

## NAIC Model Replacement Regulation

The NAIC adopted a new version of its model regulation in 1998. It was amended in 2000. A number of states have now adopted the amended NAIC Model Regulation. This replacement regulation has an impact on the way you do business and on all life insurance applications in the states that have adopted the regulation. The current list of states that have adopted the latest model replacement regulation is provided at the end of this bulletin. We will continue to update you as additional states adopt the new replacement regulation.

### Definition of Replacement

- A **replacement** is a transaction in which new insurance is to be purchased and it is known (or should be known) by the FR that as a result of such a transaction, an existing product has been or is to be:
  - Lapsed, forfeited, surrendered, partially surrendered, assigned to the replacing insurer or otherwise terminated
  - Converted to reduced paid-up insurance, or continued as extended-term insurance, or otherwise reduced in value by the use of non-forfeiture benefits, dividend accumulations, dividend cash values or other existing product values
  - Amended to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or the period in which benefits would be paid
  - Reissued with any reduction in cash value or benefits; including transactions where any amount of dividend accumulations or paid-up additions is to be released on one or more existing products
  - Pledged as collateral or subjected to borrowing or withdrawal of any portion of the cash value; including all transactions wherein any amount of dividend accumulations or paid-up additions is to be borrowed or withdrawn from one or more existing products (used in a financed purchase)
  - Continued with a stoppage of premium payments or reduction in the amount of premium paid

### Duties of Producers

The model regulation defines producer responsibilities. Please refer to the toolkit - procedures manual - chapter 11 for instructions and form requirements related to replacements. Instructions and forms may vary by product and state; please review carefully.

**The following states have adopted the NAIC Model Replacement Regulation:** Alabama, Arizona, Colorado, Hawaii, Iowa, Kentucky, Louisiana, Maine\*, Maryland, Mississippi, Montana, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio\*\*, Oregon, Rhode Island, Utah, Vermont, West Virginia

\*adopted 07/26/06 effective 1/1/07

\*\* adopted 11/06/06 effective 3/1/07