the laboratory and do not receive the test results.

Applicant Instructions – In order to obtain accurate information it is recommended you:

- Fast for 4-8 hours prior to the appointment.
- Be prepared with a picture ID at the time of the exam.
- Limit salt and high-cholesterol foods 24 hours prior to the exam.
- Avoid strenuous exercise 12 hours prior to the exam.
- Refrain from drinking alcoholic beverages for at least 12 hours prior to the appointment.
- Limit caffeine and nicotine one hour prior to the appointment.
- Drink a glass of water 1 hour prior to the appointment.
- Provide names and dosages of current medications.
- Provide any history of problems associated with providing a blood sample.
- Have available information including member numbers of any current health insurance.
Have available names, addresses and phone numbers of any doctors or clinics visited in the last 5 years.

- Women, please mention to the examiner when making your appointment if you will be menstruating at the time so that a better time may be arranged.
- Get a good night of sleep prior to the examination.

Medical exams are performed by physician/examiner in their office and use part two and part three (KHL 115). The physician/examiner used should not be the applicant's physician and be an approved Kentucky Home Life examiner. A third party approach is desired. It involves fourteen (14) questions in part two and thirteen (13) questions in part three. It goes deeper into an applicant's medical background than a paramedical exam. The results are sent to the underwriter. The information obtained in the application (part 1) and (part 2) become part of the application for the life insurance policy. The above applicant instructions apply.

**MIB, Inc.** – MIB, Inc. is a membership corporation in continuous operation since 1902 whose primary mission is detecting and deterring fraud that may occur in the course of obtaining life, health, disability income, critical illness and long term care insurance. The underwriter will request an MIB report on all proposed insureds. They are received within an hour of the request. The information received may cause the underwriter to seek additional information.

**Motor Vehicle Report** – These reports show driving violations concerning use of a vehicle. They use applicant's driver's license to secure information. Requests for these reports are made for proposed insureds from age 16 and older.

**Nonmedical Underwriting** – Certain lower face amounts and ages will not generally require a medical examination by a paramedic or a physician/examiner per the Life Underwriting Guidelines (KHL 135).

**Notice of Insurance Information Practices** – Federal and State laws require you to leave the proposed insured/applicant a copy of this form whenever an application is written (Notice 12/09). Part 1 gives KHL the right to obtain an investigative consumer report whereby information is secured through personal interviews with friends, neighbors and others. This report contains information as to the proposed insureds character, general reputation, personal characteristics and mode of living. Part 2 gives assurances of confidentiality. A brief report to MIB, Inc. about the applicant is discussed. Release of information to other insurance companies is discussed.

**Part 1 of Application** (Medical Examination form KHL 115) – The Juvenile application and Senior Life application only has part 1. App1 (12/09) has three parts. Part 1 refers to the first three pages of that application. Part 1 always becomes part of the policy contract.

**Part 2 of Application** – Refers to the three (3) pages of questions about the proposed insured's medical history (KHL 115, pages 1, 2, 3). Part 2 becomes part of the policy contract if these pages have been requested and completed.

**Part 3** – Refers to the one (1) page of the medical examiner’s report (KHL 115, page 4), where the paramedical examiner or physician records height, weight, blood pressure, and pulse, etc.

**Policy Issue** – When the underwriting requirements are satisfied and the underwriter has determined the rate class, the policy is issued. When the delivery requirements are satisfied, the policy is paid-for and commissions are then payable.
**Rate Class** – Each proposed insured is placed in a rate class. These rate classes are based on information about gender, age, tobacco status, habits, occupation and medical information, both previous and current. Family history is also considered. Special class premium rates may be considered if additional risks involved can be quantified.

**Reinsurance** – KHL has reinsurance contracts with Optimum Re Insurance Company and Munich American Reinsurance Company.

**Right to Examine and Return Policy (10 Day Free Look)** – On paid-for policies, within 10 days (or the longer number of days required by law in a few states) after receipt of the policy, the policyowner may return it for cancellation. In order to do this the face sheet of the policy must be returned to the Home Office or the agent from whom it was purchased. If returned to the agent, the face sheet and a statement of cancellation signed and dated by the policyowner must be immediately forwarded to the Home Office. If the face sheet and signed statement are received in the Home Office no more than 5 days following the expiration of the "free look" period, the policy will be cancelled.

**Senior Life I & II Underwriting** – The Senior Life application (Sr Life App 11/09) has two questions which determine whether Senior Life I or Senior Life II will be issued. Questions #4 and #5 determine which product is issued. If any answers to questions 1-3B are “Yes”, the proposed insured is not eligible for any coverage. Paramedical exams, blood chemistry and home office specimen are not generally required for Senior Life I or II.

**Special Premium Classes** – Policies may be issued by the Company to special class risks at premium rates which commensurate with the additional risks involved. Such policies will be issued without extended term insurance as the available non-forfeiture option. There are generally two types of special class premiums:

1. **Flat Extra Premiums** – These are usually the result of occupation and/or avocation, but may occasionally be the result of some medical impairment. Flat extra premiums are expressed as "$3.00 per $1,000", etc. In some cases, the flat extra premium is payable for a temporary period and premiums payable thereafter are at standard rates; these temporary flat extra premiums are expressed as "$3.00 per $1,000 for 3 years", etc.

2. **Special Class Premiums** – These rates are applied in most cases where applicants are rated for medical factors and vary by plan of insurance and age of the proposed insured. These special class premiums are based on the expected mortality at the following multiples of the standard mortality table:

   - Special Class A: 125%
   - Special Class B: 150%
   - Special Class C: 175%
   - Special Class D: 200%
   - Special Class E: 225%
   - Special Class F: 250%
   - Special Class H: 300%
   - Special Class J: 350%
   - Special Class K: 375%

Special class premiums for plans are a straight multiple of the standard premium per $1,000. For example, a term policy with a rating of Table D (200%) would be issued with a 100% increase in premium (two times the standard premium).
Accidental Death Benefit Rider and Disability Premium Waiver Benefit Rider will not be issued if the basic policy is issued with a rating in excess of Table D. These benefit riders may be rated or not granted even if the base policy is a standard issue.

**Underwriting Guidelines** – These guidelines are located on form KHL 135. They are kept up to date under the forms tab in the Partner Portal Systems (PPS).

**Underwriting Requirements** – Initial underwriting guidelines show under this heading when requesting a custom quoter or an illustration on the PPS system. Of course, the underwriter reserves the right to request any additional requirements deemed necessary to properly evaluate the risk.

**Underwriting Screen On PPS System** – After the application has been sent to the company, the PPS will show the policy by proposed insured last name and the newly assigned policy number. The underwriter will preview the application and enter the underwriting information needed and the date resolved. This screen will help communications between the agent and underwriter on an hourly basis.