

REPLACEMENT OF EXISTING LIFE INSURANCE POLICIES

August 6, 1981

The Indiana Department of Insurance has received information from various sources, including policyholders, insurance agents, and insurers, that insurance agents and insurance companies involved in the replacement of life insurance policies are not properly completing and delivering the Comparative Information Form.¹

¹ Not reproduced. required by the Department of Insurance Rule 16.1 (760 I.A.C. 1-16.1-1 et seq. formerly Regulation 28). Forms have been presented to the Department of Insurance in which whole sections are left blank, or the spaces are filled in with the abbreviations "N/A," or the terms "not applicable," or "see summary."

There are three parties who have defined responsibilities in a replacement situation where one insuring company is replacing the policy or policies of another insurance company. They are the replacing agent, the replacing insurer, and the existing insurer. The Department of Insurance expects each of these parties to perform the duties prescribed by Rule 16.1. The purpose of the said rule is to provide the Indiana Consumer with sufficient information so that he or she may make an informed decision as to the proposed replacement of life insurance. Should any of the aforementioned parties fail in their duties, the consumer is deprived of being fully informed.

REPLACING AGENT:

It is the duty of the replacing agent to present to the applicant, not later than at the time of taking an application, a Comparative Information Form as described by 760 I.A.C. 1-16.1-1. A separate "Form" must be used for each policy being replaced. The replacing agent must complete the Comparative Information Form in its entirety and leave a copy with the applicant, prior to submission of the application for new insurance to the company. The information regarding the replacing policy must be accurate and the information regarding the replaced policy or policies must be substantially correct.

REPLACING INSURER:

It is the duty of the replacing insurer to verify the accuracy of the information contained in the Comparative Information Form received from the replacing agent regarding the proposed policy or policies. Should the information not be correct, the replacing insurer must obtain a correct Comparative Information Form. The corrected "Form" must be signed by the replacing agent and the proposed insured applicant before the insurer can begin processing the application. The information regarding the replaced policy must be substantially correct.

When the application and Comparative Information Form, as required by Section 7C1 and 2, are received by the replacing insurer, they must send a substantially correct verified copy of the "Form" to the existing insurer within 3 days of the date of the application, or the date its policy is issued, whichever is sooner.

EXISTING INSURER:

Where the existing insurer undertakes a conservation action, it is the duty of the existing insurer, within twenty (20) days of the date this Comparative Information Form is received, to correct and

complete any and all information that is inaccurately completed by the replacing agent or provide the policyholder with an accurate Policy Summary. The existing insurer must also furnish a copy of the corrected Comparative Information Form or a Policy Summary to the replacing insurer.

ALL PARTIES:

All spaces contained within the Comparative Information Form must have appropriate written answers. A summary of the replacing and/or existing policy or policies may be attached additionally if desired, however, any attachments must follow the exact format, line by line, of the approved Comparative Information Form. The exemptions listed in Rule 16.1 apply only to existing policies. We also expect detailed explanations of the policies involved including the reasons for replacement.

The Department of Insurance expects all parties to comply with all requirements set forth in Rule 16.1 and this Bulletin. Failure to comply with Rule 16.1 and this Bulletin will lead to disciplinary action by the Department of Insurance. All insurers have the duty to inform their agents, representatives, officers, and employees of the content of the required compliance of this Bulletin.

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INSURANCE COMMISSIONER