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What does the NAIC Model Replacement Regulation mean to Producers?

A state's adoption of the NAIC Model Replacement Regulation has an impact on the way ING does business in that state. Soon 23 states will have implemented this model regulation. How does it impact your life insurance and annuity business? Keep reading - these replacement regulations apply to all internal and external replacements.

Q: What is the definition of a “replacement” under the Model Replacement Regulation?

A: *To summarize the model, a replacement occurs when an existing life insurance policy or annuity contract has been, or is to be:*

1. Lapsed, forfeited, surrendered, partially surrendered, assigned to the replacing insurer or otherwise terminated; or converted to reduced paid up insurance or otherwise reduced in value.
2. Reissued with any reduction in cash value or used in a “financed purchase” involving the actual or intended use of funds obtained by the withdrawal, surrender or borrowing from the values of an existing policy to pay all or part of any premium due on the new policy.

Q: What are my duties as a producer under the replacement model law?

A: *As a producer in a state that has adopted the replacement model law, you need to do the following:*

1. Complete the questions in the replacement section of the application. If the answer to having existing insurance is "no," there are no further requirements under the replacement regulation. However, if the applicant answered “yes” to having existing insurance, complete the *Important Notice: Replacement of Life Insurance or Annuities* form, (for life insurance, that is 110042, order number [127792](#)).
2. You will need to present and read this notice aloud to the applicant, no later than the time the application is taken. Additionally, this notice must be signed by both you and the applicant to attest that the notice was read aloud, or that

the applicant did not wish the notice to be read aloud. You must give the applicant a copy of this form and also provide one to ING.

3. The *Important Notice: Replacement of Life Insurance or Annuities* form and application should list each of the life insurance policies or annuities proposed to be replaced.
4. You also need to leave with the applicant a copy of all sales material. If you used electronically presented sales material, you must provide copies to the applicant in printed form no later than the time of policy delivery.
5. If you only used sales materials previously approved by ING, you must attest to that in the agent/producer report section of the application.
6. If you used other sales materials, you must submit copies of those to ING, including illustrations which describe the benefits, features, and costs of the specific policy or contract that is purchased.

Q: What are ING's duties under this model law?

A: *ING is required to maintain a system of supervision and control that includes the following:*

1. Informing producers of the requirements of this regulation and providing to each producer a written statement of the company's position with respect to the acceptability of replacements and provide guidance to you as to the appropriateness of these transactions. This information is contained in the Business Guidelines and in the Compliance Section of the ING Virtual Financial Center (www.ingvfc.com).
2. Oversee a system to review the appropriateness of each replacement transaction when you indicate on the application that the sale is not in accordance with ING guidelines and confirm that the requirements have been met.

Q: Are there additional duties if ING is the Replacing Insurer?

A: *Once you tell us that one of our policies is replacing existing insurance, we are required to:*

1. Verify that we've received all required forms and that they are in compliance with this regulation;
2. Notify the existing insurer as required;
3. Provide the policy or contract owner notice of the right to return the policy or contract within thirty (30) days of the delivery of the policy contract and receive an unconditional full refund of all premiums, or in the case of a variable contract, a payment of the cash surrender value provided under the policy or annuity contract plus fees and other charges deducted from the gross premiums.

4. Allow credit for the time that has elapsed under the replaced contract incontestability/suicide provisions up to the face amount of the existing contract if the replacement is an affiliated company or internal exchange.
5. In addition, within ten (10) days of issuance of the policy or annuity contract, we are required to notify the applicant that you have represented that a copy of all sales material has been left with the applicant and provide them with a toll free number to contact our compliance personnel if this is not the case. We must also stress to the client the importance of retaining copies of the sales material for future reference.

Q: What if ING is the Existing Insurer?

A: *Where a replacement of an ING policy is involved, ING must:*

1. Send a letter to the contract owner about their right to receive information regarding the existing policy; i.e., an in-force illustration, if available.
2. Send a notice to the owner advising that contract values may be affected any time they request to borrow, surrender or withdraw funds from the contract.

Q: What states have adopted the NAIC Model Replacement Regulation?

A: *The states that have adopted this model regulation to date include:*

- Alabama
- Arizona
- Colorado
- Hawaii
- Iowa
- Kentucky
- Louisiana
- Maine
- Maryland
- Mississippi
- Montana
- New Hampshire
- New Jersey
- New Mexico
- North Carolina
- Ohio
- Oregon
- Rhode Island
- Texas (effective 12/01/2007)
- Utah
- Vermont
- Virginia
- West Virginia

If you have any questions on the NAIC Model Replacement Regulations, please contact the ING National Sales Support Team at 866-ING-SELL (866-464-7355).