



Direction and Guidance Notes Life Insurance Replacement Declaration (LIRD)

Responsibilities of Agent:

It is the responsibility of the life insurance agent to ensure that any replacement of existing insurance occurs in accordance with the principles of “Interests of the Client” and “Needs of the Client” as outlined in the Life and Accident & Sickness Insurance Agent Code of Conduct. This requirement, stated simply, is that the client’s interests and needs must be placed first. It requires the highest level of integrity and performance on the part of the agent, and that the agent is obligated to recommend the amount and type of life insurance that is best for the consumer’s circumstances.

As each situation is unique, the process by which the replacement of life insurance occurs and the manner in which the advantages and disadvantages of replacement is illustrated must be tailored accordingly. All aspects of insurance coverage will not be of significant relevance in each replacement situation. However, the responsibility to ensure that all significant information relative to the replacement is provided to the consumer prior to commencing with an application for life insurance intended to replace existing coverage rests solely with the agent. Submitting an application for new insurance prior to presenting the written comparison is not acceptable and may result in disciplinary action by the Insurance Council of Manitoba.

The client should be encouraged to ask additional questions following the joint review and discussion of the questions outlined on the Life Insurance Replacement Declaration.

Direction:

If after consultation with the client, completion of needs analysis and review of existing coverage it has been determined that replacement of some or all of the existing coverage is in the client’s best interest, it is the agent’s responsibility to gather all the information required to prepare a written comparison.

In addition to the LIRD, the agent must prepare a written explanation of the advantages and disadvantages of replacing the existing policy. While the questions outlined on the LIRD serve as a guide to complete this summary of significant comparative information, it is equally important that the written explanation and comparison include **all** factors supporting both replacement and conservation.

The format of the written explanation is left to the discretion of the agent. In complex cases, a comparative format with explanatory recommendations may be warranted and should be completed. However, in all cases the written explanation must be complete and comprehensive.

A copy of the written explanation must be left with the client, along with a signed copy of the Life Insurance Replacement Declaration. A copy of the written explanation of the advantages and disadvantages must be signed by the client, and retained by the agent. A copy of the signed LIRD must be provided to the new insurer with the application. It is not required that a copy of the LIRD be sent to the existing insurer.

A photocopy or original of the Life Insurance Replacement Declaration, signed by the client, along with a copy of the written explanation of the advantages and disadvantages of replacement signed by the client, must be retained in the agent's file and be producible by the agent to Council upon request.

If the agent is currently operating under the supervision of a "Supervising Agent", the written explanation of the advantages and disadvantages of replacement must also be signed by their supervising agent. This co-signed copy must be maintained by the agent for review by Council if requested.

In all circumstances, it is essential that the agent advise his/her client not to cancel their existing coverage until such time as new coverage has been approved and is in force.

Compliance

The Insurance Council of Manitoba will respond to complaints from any source which indicates a replacement of insurance may not have been in the best interests of the client, or that the client was not provided with full information required to make an informed decision. Upon receipt of a complaint, the agent will be required to provide substantiated evidence and documentation which demonstrates that full and proper disclosure was completed and presented to the client prior to the completion of a new application. This documentation must include, but may not be limited to, the Life Insurance Replacement Declaration and the written explanation of the advantages and disadvantages of replacement.

The revised procedure for the replacement of insurance does impose an increased onus on the agent to be complete and thorough in their analysis and documentation. However, the tailoring of the comparison in the event of proposed or intended replacement of existing life insurance coverage to individual clients provides the consumer with information relevant and specific to their own particular circumstances and offers the clients the ability to have a

greater understanding of their insurance products and the opportunity to make a more informed decision.