

Insurance Compliance Bulletin:
Twisting and Churning Prohibited in Rhode Island

Rhode Island's Unfair Competition and Practices law defines "twisting" and "churning" as unfair methods of competition.

According to Rhode Island law, "twisting" is defined as knowingly making any misleading representations or incomplete or fraudulent comparisons or fraudulent material omissions of or with respect to any insurance policies or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, or convert any insurance policy or to take out a policy of insurance in another insurer.

Rhode Island also defines "churning" as the practice whereby policy values in an existing life insurance policy or annuity contract, including, but not limited to, cash, loan values, or dividend values, and in any riders to that policy or contract, are directly or indirectly used to purchase another insurance policy or annuity contract with that same insurer for the purpose of earning additional premiums, fees, commissions, or other compensation:

- i. Without an objectively reasonable basis for believing that the replacement or extraction will result in an actual and demonstrable benefit to the policyholder; or
- ii. In a fashion that is fraudulent, deceptive, or otherwise misleading or that involves a deceptive omission; or
- iii. When the applicant is not informed that the policy values, including cash values, dividends, and other assets of the existing policy or contract will be reduced, forfeited, or used in the purchase of the replacing or additional policy or contract, if this is the case; or
- iv. Without informing the applicant that the replacing or additional policy or contract will not be a paid-up policy or that additional premiums will be due or that a new contestable period will apply and explaining the impact of these differences, if this is the case.

To comply with Rhode Island's Unfair Competition and Practices law, the following must be considered when you write an application for insurance or an annuity and plan to use the funds from an existing policy or contract within our affiliated group.

- The [REPL-RI](#) disclosure form and REPL replacement forms are included with the life and annuity application packages on Life Portraits. These forms are also available as stand alone forms and can be found under the Replacement Category.
- Complete the REPL-RI disclosure form **and** the REPL form. A copy of each form must be left with the member and kept with your file. The original forms must be forwarded to the Home Office with the application.
- Complete the appropriate Service Request Form based on product to request values from the existing policy or contract to fund the proposed policy or contract. Please indicate "Process this request after the new application is approved for issue."

To be sure that you understand the company's position regarding replacements, the definition of replacement, and the requirements placed on you as the agent, please review the [Rhode Island replacement requirements](#).

If you have any questions regarding replacement requirements, please call the appropriate contact listed below.

Replacement Requirements:

MEMBERS Annuity and Life New Business at 877.345.GROW (4769), Option 2, Option 1

Replacement Regulations:

Annuity Compliance Team at 888.435.7737, Ext. 4831033

Life and Health Compliance Team at 888.435.7737, Ext. 4831797