

07/11/2013

SECURE-Mark PRODUCTS ONLY

Collection of Initial and Subsequent EFT Draft Reinstate, Redate, Rewrite Procedures

Initial and Subsequent Electronic Fund Transfer (EFT) Premiums

The procedures for handling **SECURE-Mark policies only** for unpaid initial or subsequent EFT draft premiums are as follows:

Any Initial Premiums:

- ✓ If an initial premium draft for a SECURE-Mark policy is returned for insufficient funds (NSF), a replacement check will be requested.
 - No coverage is in force and policy is terminated as not-taken (NTO)
 - Any replacement check must be received in the Home Office no later than 5 days prior to the next draft date.
 - If a replacement check is received, the policy will be restored to premium paying
 - If the initial premium is returned for any other reason, such as "account closed", "account not found" or the like, no replacement check will be accepted or requested. The policy will remain terminated as not taken.

Any Subsequent Premiums:

- ✓ We will not redeposit any premium on a SecureMark policy that is returned to GPM Life unpaid. Instead, a letter will be mailed to both the policyholder and writing agent advising that the bank draft premium for the noted month was returned. We will request a replacement check to cover the unpaid draft within the policy's grace period. Unless the draft was returned for insufficient funds, a new bank authorization card and voided check (or form for a Savings Account) to use to draft future premiums should be submitted with the replacement check. If we have not received the replacement premium by the end of the grace period, the policy will terminate for non-payment. If the policy has a cash value, it will be applied under the applicable non-forfeiture option for the policy.
- ✓ If the payment to replace an unpaid draft is received during the policy's grace period, we will resume drafting premiums on the next premium due. If we are unable to draft the old account because the account is closed, authorization has been revoked or we do not have a new, valid form, the premium mode and billing will be changed to the Semi-Annual mode.
- ✓ If the policyholder decides not to draft future premiums from a bank account, we will change the premium mode to Semi-Annual and bill for the next premium due. **SECURE-Mark does not have a monthly or quarterly premium mode.**
- ✓ Policies with a history of excessive unpaid bank draft premiums will be changed to semi-annual premium mode, with notification to the policyholder and agent.
- ✓ If the policy terminates for non-payment of premiums, normal policy provisions for reinstatement will apply.
- ✓ A Policy may be eligible for reinstatement by redating, subject to normal SECURE-Mark rules as follows.

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Reinstate, Redate, Rewrite Procedures (SECURE-Mark Products Only)

We know that our policyholders are not immune to the trials of a challenging economy. We understand that on occasion a policyowner may inadvertently fall behind on their premiums without intending to lapse their policy. GPM Life currently¹ provides 3 options to assure their valuable life insurance policy remains in-force.

Reinstatement:

Reinstatement is a policyowner's contractual right. This provision provides an opportunity for the owner to pay all back premiums, plus interest. There are two methods to reinstate a lapsed policy:

- a) Within 31 days after the expiration of the grace period (15 days for term plans),² the policyowner should submit a check for all back premiums, plus interest as set forth in the policy's Reinstatement provision. The policy number should be recorded on the check.
- b) If more than 31 days (15 days for term plans) has elapsed since the grace period has expired, the policyowner should complete the current version of the life insurance application, and write "REINSTATEMENT REQUEST #<policy number>" on the top right of the application. The policy can only be reinstated upon receipt of the back premiums, interest, and evidence of insurability satisfactory to GPM Life. The original contract must be returned for endorsement³.

Redating:

If the original contract is in its first or second policy year, lapsed at least two months prior to the request, and the owner is not able to, or does not wish to pay all back premiums, the only option available is to request a redated policy. This option can only be used one time per policy.

If the reinstate by Redate option is requested, the policyowner must submit payment for the current month's premium. This first premium cannot be drafted. If approved, we will give the policyholder credit for the number of months they paid before the policy lapsed. The premium submitted will be applied to the current month. If the insured has celebrated 1 or more birthdays since the original policy was issued, redating will result in an increase in premium for the current month and future months. In addition, the owner must pay the difference in premium, plus interest as set forth in the policy's Reinstatement provision, for the number of months previously paid on the policy due to the change in age.

The owner and insured will need to complete a new application and write REDATE policy #XXXXXX in the top right-hand corner. The original contract must be returned with the application for redate.³ If the insured's health has not changed and the request does not exceed our limit, we will issue a redated policy. Commission is adjusted to assure first-year commission percentage is paid on 12-months of premium, and renewal commission is paid on all other premiums.

