

11 NCAC 12 .0607 DUTIES OF INSURERS THAT USE PRODUCERS

Each insurer shall:

- (1) Maintain a system of supervision and control to insure compliance with the requirements of the rules in this section that shall include the following:
 - (a) Information to its producers of the requirements of the rules in this section and incorporation of the requirements of the rules in this Section into all relevant producer training manuals prepared by the insurer;
 - (b) Provision to each producer of a written statement of the company's position with respect to the acceptability of replacements providing guidance to its producer as to the appropriateness of these transactions;
 - (c) A system to review the appropriateness of each replacement transaction that the producer does not indicate is in accord with Sub-item (1)(b) of this Rule.
 - (d) Procedures to confirm that the requirements of the rules in this Section have been met; and
 - (e) Procedures to detect transactions that are replacements of existing policies or contracts by the existing insurer, but that have not been reported as such by the applicant or producer. Compliance may include systematic customer surveys, interviews, confirmation letters, or programs of internal monitoring;
- (2) Have the capacity to monitor each producer's life insurance policy and annuity contract replacements for that insurer, and shall produce, upon request, and make such records available to the Department. The capacity to monitor shall include the ability to produce records for each producer's:
 - (a) Life replacements, including financed purchases, as a percentage of the producer's total annual sales for life insurance;
 - (b) Number of lapses of policies by the producer as a percentage of the producer's total annual sales for life insurance;
 - (c) Annuity contract replacements as a percentage of the producer's total annual annuity contract sales;
 - (d) Number of transactions that are unreported replacements of existing policies or contracts by the existing insurer detected by the company's monitoring system as required by Sub-item (1)(e) of this Rule; and
 - (e) Replacements, indexed by replacing producer and existing insurer.
- (3) Require with or as a part of each application for life insurance or an annuity a signed statement by both the applicant and the producer as to whether the applicant has existing policies or contracts;
- (4) Require with each application for life insurance or an annuity that indicates an existing policy or contract, a completed notice regarding replacements as required in 11 NCAC 12 .0611;
- (5) When the applicant has existing policies or contracts, be able to produce copies of any sales material required by 11 NCAC 12 .0605(e), the basic illustration and any supplemental illustrations related to the specific policy or contract that is purchased, and the producer's and applicant's signed statements with respect to financing and replacement for at least five years after the termination or expiration of the proposed policy or contract;
- (6) Ascertain that the sales material and illustrations required by 11 NCAC 12 .0605(e) meet the requirements of the rules in this Section and are complete and accurate for the proposed policy or contract;
- (7) If an application does not meet the requirements of the rules in this Section, notify the producer and applicant and fulfill the outstanding requirements; and
- (8) Maintain records in paper, photograph, micro process, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

History Note: Authority G.S. 58-2-40; 58-3-115; 58-58-1; 58-58-40;
Eff. October 1, 1985;
Amended Eff. August 1, 2004; April 8, 2002; November 1, 1989;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018.