

Replacements

This guide is derived from NAIC Model Regulations, Acts, and/or Bulletins. Because states independently determine whether to adopt NAIC Models—and may do so in whole, in part, or with state-specific modifications—requirements can vary by jurisdiction. CEFLI Oversight Guides provide checklists of potential oversight elements to help support regulatory compliance. The guides and any referenced resources are not legal advice. CEFLI Member Companies should ensure their oversight programs reflect their specific product portfolios, distribution strategies, risk tolerances, internal controls and prior market conduct examination findings. Member Companies should carefully evaluate and incorporate unique state regulatory requirements, including any deviations from NAIC Models, in the states where they conduct business.

Helpful Resources

- [NAIC Market Regulation Handbook 2025, Volume 1-IV](#)
- [NAIC Life Insurance and Annuities Replacement Model Regulation \(#613\)](#)
- [NAIC Life Insurance and Annuities Replacement Model Regulation \(#613\) Adoption Chart](#)

Scope of the Regulation

- **Includes.** The regulation includes life insurance and annuity transactions except for as noted in list of exclusions below.
- **Excludes.** The regulation (with some exceptions) excludes credit life, group products (if not solicited by a producer) however, products marketed through direct response solicitation are subject to the requirements of Section 7, group products for prearranged funeral contracts, changes resulting from the exercise of a contractual change or conversion privilege with the same insurer or a program approved by the commissioner, term conversions exercised between corporate affiliates, coverage under a binding or conditional receipt by the same insurer, policies or contracts used to fund an employee/ERISA/IRC plan if funded, fully or in part, by an employer (see 1.B.6.b. for clarification), life coverage fully funded by an employer or an association, existing life coverage that is non-convertible term life that will expire in five years or less and cannot be renewed, immediate annuities funded from an existing annuity contract, structured settlements.

Replacing Insurers

- Producer Education on Regulatory Requirements.** The insurer informed producers of the requirements of the Model Regulation or relevant state regulations. Refer to section 4.A.(1).
- Producer Education on Replacement Guidance.** The insurer provided producers with written guidance regarding the acceptability of replacements, including the appropriateness of such transactions. Refer to section 4.A.(2).
- Transaction Review.** The insurer has a system to review the appropriateness of any replacement transaction if a producer indicates a transaction does not follow the insurer's replacement guidelines. Refer to section 4.A.(3).
- Compliance Controls.** The insurer has procedures to support that the requirements of the regulation have been met. Refer to section 4.A.(4).
- Unreported Replacement Identification.** The insurer has procedures to detect unreported replacements. Refer to section 4.A.(5).



- Forms Are In Good Order.** Forms received, complied. Refer to sections 5.A.(1) and 5.A.(3). This includes:
 - A statement signed by the producer and the applicant regarding whether the consumer has existing policies or contracts. Refer to section 3.A.
 - A copy of the Replacement Notice required under Section 3.B. (Appendix A), when warranted.
 - A statement regarding the use of sales materials. Refer to section 3.E.
 - Copies of any individualized sales materials used, when appropriate or a producer statement noting only company approved materials were used and were left with the applicant. Refer to sections 3.D, and 5.C.
 - Evidence of the above is maintained for at least five (5) years or until the date of the next domestic examination. However, copies of sales materials and any illustrations used must be maintained for at least five years after the termination or expiration of the proposed policy or contract and the same holds true regarding the producer's certification if sales materials and illustrations were not used. Refer to sections 4.E., 5.A.(3). & 5.C.(3). and 6.A.

- Notify Replaced Insurer.** Replaced insurers are notified within five (5) business days of the replacing insurer's receipt of a completed application indicating replacement (or when replacement is identified, if not noted on the application). Refer to section 5.A.(2).

- Values for Replaced Insurer.** If the replaced insurer requested it, the replacing insurer provided a copy of the available illustration or policy summary for a proposed policy, or the disclosure document for a proposed contract, within five (5) business days. Note, variable contracts are exempt from illustration and policy summary requirements however, premium or contract contribution amounts and identification of the prospectus may be required instead. Refer to sections 1.C. & 5.A.(2).

- Monitoring Producer Business.** The insurer has the capacity to monitor each producer's business in the following manners :
 - Life replacements (including financed purchases) as a percentage of the producer's total annual life insurance sales. Refer to section 4.B.(1).
 - Policy lapses as a percentage of the producer's total annual life insurance sales. Refer to section 4.B.(2).
 - Annuity contract replacements as a percentage of the producer's total annual annuity contract sales. Refer to section 4.B.(3).
 - The total number of unreported replacement transactions identified by the company, for the producer. Refer to section 4.B.(4).

- Replacement Register.** The insurer maintains a replacement register, indexed by the producer and by the existing insurer. Refer to section 4.B.(5).

- Existing Policy/Contract Statement.** The insurer has evidence of producer compliance with the submission of a statement, not later than at the time of application, signed by both the producer and the applicant, indicating whether the applicant has existing policies or contracts. Refer to sections 3.A. & 4.C.

- Replacement Notice – Appendix A.** The insurer has evidence that, when applications indicate the applicant has existing policies or contracts, a completed and signed replacement notice (Appendix A) was obtained and was submitted, by the producer, to the insurer, not later than at the time of application. Refer to section 4.D.

- Producer Statements and Sales Materials.** The insurer can produce copies of producer statements and sales materials used if the applicant has existing policies or contracts. Refer to sections 3.E., 4.E., 4.F. and 5.C.