Rewriting:

If the policy has been lapsed for 12 months or more, as described below, the policyowner and insured can elect to have their coverage rewritten. This is the same as submitting a new application for new underwriting and approval. New commissions will be paid on the issued policy.

¹ Current processes are available at the will of GPM Life and can be modified or discontinued at our discretion.

² Other state variations may apply

³ The original policy must be returned for endorsement, or if lost, a signed Form C0120, Policyholder's Service Request, with block No. 4 completed to request either a duplicate policy or certificate of insurance.

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In any event, we will only consider an applicant who previously had insurance with us, but only if they have not used the Rewrite privilege previously, and the Reinstate by Redate privilege more than one time. In other words, we will, at most accept one Reinstate by Redate application (new application, same policy number) and one Rewritten application (new application and new policy number.) If the applicant/insured does not qualify for a rewritten SECUREMark policy, they may not apply for any other life product with GPM.

In this instance we will consider a not-taken policy as a lapse. The following events count as lapses:

- A policy that has terminated as not-taken
- Any policy lapse/surrender
- A redated policy that has lapsed

Examples of when to use the options available:

Abby Adams is the owner and insured of policy "A", a Simplified Issue Whole Life plan. Policy "A" was issued January 1, 2012. Premiums are paid to July 1, 2012. Coverage remains in force during the first 31-day grace period. If a claim occurs during the grace period, the current month's premium would be deducted from the claim proceeds. During the 31-day period following the end of the grace period, the policy can be reinstated by paying two months of past due premiums, assuming all Insureds are living. On and after September 1, 2012, all available options would require continued good health.

- 1) **Reinstatement:** Ms. Adams can pay the 3 premiums due plus interest, and provide evidence of insurability satisfactory to GPM Life. If approved, the policy will be restored to a premium paying status.
- 2) **Redate:** Assuming that Ms. Adams has not used the redate option on this policy before she can submit a new, fully-completed application with a check for the modal premium. The application will be noted in the upper-right hand corner "Redate policy "A"". If she applies for redating in September 2012, assuming continued good health, Ms. Adams' redated policy would be dated March 1, 2012. The six months of premium paid prior to lapse will be applied to bring the paid to date to September 1, 2012. The check that accompanied the application for redate would be used to pay the premium due September 1, 2012. If Ms. Adams has celebrated one or more birthdays since the original policy was issued, redating will result in an increase in premium. Ms. Adams must pay the difference in premium plus interest, for the number of months previously paid on the policy and the higher amount for the current month and future premiums.
- 3) **Rewrite:** If Ms. Adams does not take action and her policy lapses with a termination date of July 1, 2012, and she chooses not to reinstate or redate it, Ms. Adams can apply for a new policy on or after July 1, 2013. She will submit a new application for consideration, resulting in a new policy number. GPM Life will first assure that Ms. Adams has not previously experienced a Rewrite on this coverage, as defined in this document. If she has been rewritten before, she is not eligible for a new policy with GPM Life. If she is eligible to apply, we will begin underwriting the risk. If the application is approved, a new policy will be issued and a new commission will be paid.

Examples of a Reinstatement by Redate and a Rewrite of coverage:

Applicant/Insured – Ms. Adams

Policy AA - Issued effective January 1, 2012
Lapses July 1, 2012

Policy #AA

Application to redate on September 1, 2012
Redated policy AA lapses November 1, 2012

new application / same **Policy #AA**

Application to rewrite on November 1, 2013

new application / **NEW Policy #BB**

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If Policy BB lapses, the only option available to Ms. Adams would be the normal reinstatement options provided in the policy. ***The policy is not eligible for Reinstatement by Redate, and Ms. Adams cannot Rewrite with a new application.***

Applicant/Insured – Mr. Smith

Policy 1 – Issued effective February 1, 2012
Lapses August 1, 2012

Policy 1
(no redating of the application occurs)

Application to rewrite on August 1, 2013

Policy 2 – Issued effective August 1, 2013
Cash with App not paid

new application / **NEW Policy 2**

Policy terminated as not taken as of August 1, 2013

If Policy 2 lapses, the only option available to Mr. Smith would be the normal reinstatement options provided in the Policy 1. ***The policy is not eligible for redating and Mr. Smith cannot apply with a new application.***

These rules will be strictly enforced. If you have any questions you may call our New Business team or Sales manager.