



Preferred Class Structure

(Background on Preferred Class Structure Questionnaire)

Preferred class structure varies by nonsmoker/non-tobacco user or smoker/tobacco user. Each preferred class structure contains two or more classes. The number of classes in a preferred class structure includes all classes from the most preferred class through the standard/residual standard class. A preferred class structure may be limited to certain issue ages, plan types and/or face amount ranges. Many companies have changed their preferred class structures over time. Companies can have more than one nonsmoker/non-tobacco user preferred class structure in effect at the same time.

The preferred class structure questionnaire is intended to provide a high-level summary of a company's preferred class structure in terms that can be applied to the data submitted in the data call. Therefore, the questionnaire asks for:

1. Number of classes it covers (for either nonsmoker/nontobacco user or smoker/tobacco user)
2. The issue date ranges of policies included.
3. The issue age range of policies included
4. The face amount range of policies included and
5. The plan types included

A hypothetical example of Company H and its two sets of preferred class structures may assist in explaining how to fill out both the preferred class structure questionnaire and the data format.

Company H – First Set of Preferred Class Structures

Company H introduced their first set of preferred class structures in July 1, 1998 and ends just before the second set of preferred class structures are introduced on March 30, 2005. This set consisted of:

1. Nonsmoker preferred class structure with three classes of Super Preferred, Preferred and Standard for policies issued at face amounts of \$100,000 or higher on term plans.
2. Smoker preferred class structure with two classes of Preferred and Standard for all policies issued at face amounts of \$250,000 or higher.

Preferred Class Structure Questionnaire for First Set of Preferred Class Structures

The sections of the preferred class structures questionnaire for this first set of preferred class structures for Company H are:

PREFERRED CLASS STRUCTURE – Part 1 Nonsmokers/Non-Tobacco Users

Preferred class structure must have at least one preferred and one standard class.

Use multiple copies of this page if needed for nonsmokers/non-tobacco users

Number of Nonsmoker/Non-Tobacco User Risk Classes **3**

- | | | | |
|----------------------|--------------|---------|------------|
| a) Issue Date Range | 07-01-1998 | through | 03-29-2005 |
| b) Issue Age Range | 25 and older | | |
| c) Face Amount Range | \$100,000 | through | all higher |

- d) Plan Types Term policies with plan coded as 20, 22, 24, and 26

PREFERRED CLASS STRUCTURE – Part 2 Smokers/Tobacco Users

Preferred class structure must have at least one preferred and one standard class.

Use multiple copies of this page if needed for smokers/tobacco users

Number of Smoker/Tobacco User Risk Classes 2

- a) Issue Date Range 07-01-1998 through 03-29-
- b) Issue Age Range 25 and older
- c) Face Amount Range \$250,000 through all higher
- d) Plan Types All plans

Examples of Policies for First Set of Preferred Class Structures

Examples of policies that fit and do not fit into this first set of preferred class structures for Company H follow. The data format in this example is the Minimal Mortality Data Contribution Format.

Policy 1 - Issued on 2/1/1998 to a nonsmoking insured issue age 30, for \$150,000 as a term product with level benefit and attained age premiums. The policy was issued before any preferred class structure was established. Therefore, it is issued as a standard policy outside of the nonsmoker preferred class structure.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	30
Issue Date	02011998
Exposure Initial Amount	000000150000
Plan Code	20
Smoker Status	2
Number of Nonsmoker Risk Classes	Blank or "0"
Nonsmoker Risk Class Rank	Blank or "0"

Policy 2 - Issued on 2/1/2000 as a preferred nonsmoker to an insured issue age 30, for \$150,000 as a term product with level benefit and attained age premiums. This policy fits into the nonsmoker preferred class structure of 3 classes

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	30
Issue Date	02012000
Exposure Initial Amount	000000150000
Plan Code	20
Smoker Status	2
Number of Nonsmoker Risk Classes	3
Nonsmoker Risk Class Rank	2

Policy 3 – Issued on 9/18/2003 as a standard nonsmoker to an insured issue age 45, for \$100,000 as a variable life plan. Although this policy qualifies in terms of issue age, issue date, and face amount, the nonsmoker preferred class structure does not include variable products. Therefore, the policy is not issued in a preferred class structure. It is issued as a standard policy outside of the nonsmoker preferred class structure.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	45
Issue Date	09182003
Exposure Initial Amount	000000100000
Plan Code	80
Smoker Status	2
Number of Nonsmoker Risk Classes	Blank or "0"
Nonsmoker Risk Class Rank	Blank or "0"

Policy 4 - Issued on 7/1/1998 as a standard nonsmoker to an insured issue age 55, for \$450,000 as a term product with level death benefit and guaranteed level premium for 20 years. This policy fits into the nonsmoker preferred class structure of 3 classes as the least preferred of the 3 classes.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	55
Issue Date	07011998
Exposure Initial Amount	000000450000
Plan Code	24
Smoker Status	2
Number of Nonsmoker Risk Classes	3
Nonsmoker Risk Class Rank	3

