

Annuity New Business Replacement Compliance FAQ's

1. What has changed with the replacement procedures?

- Any application submission where any of the replacement-related requirements are not fulfilled will need to be revised, as well as any other forms required to be completed at time of application, before the case is considered 'in good order', and can be issued. Please see Question 2 to see how "in good order" is defined.
- In the past, applications may have been amended for replacement situations. Going forward, any submission in which the replacement-related requirements are not 'in good order' cannot be amended.
- **If an application or other forms must be revised, any rate lock associated with this case will start when the revised forms are received.**

2. What is defined as 'In Good Order' for purposes of replacement?

- The application replacement question(s) are answered appropriately.
- The replacement question(s) in the Agent Signature section of the application are appropriately answered and agree with the applicant replacement question(s).
- The Replacement Notice form is compliantly completed, including applicant and agent signatures when required, and the information is consistent with the Application.
- The Replacement Form is dated prior to or on the same day as the Application/ Agent's Report.

3. What is a revised application packet?

- Revised applicant replacement question(s) and/or Replacement Notice is acceptable, provided the:
 - ✓ missing information is added and initialed by the applicant; and/or
 - ✓ incorrect information is lined-out and correct information is added and initialed by the applicant; and
 - ✓ applicant's original signature and the date-are lined-out and the applicant re-signs and re-dates the Application Packet and/or Replacement Notice.

- A revised Agent's Signature section of the Application is acceptable provided the:
 - ✓ missing information is added and initialed by the agent; and/or
 - ✓ incorrect information is lined-out and correct information is added and initialed by the agent; and
 - ✓ agent's original signature and the date are lined-out and the agent re-signs and re-dates the Application packet and/or Replacement Notice.
- Because the Owner Acknowledgement Form and Supplemental Form (for Deferred Annuities) and the Client Profile Form are required to be completed at time of application, they too are included in the revised application packet requirements. Their revisions are considered acceptable, provided they are compliantly re-signed and re-dated as described above.
- Clearly indicate on the cover page that this is a Revised Application Packet, include the contract number, and fax the complete application packet (all pages) to: **713-620-3829**.

4. What sections of the application do I need to make sure are completed to avoid delays?

With regard to Deferred Annuities: Section 7 and Section 10 of the Deferred Annuity application (form number AGLC101493-2005, or the applicable state specific application) **MUST** be completed or risk rejection of the application packet, which in turn would negate any rate lock in effect at the time of submission.

You **MUST** answer **both** questions in the replacement section of the Deferred Annuity application. In addition, the Agent Signature section must be completed and agree with the applicant's responses. If only a portion of the questions are completed or the answers do not agree, the application packet will be rejected, and a revised application packet will be required.

With regard to Immediate Annuities (SPIA's): Section 13 and 14 of the SPIA application (form number AGLC0354-2001, or the applicable state specific application) **MUST** be fully completed in their entirety or risk rejection of the application packet. This could also negate any rate lock in effect at the time of submission.

You **MUST** answer all questions in the replacement section of the SPIA application. In addition, the Agent/Broker section must be completed and agree with the applicant's responses. If only a portion of the questions are completed or the answers do not agree, the application packet will be rejected, and a revised application packet will be required.

5. Can I provide this information to you over the phone or by email?

No, because the company requires that revised /corrected information be submitted in writing and that new signature(s) are obtained and submitted

6. What happens to the interest-rate lock that is set at time of application?

All rate locks are based on the date the application is signed and or the date it is received in the home office. In the case of a rejected application, it will be as if the original application never existed. The rate lock will be based on the new application signed date and the date this new application is received in the home office.

7. Can the revised application be submitted as a delivery requirement?

No, a non-compliant application will not be forwarded to underwriting until all outstanding replacement requirements are received.

8. Why is the Company changing their procedures?

The Company is not changing the procedures; we are reinforcing the current procedures based on state laws and regulations.

9. Do the updated procedures apply to NAIC replacements?

Yes, these requirements apply to all states that have annuity contact replacement requirements. In addition, in states that have adopted the newer Model regulation, producers must adhere to the following requirements:

- ✓ Present and read the Notice of Replacement to the applicant, or instruct the applicant to initial the statement indicating that he/she does not want the Notice read.
- ✓ Complete only the first portion of the Notice, if no existing insurance policies are being replaced.
- ✓ Complete the remainder of the Notice by marking the appropriate boxes and entering the required information on each of the blank lines, if existing insurance policies are being replaced.
- ✓ List the form number and provide a brief description or name of the sales materials used. If no sales materials were used, write 'NONE' on the line. Note: "Individualized Sales Material" is all printed or electronic product information that is not company-produced.
- ✓ Instruct the applicant to sign and date the form on the appropriate lines.
- ✓ Sign and date the form on the lines indicated for the Producer.

10. Do the updated procedures apply to REG60 and A&H products?

No, this procedure does not apply to REG60 or A&H applications. The current REG60 regulations apply to The United States Life Insurance Company in the City of New York (also known as United States Life) and New York applications.

11. How do I know which Notice of Replacement form to use?

The Notice of Replacement forms are listed in the field bulletin describing producer replacement obligations or you may consult FastForms to see if any additional or newer form is required.