

Replacement - Tips

The best interest of our customers and clients must always be given the first and highest priority. We conduct business according to high standards of honesty and integrity.

NLG applies the position that any sale of a life insurance, annuity or other insurance contract is a replacement if the sale results in a surrender, lapse, termination or reduction of premiums, reduction in the amount or period of coverage, or borrowing from any existing life insurance, annuity or other insurance product, regardless of whether such activity is deemed a replacement under applicable law or regulation.

An internal replacement is one in which the new policy is purchased from the same insurer that issued the original policy. Example: LSW policy replaced by an LSW policy.

External replacement occurs when the new policy is issued by a different insurer than the one that originally issued the policy. Example: LSW policy replaced with a NY Life policy; or a NL Policy replaced with a LSW policy.

If the agent or agency is different than the agent on the new application, it is NLG's policy to reach out to the original writing agent on the existing policy. Therefore, allow a week for conservation.

If doing a 1035 exchange, we waive the lesser of the old policy surrender charge and the new surrender charge.

If the client surrenders the policy to him/herself the surrender charge is deducted from the gross cash value.

In a straight replacement situation we are required to notify the existing insurer of the potential replacement of their business within same day (Florida) to 5 business days from receipt of the application. In some states, like California, an illustration (life only) is also

required with the replacement notice. We have 3 days to provide this to the replaced carrier.

For NAIC states, we need to provide an illustration if it is requested by the replaced carrier. We have 5 days from the date of the request to provide it. New York Life and Mass Mutual are two companies that will always request an illustration. It is a good practice to provide the illustration with the application.

Annuity replacements do not require an illustration.

Most common reasons for a delayed 1035 Exchange: ownership discrepancies or name changes that weren't made. Obtain a recent policy statement and review the insured, owner, policy number, type of coverage, etc. An ownership discrepancy can delay the process by a month or more.

Some companies will require a notarized statement if the client's signature doesn't match their records. If the client has changed the way he/she signs since the replaced policy was issued, a notarized statement or guaranteed signature stamp should be obtained on the 9685 transfer/exchange form.

We will close a case if incomplete for lack of state requirements. The agent will get a small extension if not in good order to provide an opportunity to meet with the client. The case will need to be closed if not received in a reasonable timeframe because of the state requirements.

At the time of an application the producer needs to fill out the replacement section of the application, complete the agent's report with all replacement related questions answered, run an illustration and submit the application to NLG. The agent must leave a copy of the Notice of Replacement and all sales materials used with the client.

Any application questions that are inaccurate or incomplete will cause an amendment to be signed on delivery. An amendment will cause the case to be conditionally issued. Commission payments will be delayed.

When a completed Notice of Replacement form or an illustration is not submitted with the application (life only) we will notify the replaced company to assure the company is in compliance. The agent will receive instruction to provide both within 10 days or the file will be closed.

Only an application is amendable. We cannot amend the replacement or 1035 exchange forms, or alter them in anyway. The owner will always have to initial and date updates made to these forms after they have been signed and dated.

It is important to know the policies and procedures for replacements. If you don't know – ask!