

# Replacement/Existing Insurance Regulations Reminder

486NB

## WHAT IS A REPLACEMENT?

While specific state definitions vary, a replacement is generally defined as a transaction in which a new policy/contract is to be purchased, and it is known to the proposing producer that because of this transaction, an existing policy/contract has been or will be:

- Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer, or terminated;
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;
- Amended to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
- Reissued with any reduction in cash value; or
- Used in financed purchase, pledged as collateral or subject to borrowing.

## PRODUCER'S DUTIES

Please note the following reminders applicable to all New Business and Policy Change life insurance applications.

- All applications require the producer to obtain a statement indicating whether the applicant has existing life insurance policies or annuity contracts.
  - If there are no existing policies/contracts, the producer does not have to do anything further with respect to the replacement regulations.
  - If there are existing policies/contracts, the producer must answer all replacement/existing insurance questions on the application.
- A replacement form for the state where the application is signed is required to continue processing the application in the following instances:
  - Whenever a transaction involves a replacement, or
  - In states that have adopted the NAIC Life Insurance and Annuity Replacement Model Regulation where the applicant has existing policies/contracts, ***even if a replacement is not involved.***
- If a replacement is involved, the producer must also have the applicant list all policies/contracts proposed to be replaced on the application and replacement form, including the insurer, insured and contract number, and indicate whether the policy/contract will be replaced or used to finance a new policy/contract. Many state replacement forms (as well as annuity suitability or best interest requirements) also require the producer to provide a reason for the recommendation to replace or change the existing coverage.

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## Field Bulletin

- The producer must leave the original or a copy of all sale materials with the applicant at the time the application is completed when a replacement is involved. For electronically presented materials, the producer must provide the applicant with a printed copy no later than policy/contract delivery. “Marketing communication” or “sales material” means a sales illustration and any other written, printed, or electronically presented information created, completed, or provided by the insurer or agent, and used in the presentation to the policy/contract owner relating to the policy or contract.

**If an application is received with any of the above information/documentation missing or not in good order, the underwriting process will not begin until the information is received and deemed in good order. Any missing information on the application and/or replacement form must be added to that form and initialed and dated by the applicant. If not received within two weeks, the application will be closed incomplete.**

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