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## Unit 2 Cram Sheet

**Changes in the Application**—must be initialed by the applicant

**Backdating**—Usually no more than 6 months

### Required Signatures

- Insured
- Producer/agent
- Applicant (if not the insured)

### Producers Report

- Completed by the producer/agent
- Not attached to policy if issued

### Conditional Receipt

- Premium paid with application
- Insurance effective—later of
  - # Date application completed and signed
  - # Medical exam (if required)
- Must be standard or preferred risk
  - # Can be determined after death

**Binding receipt**—Temporary. Not common in Life Insurance.

### Underwriting Sources of Information

- Application—primary source
- Medical exams & testing
- Attending Physician Statement (APS)
- AIDS testing
  - # Applications may not ask about sexual orientation
  - # Testing not based on geographical location
  - # Requires insured's written consent
- Medical Information Bureau
  - # Application cannot be denied solely on MIB information
  - # Insured must be informed of MIB
  - # MIB gets its information from insurance companies
- Consumer reports

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# Insured must be informed

- Investigative reports

# Insured must give consent

### **Classification of Risks**

- Standard
- Preferred
- Substandard
- Declined

### **Agent Delivery**

- Usually must get signed delivery receipt

### **Statement of Good Health**

- Required if no premium with application
- If health changed—agent can't deliver policy

### **Effective Date of Coverage**

- Terms of conditional receipt is issued
- Substandard and pays additional premium—date of policy delivery
- No receipt—policy delivery date if premium paid at delivery

### **Fair Credit Reporting Act**

- Third party information
- Notice to applicant REQUIRED
- Consumers have rights and can dispute information in files
- Penalty: fines (max of \$5,000) and/or imprisonment (one year)

### **STOLI/IOLI**

- Banned in most states.
- Investors named as beneficiaries.

### **U.S. Patriot Act**

- Designed to prevent and detect money laundering and financing of terrorism
- Report suspicious activity

### **ERISA**

- Protects participants in employee benefit plans
- Qualified pension plans & group insurance
- Reporting and disclosure information for plan participants