

# COMPLIANCE UPDATE

## NAIC Model Replacement Regulation – ARKANSAS

*Effective January 1, 2010*

Reminder that the following states must also comply with the procedures listed below:  
AK, AL, AZ, CO, HI, IA, KY, LA, MD, ME, MS, MT, NE, NH, NM, OH, OR, RI, SC, TX, UT,  
VT, WI and WV

(VA, NC and NJ please refer to the appropriate bulletin)

For all individual life insurance and annuity applications written in Arkansas on or after January 1, 2010, American General Life Companies requires its producers to comply with the following requirements:

- 1) Indicate in the application whether the applicant has any existing life insurance policies or annuity contracts. Provide this information by completing the entry in the application that asks for information regarding in-force life insurance and annuity coverage. Please note that the Producer Report section, which should always be completed, does not satisfy this existing-coverage requirement.

If the applicant **has no existing coverage**, your duties under these regulations are complete and you do not need take any additional action.

If the applicant **has existing insurance or annuity coverage**, Arkansas requires the completion of the replacement notice. Additionally, **if the sales transaction involves a replacement**, Arkansas requires the completion of a second form, the replacement memorandum.

Instructions for completing the two forms follow.

- a) Complete the form "Important Notice: Replacement of Life Insurance or Annuities" (form number **AGLC0188** and referred to in this bulletin as the "The Form ") by following the steps below:
  - i) Show the applicant The Form and read it aloud to the applicant. There is a place on the form to mark if the applicant does not want it read aloud.
  - ii) Answer questions 1 and 2 in The Form. If the answer to both questions is "No," you and the applicant sign the declaration immediately below question 2. Do not complete any other portion of the form. Leave a copy of the form with the applicant and submit the original with the application.
  - iii) If the answer to either question 1 or 2 is "Yes," then the transaction is a replacement. Complete the remainder of The Form in accordance with the following directions.
  - iv) Provide complete details and answer all questions where indicated on The Form, including the reason for the replacement. Make certain you and the applicant sign in the designated spots. Obtain the details of the existing coverage and note for each contract whether it will be replaced or used as a source of financing for the proposed coverage.
  - v) The Producer acknowledgement requires you to certify that the transaction is in accord with the Company's replacement guidelines. These guidelines can be found in section 11 of the Compliance Manual.

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- b) If the transaction is a replacement, complete the form “Life Insurance and Annuities Replacement Memorandum”(form number **AGLC103926**).
- i) Complete the header information at the top of the form. Note that “Product Types” are listed by the \* (asterisk) at the bottom of the form, and these are the appropriate choices to use to complete that field.
  - ii) Complete the grid. If any space is not applicable to the sales transaction, enter “NA.” Do not leave any spaces blank. Comparisons of all applicable provisions must be made.
  - iii) Sign the form, and have the applicant sign the form as well. Leave a copy of the signed form with the applicant and submit the original with the application.

2) For advertising materials for replacement transactions:

- a) Leave with the applicant the original or copy of all sales material used in presenting the policy, its benefit or features, or costs to the applicant.
- b) Submit with the application:
  - (1) A listing of all sales material left with the applicant (excluding individualized materials), including the form number and a brief description or name of each. If no sales materials were used, state “None.”
  - (2) A copy of any individualized sales materials, including any illustrations, used in connection with the policy or contract sold.

“Sales material” means a sales illustration and any other written, printed or electronically presented information created, completed or provided by the Company or producer and used in the presentation to the applicant related to the policy or contract purchased. The producer must use sales materials that are approved by the Company, generated by the Company, or individualized sales materials in a Company-approved format (e.g., an individualized sales illustration, etc.). If the sales material was presented electronically, you must deliver a printed version of the item used not later than at policy delivery.

3) Leave the applicant completed copies of both forms and submit the originals with the application.

Courtesy copies of the forms are attached, which you may duplicate for your immediate use. Alternatively, you may download copies from Forms Depot.

This bulletin replaces any previous communication describing replacement procedures in Arkansas. Please note that in addition to this bulletin, you will still need to adhere to the procedures outlined in the “Reminder: Life Insurance and Annuity Replacement Compliance” bulletin dated July 24, 2009. For your convenience and future reference, a form grid outlining the required state-specific replacement notice forms is also attached to this bulletin. File these instructions with your important procedures. Any policy or procedure previously communicated to you that does not conflict with one of the duties set forth above continues in effect.