Policy 5 – Issued on 11/6/1999 in a standard class to a smoking insured issue age 35, for \$250,000 as a term product with level death benefit and guaranteed level premium for 20 years. Therefore, the policy is issued as a standard policy in the smoker preferred class structure of 2.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	35
Issue Date	11061999
Exposure Initial Amount	000000250000
Plan Code	24
Smoker Status	3
Number of Smoker Risk Classes	2
Smoker Risk Class Rank	2

Company H – Second Set of Preferred Class Structures

Company H introduced their second set of preferred class structures in March 30, 2005. This set consisted of:

1. Nonsmoker preferred class structure with five classes of Best Preferred, Second Best Preferred, Third Best Preferred, Fourth Best Preferred and Residual Standard for policies issued at face amounts of \$250,000 or higher on term plans.
2. Nonsmoker preferred class structure with three classes of Super Preferred, Preferred and Standard for policies issued at face amounts of \$100,000 or higher on all plans.
3. Smoker preferred class structure with two classes of Preferred and Standard for all policies issued at face amounts of \$100,000 or higher.

Preferred Class Structure Questionnaire for Second Set of Preferred Class Structures

The sections of the preferred class structures questionnaire for the second set of preferred class structures for Company H are:

PREFERRED CLASS STRUCTURE – Part 1 Nonsmokers/Non-Tobacco Users

Preferred class structure must have at least one preferred and one standard class.

Use multiple copies of this page if needed for nonsmokers/non-tobacco users

Number of Nonsmoker/Non-Tobacco User Risk Classes **5**

- a) Issue Date Range 3-30-2005 through present
- b) Issue Age Range 25 and older
- c) Face Amount Range \$250,000 through all higher amounts
- d) Plan Types Term policies with plan coded as 20, 22, 24, and 26

Number of Nonsmoker/Non-Tobacco User Risk Classes **3**

- a) Issue Date Range 03-30-2005 through present
- b) Issue Age Range 25 and over
- c) Face Amount Range \$100,000 through all higher amounts
- e) Plan Types All Plans

PREFERRED CLASS STRUCTURE – Part 2 Smokers/Tobacco Users

Preferred class structure must have at least one preferred and one standard class.

Use multiple copies of this page if needed for smokers/tobacco users

Number of Smoker/Tobacco User Risk Classes **2**

- a) Issue Date Range 03-30-2005 through present
- b) Issue Age Range 25 and older
- c) Face Amount Range \$100,000 through all higher amounts
- d) Plan Types All plans

Examples of Policies for Second Set of Preferred Class Structures

Examples of policies that fit and do not fit into the second set of preferred class structures for Company H follow. The data format in this example is the Minimal Mortality Data Contribution Format.

Policy 6 - Issued on 4/1/2006 as nonsmoker in the Best Preferred class to an insured issue age 35, for \$350,000 as a term product with level death benefit and guaranteed level premium for 20 years. This policy fits into the nonsmoker preferred class structure of 5 classes.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	35
Issue Date	04012006
Exposure Initial Amount	000000350000
Plan Code	24
Smoker Status	2
Number of Nonsmoker Risk Classes	5
Nonsmoker Risk Class Rank	1

Policy 7 - Issued on 4/1/2006 to a nonsmoker in the Super Preferred class to an insured issue age 35, for \$150,000 as a term product with level death benefit and guaranteed level premium for 20 years. Policy 7 differs from policy 6 only in the face amount of insurance. Due to policy 6's face amount being less than \$250,000 it does not qualify for the 5 class nonsmoker preferred class structure. It fits into the nonsmoker preferred class structure of 3 classes.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	35
Issue Date	04012006
Exposure Initial Amount	000000150000
Plan Code	24
Smoker Status	2
Number of Nonsmoker Risk Classes	3
Nonsmoker Risk Class Rank	1

Policy 8 – Issued on 9/18/2005 in a preferred class to a nonsmoking insured issue age 45, for \$400,000 as a variable life plan. Because the policy is not a term plan, it fits into the nonsmoker preferred class structure of 3 classes.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	45
Issue Date	09182005
Exposure Initial Amount	000000400000
Plan Code	80
Smoker Status	2
Number of Nonsmoker Risk Classes	3
Nonsmoker Risk Class Rank	2

Policy 9 – Issued on 04/12/2005 to a smoker in the preferred class at issue age 38 for \$100,000 as a whole life plan. It fits into the smoker preferred class structure of 2 classes.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	38
Issue Date	04122005
Exposure Initial Amount	000000100000
Plan Code	10
Smoker Status	3
Number of Smoker Risk Classes	2
Smoker Risk Class Rank	1

Policy 10 – Issued on 04/12/2005 to a standard insured of unknown smoker status at issue age 15 for \$100,000 as a term product with level death benefit and guaranteed level premium for 20 years. Both because the insured is 15 (the preferred class structures do not include issue ages less than 25) and the smoking status is not known, the policy does not fit into any preferred class structure.

<u>Data Element</u>	<u>Coded Value of Data Element</u>
Age at Issue	15
Issue Date	04012005
Exposure Initial Amount	000000100000

Plan Code	24
Smoker Status	3
Number of Nonsmoker Risk Classes	Blank or "0"
Nonsmoker Risk Class Rank	Blank or "0"
Number of Smoker Risk Classes	Blank or "0"
Smoker Risk Class Rank	Blank or "0"