

# COMPLIANCE UPDATE

## West Virginia Adopts the NAIC Model Replacement Regulation

West Virginia has adopted the NAIC Model Replacement Regulation with an effective date of July 1, 2006. For all individual life insurance applications and annuity applications written in West Virginia on or after July 1, 2006, please comply with the following requirements by following these steps:

1. Indicate in the application whether the applicant has any existing life insurance policies or annuity contracts. Provide this information by completing the entry in the application that asks for information regarding in-force life insurance and annuity coverage. Please note that the Producer Report section, which should always be completed, does not satisfy this existing coverage requirement
2. *If the applicant has no existing coverage, your duties under these regulations are complete and you do not need to take additional action.*
3. If the applicant has existing insurance or annuity coverage, complete, as directed below, titled "Important Notice: Replacement of Life Insurance or Annuities," form number AGLC0188 (referred to in this bulletin as the "new Replacement Form" or "the form").
4. Show the applicant the new Replacement Form and read it aloud to the applicant. There is a place on the form to mark if the applicant does not want it read aloud.
5. Answer questions 1 and 2 in the Replacement Form. If the answer to both questions is "No," you and the applicant sign the declaration immediately below question 2. Do not complete any other portion of the form. Leave a copy of the form with the applicant and submit the original with the application.
6. If the answer to either question 1 or 2 is "Yes," then the transaction is a replacement. Complete the remainder of the form in accordance with the following directions.
7. Provide complete details and answer all questions where indicated on the new Replacement Form, including the reason for the replacement. Make certain you and the applicant sign in the designated spots. Obtain the details of the existing coverage and note for each contract whether it will be replaced or used as a source of financing for the proposed coverage.
8. The Producer acknowledgement requires you to certify that the transaction is in accord with the Company's replacement guidelines. These guidelines can be found in section 10 of the *Compliance Manual for Distributors*.

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9. Advertising materials for replacement transactions:

- a. Leave with the applicant the original or copy of all sales material used in presenting the policy, its benefit or features, or costs to the applicant. "Sales material" means a sales illustration and any other written, printed or electronically presented information created, completed or provided by the company or producer and used in the presentation to the applicant related to the policy or contract purchased. The producer must use sales materials that are approved by the company, generated by the company, or individualized sales materials in a company approved format (e.g., an individualized sales illustration, etc.). If the sales material was presented electronically, you must deliver a printed version of the item used not later than at policy delivery.
- b. Submit with the application:
  - (1) A listing of all sales material left with the applicant (excluding individualized materials), including the form number and a brief description or name of each. The new Replacement Form has a space to satisfy this duty. If no sales materials were used, state "None" in the section.
  - (2) A copy of any individualized sales materials, including any illustrations, used in connections with the policy or contract sold.

10. Leave with the applicant a copy of the completed form and submit the original with the application.

Please note that the NAIC replacement form (form number AGLC0188) replaces the West Virginia replacement forms and the Comparative Information Form (form numbers L1678-49, L1680-49 and L1677 respectively).

A courtesy copy of the form is attached, which you may duplicate for your immediate use. Alternatively, you may view, print or order the form online from FastForms Web.

File these instructions with your important procedures. This bulletin replaces any communication describing replacement procedures in West Virginia. Any policy or procedure previously communicated to you that does not conflict with one of the duties set forth above continues in effect.