Please contact the Compliance Department if you have any questions.

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## State-Specific Replacement Notices as of January 1, 2010

A Rev0309 appearing in the lower right-hand corner of a form means that it has been modified to incorporate the American General logo only; otherwise, no change was made to the form.

STATE	LIFE NEW BUSINESS	ANNUITIES
ALABAMA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
ALASKA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
ARIZONA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
<b>ARKANSAS</b>	<b>AGLC103926</b> <b>AGLC0188 Rev0700, left corner</b> <b>(2 pages) Rev0806, right corner</b>	<b>AGLC103926</b> <b>AGLC0188 Rev0700, left corner</b> <b>(2 pages) Rev0806, right corner</b>
CALIFORNIA	L6187 Rev1108	L6187 Rev1108
COLORADO	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
CONNECTICUT*	L8726 Rev0203, Comparison Guide (2 pages)	None
DELAWARE	LD6312 Rev0203	LD6312 Rev0203
DISTRICT OF COLUMBIA*	L8726 Rev0203, Comparison Guide (2 pages)	None
FLORIDA	L4035 Rev0808 & LD2606 Rev0203, Comparison Info (2 pages)	L4035 Rev0808 & LD2606 Rev0203, Comparison Info (2 pages) DFS-H1-1981, FOR SENIORS AGE 65+ (4 pages)
GEORGIA	L5623-GA Rev0203 (2 pages)	L5623-GA Rev0203 (2 pages)
HAWAII	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
IDAHO	LD6105 Rev0203	ID6105 Rev0203
ILLINOIS	L7071 Rev0804 & L7072 Rev0203 (Both forms are required for <b>each</b> existing carrier being replaced.)	L7071 Rev0804 & L7072 Rev0203 (Both forms are required for <b>each</b> existing carrier being replaced.)
INDIANA	L3769 Rev0203	L3769 Rev0203
IOWA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
KANSAS External Internal	L1680-17 Rev0103 L1678-17 Rev0103	L1680-17 Rev0103 L1678-17 Rev0103
KENTUCKY	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
LOUISIANA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
MAINE	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner

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## State-Specific Replacement Notices as of January 1, 2010 (Continued)

STATE	LIFE NEW BUSINESS	ANNUITIES
MARYLAND	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
MASSACHUSETTS	L993 Rev0203	L993 Rev0203
MICHIGAN	L6620 Rev0303 (2 pages)	None
MINNESOTA	L9008 Rev0804	L9008 Rev0804
MISSISSIPPI	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
MISSOURI	LD6101 Rev0203	LD6101 Rev0203
MONTANA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
NEBRASKA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
NEVADA	L7312	<i>Deferred Annuity:</i> AGLC103042 (Annuity to Annuity only) AGLC103235, Comparison Statement (Annuity to Annuity only)  <i>Deferred Annuity and SPIA:</i> L7312
NEW HAMPSHIRE	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
NEW JERSEY	AGLC0188-NJ (2 pages)	AGLC0188-NJ (2 pages)
NEW MEXICO	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
NEW YORK	USL1002-N for all cases <b>REG 60:</b> USL1002-N USL1003-N USL1001-N USL1004-N	USL1002-N for all cases <b>REG 60:</b> USL1002-N USL1003-N USL1001-N USL1000-N USL1004-N
NORTH CAROLINA	AGLC1088-34 (2 pages)	AGLC1088-34 (2 pages)
NORTH DAKOTA*	L8726 Rev0203, Comparison Guide (2 pages)	None
OHIO	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
OKLAHOMA	L5455 Rev0203 (2 pages) & L5454 Rev0203, Statement by Applicant	L5455 Rev0203 (2 pages) & L5454 Rev0203, Statement by Applicant
OREGON	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
PENNSYLVANIA	L231 Rev0707	SPIA: L231 Rev0707 Deferred Annuity: AGLC100765
PUERTO RICO	AGLC0459 Rev0603	AGLC0459 Rev0603

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## State-Specific Replacement Notices as of January 1, 2010 *(Continued)*