Section 3.E. requires a producer to submit to the insurer a statement regarding any preprinted or electronically presented company-approved sales materials used, and copies of any individualized materials, including sales illustrations used in the sale of the policy or contract. The insurer must be able to produce a copy of the letter, or other verification, for at least five years after the termination of the policy or contract. The insurer must also be



able to ascertain that the sales material and illustrations (referenced in Section 3.E.) are complete and accurate for the policy or contract sold as required by section 4.F.

Exception: Insurers may alternatively follow the requirements under section 5.C. of the Model Regulation if the insurer prohibits the use of sales materials other than those approved by the insurer. Section 5.C. requires a written statement signed by the producer, with each application, that: 1.) represents the producer used only company-approved materials; and 2.) states that such materials were left with the applicant, consistent with the requirements in section 3.D. If an insurer relies on the section 5.C. requirements (in lieu of the section 3.D. requirements) the insurer must also, within ten (10) days of the issuance of a policy or contract, notify the applicant that the producer represented that copies of sales materials were left with the applicant. The notice must include the toll-free number to contact the company's personnel involved with the compliance function, if the consumer feels that is not the case (i.e., sales materials were not left behind). The notice must also stress the importance of retaining sales materials for future reference. Last, the insurer must be able to produce a copy of the letter or other verification for at least five years after the termination of the policy or contract.

- Applications Not in Good Order.** If the application does not meet the requirements of the regulation, the insurer must notify the producer and applicant and fulfil the outstanding requirements. Refer to section 4.G.
- 30-Day Unconditional Free Look.** The insurer's replacement contracts include a 30-day (from policy or contract delivery) unconditional and full refund offer, to the applicant, consistent with the requirements of Section 5.A.(4).
- Subsidiary Transactions.** If the new and the replaced insurers are the same company (or are subsidiaries or affiliates under common control), there is evidence that credit was provided for time spent under the replaced contract, up to the amount of the replaced face amount. **Note:** To test this requirement, it may be necessary to review a sample of the company's denied claims (full or partial denials) if a denial occurred within the company's contestability and suicide exclusion periods. Refer to section 5.B.
- Sales Material Notice to Applicant.** Within 10 days of policy or contract issuance the applicant was notified (by an area other than marketing) that the producer indicated copies of sales materials were left with the applicant and noting the toll-free number to call if that was not the case. The message must also stress the importance of retaining copies of materials received, for future reference. Refer to section 5.C.(2).

Replaced Insurers

- Indexed Replacement Notifications.** The insurer has maintained replacement notifications received (indexed by replacing insurer) for at least five (5) years or until the conclusion of the next regular domestic examination. Refer to section 6.A.
- Notice to the Policy or Contract Owner.** The insurer sent a letter to the policy or contract owner, regarding the right to receive information regarding existing policy or contract values including (if available) an in-force illustration or policy summary (if an in-force illustration cannot be produced within five (5) business days of receipt of notice that a policy or contract is being replaced). The information must be provided within five (5) business days of receipt of a request from the policy or contract owner. Note, variable contracts are exempt from illustration and policy summary requirements. However, premium or contract contribution amounts and identification of the prospectus may be required instead. Refer to sections 1.C. and 6.B.
- Surrenders and Withdrawals.** The insurer, upon receipt of a request from a policyowner to borrow, surrender or withdraw any policy values, provided the policyowner with written notification indicating the release of policy values may affect the guaranteed elements, non-guaranteed elements, face amount or surrender value of the policy from which the values are released. Refer to section 6.C.



Direct Response Solicitations

- Replacement Question.** With or as part of each application for a policy or contract, there is evidence that the insurer asked the applicant whether the applicant intends to replace, discontinue, or change an existing policy or contract. Refer to section 7.A.
- Replacement Notice – Appendix B.** When the answer to the consumer replacement question is “no” (or if the question is left blank), the insurer sent a copy of the replacement notice in Appendix B to the applicant (with the contract issued). Refer to section 7.A.
- Replacement Notice – Appendix C.** When the answer to the consumer replacement question is “yes,” there is evidence that the insurer sent a copy of the replacement notice in Appendix C to the applicant (with the contract issued) and that the insurer made a diligent effort to obtain the consumer signature on the form (consistent with the guidance). Refer to section 7.B.(1).
- Indexed Replacement Notifications.** There is evidence that replacement notifications (to the replaced insurer) have been maintained and are indexed by the insurer for at least five (5) years or until the date of the next domestic examination. Refer to sections 7.B.(2) and 5.A.(3).
- Notify Replaced Insurer.** If the applicant provided the name(s) of the existing insurer(s), there is evidence that replaced insurers were notified within five (5) business days of the company’s receipt of a completed application indicating replacement (or when replacement is identified, if not noted on the application). Refer to sections 7.B.(2) & 5.A.(2).
- Values for Replaced Insurer.** If the replaced insurer requested it, there is evidence that the replacing insurer provided a copy of the available illustration or policy summary for a proposed policy (or the disclosure document for a proposed contract) within five (5) business days. Note, variable contracts are exempt from illustration and policy summary requirements. However, premium or contract contribution amounts and identification of the prospectus are required instead. Refer to sections 1.C., 7.B.(2) and 5.A.(2).
- 30-Day Unconditional Free Look.** If the applicant provided the name(s) of the existing insurer(s), there is evidence that the replacement contracts included unconditional and full refund offers, to the applicant, consistent with the requirements. Refer to sections 7.B.(2) & 5.A.(4).
- Subsidiary Transactions.** If the new and the replaced insurers are the same company (or are subsidiaries or affiliates under common control), there is evidence that credit was provided for time spent under the replaced contract, up to the amount of the replaced face amount. **Note:** To test this requirement, it may be necessary to review a sample of the company’s denied claims (full or partial denials) if a denial occurred within the company’s contestability and suicide exclusion periods. Refer to sections 7.B.(2) & 5.(B).