STATE	LIFE NEW BUSINESS	ANNUITIES
RHODE ISLAND	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
SOUTH CAROLINA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
SOUTH DAKOTA	L7327 Rev0602	L7327 Rev0602
TENNESSEE	LD8260 Rev0203	LD8260 Rev0203
TEXAS	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
UTAH	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
VERMONT	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
VIRGINIA	AGLC0188-VA (2 pages)	AGLC0188-VA (2 pages)
WASHINGTON	L2885 Rev0808	L2885 Rev0808
WEST VIRGINIA	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
WISCONSIN	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner	AGLC0188 Rev0700, left corner (2 pages) Rev0806, right corner
WYOMING	L350 Rev0203	L350 Rev0203

\*No Notice of Replacement form is required and, therefore, at this time no form is required by the Company; however, the Company recommends you use Comparison Guide, form L8726.

**Note:**

**Certain states may require other forms in addition to the replacement notification forms listed above. Please check the Company Web site for other state-specific requirements.**

**Please be advised that form numbers are subject to change with revisions and that you should consult the Web site or Forms Depot for the most current form version.**

- American General Life Insurance Company**
- American General Life and Accident Insurance Company**

*Subsidiaries of American International Group, Inc.*

**Please check the appropriate Company box**

**IMPORTANT NOTICE: REPLACEMENT OF LIFE INSURANCE OR ANNUITIES**

**This document must be signed by the applicant and the producer, if there is one, and a copy left with the applicant.**

I do not want this notice read aloud to me. \_\_\_\_\_ (Applicants must initial only if they do not want the notice read aloud.)

You are contemplating the purchase of a life insurance policy or annuity contract. In some cases this purchase may involve discontinuing or changing an existing policy or contract. If so, a replacement is occurring. Financed purchases are also considered replacements.

A *replacement* occurs when a new policy or contract is purchased and, in connection with the sale, you discontinue making premium payments on the existing policy or contract, or an existing policy or contract is surrendered, forfeited, assigned to the replacing insurer, or otherwise terminated or used in a financed purchase.

A *financed purchase* occurs when the purchase of a new life insurance policy involves the use of funds obtained by the withdrawal or surrender of or by borrowing some or all of the policy values, including accumulated dividends, of an existing policy to pay all or part of any premium or payment due on the new policy. A financed purchase is a replacement.

You should carefully consider whether a replacement is in your best interest. You will pay acquisition costs and there may be surrender costs deducted from your policy or contract. You may be able to make changes to your existing policy or contract to meet your insurance needs at less cost. A financed purchase will reduce the value of your existing policy and may reduce the amount paid upon the death of the insured.

**Are You Replacing Coverage?** We want you to understand the effects of replacements before you make your purchase decision and ask that you answer the following questions and consider the questions on the back of this form.

1. Are you considering discontinuing making premium payments, surrendering, forfeiting, assigning to the insurer, or otherwise terminating your existing policy or contract? \_\_\_ YES \_\_\_ NO
2. Are you considering using funds from your existing policies or contracts to pay premiums due on the new policy or contract? \_\_\_ YES \_\_\_ NO

**Applicant's and Producer's Non-Replacement Certification.** Having answered "no" to questions 1 and 2, no replacement of coverage is occurring. We certify that the above two responses are, to the best of our knowledge, accurate.

X \_\_\_\_\_  
**Applicant's Signature and Printed Name** **Date**

X \_\_\_\_\_  
**Producer's Signature and Printed Name** **Date**

**If signed above, do not complete the remainder of the form.**

**If you answered "yes" to either question 1 or 2, complete the remainder of this form, as directed.**

List each existing policy or contract you are contemplating replacing (include the name of the insurer, the insured or annuitant, and the policy or contract number if available) and whether each policy or contract will be replaced or used as a source of financing:

INSURER NAME	CONTRACT OR POLICY #	INSURED OR ANNUITANT	REPLACED (R) OR FINANCING (F)
1.			
2.			
3.			

Make sure you know the facts. Contact your existing company or its agent for information about the old policy or contract. If you request one, an in force illustration, policy summary or available disclosure documents must be sent to you by the existing insurer. Ask for and retain all sales material used by the agent in the sales presentation. Be sure that you are making an informed decision.

**Reason for Replacement:** The existing policy or contract is being replaced because \_\_\_\_\_

**Sales Materials.** A copy of all printed sales materials used in connection with this transaction must be provided to the applicant. In addition, the producer should attach to the application all individualized sales materials used and list below all other sales materials used. (*List form number and brief description or name of sales materials used. If no sales materials were used, indicate "None".*)

**Replacement Factors.** A replacement may not be in your best interest, or your decision could be a good one. You should make a careful comparison of the costs and benefits of your existing policy or contract and the proposed policy or contract. One way to do this is to ask the company or agent that sold you your existing policy or contract to provide you with information concerning your existing policy or contract. This may include an illustration of how your existing policy or contract is working now and how it would perform in the future based on certain assumptions. Illustrations should not, however, be used as the sole basis to compare policies or contracts. You should discuss the following with your agent to determine whether replacement or financing your purchase makes sense:

**PREMIUMS:**

- Are they affordable?
- Could they change?
- You're older—are premiums higher for the proposed new policy?
- How long will you have to pay premiums on the new policy? On the old policy?

**IF YOU ARE KEEPING THE OLD POLICY AS WELL AS THE NEW POLICY:**

- How are premiums for both policies being paid?
- How will the premiums on your existing policy be affected?
- Will a loan be deducted from death benefits?
- What values from the old policy are being used to pay premiums?

**POLICY VALUES:**

- New policies usually take longer to build cash values and to pay dividends.
- Acquisition costs for the old policy may have been paid; you will incur costs for the new one.
- What surrender charges do the policies have?
- What expense and sales charges will you pay on the new policy?
- Does the new policy provide more insurance coverage?

**IF YOU ARE SURRENDERING AN ANNUITY OR INTEREST SENSITIVE LIFE PRODUCT:**

- Will you pay surrender charges on your old contract?
- What are the interest rate guarantees for the new contract?
- Have you compared the contract charges or other policy expenses?

**INSURABILITY:**

- If your health has changed since you bought your old policy, the new one could cost you more, or you could be turned down.
- You may need a medical exam for a new policy.
- Claims on most new policies for up to the first two years can be denied based on inaccurate statements.
- Suicide limitations may begin anew on the new coverage.

**OTHER ISSUES TO CONSIDER FOR ALL TRANSACTIONS:**

- What are the tax consequences of buying the new policy?
- Is this a tax free exchange? (See your tax advisor.)
- Is there a benefit from favorable "grandfathered" treatment of the old policy under the federal tax code?
- Will the existing insurer be willing to modify the old policy?
- How does the quality and financial stability of the new company compare with your existing company?

**Applicant's Certification.** I certify that the responses in this document are, to the best of my knowledge, accurate. I recognize that, for a period of 30 days from the date I receive my new policy or contract, I have the right to return it for an unconditional refund according to its terms.

X \_\_\_\_\_  
**Applicant's Signature and Printed Name** **Date**

**Producer's Certification.** I certify that the responses in this document are, to the best of my knowledge, accurate and that this replacement transaction is in accord with the Company's replacement guidelines with respect to the acceptability and appropriateness of such transactions.

X \_\_\_\_\_  
**Producer's Signature and Printed Name** **Date**

# American General

Life Companies

## Life Insurance and Annuities Replacement Memorandum

P.O. Box 4229, Houston, TX 77210-4229  
Fax 1-877-484-3142

### LIFE INSURANCE AND ANNUITIES EXISTING CONTRACT/POLICY

Owner / Annuitant(s)

Insurer

Contract #

Product Type \*

Product Name

Proposed Contract/Policy

Owner / Annuitant(s)

### REPLACEMENT MEMORANDUM

Insurer

Application #

Product Type \*

Product Name

### FOR BOTH LIFE INSURANCE AND ANNUITIES (Complete all that is applicable)

CONTRACT OR POLICY PROVISION	EXISTING	REPLACEMENT
Current Proposed Premium / Annual Consideration		
Current Contract Value		
Current Surrender Value		
Death Benefit Amount		
Current Interest Rate & Guarantee Period		
Guaranteed Minimum Accumulation/ Interest Rate		

