SECTION 2: Regulation Pages and Statement of Purpose

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

Requirements for Replacement of Life Insurance and Annuities

Section 1. The Regulations of Connecticut State Agencies are amended by adding sections 38a-435-1 through 38a-435-8, inclusive, as follows:

(New) Section 38a-435-1 Purpose and Scope

(a) The purpose of sections 38a-435-1 through 38-435-8, inclusive, of the Regulations of Connecticut State Agencies is:

(1) To regulate the activities of insurers and producers with respect to the replacement of existing life insurance and annuities.

(2) To protect the interests of life insurance and annuity purchasers by establishing minimum standards of conduct to be observed in replacement or financed purchase transactions, which will:

(A) assure that purchasers receive information with which a decision can be made in his or her own best interest; and

(B) reduce the opportunity for misrepresentation and incomplete disclosure.

(b) Unless otherwise specifically included, sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies shall not apply to transactions involving:

(1) Credit life insurance;

(2) Group life insurance or group annuities where there is no direct solicitation of individuals by a producer. Direct solicitation shall not include any group meeting held by a producer solely for the purpose of educating or enrolling individuals or, when initiated by an individual member of the group, assisting with the selection of investment options offered by a single insurer in connection with enrolling that individual. Group life insurance or group annuity certificates marketed through direct response solicitation shall be subject to the provisions of section 38a-435-7 of the Regulations of Connecticut State Agencies;

(3) Group life insurance and annuities used to fund prearranged funeral contracts;

(4) An application to the existing insurer that issued the existing policy or contract when a contractual change or a conversion privilege is being exercised; or, when the existing policy or contract is being replaced by the same insurer pursuant to a program filed with and approved by the commissioner; or, when a term conversion privilege is exercised among corporate affiliates;

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

(5) Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same company;

(6) (A) Policies or contracts used to fund (i) an employee pension or welfare benefit plan that is covered by the Employee Retirement and Income Security Act (ERISA); (ii) a plan described by sections 401(a), 401(k) or 403(b) of the Internal Revenue Code, where the plan, for purposes of ERISA, is established or maintained by an employer; (iii) a governmental or church plan defined in section 414 of the Internal Revenue Code, a governmental or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax exempt organization under section 457 of the Internal Revenue Code; or (iv) a nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor.

(B) Notwithstanding subparagraph (A) of subdivision (6) of this subsection, sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies shall apply to policies or contracts used to fund any plan or arrangement that is funded solely by contributions an employee elects to make, whether on a pre-tax or after-tax basis, and where the insurer has been notified that plan participants may choose from among two (2) or more insurers and there is a direct solicitation of an individual employee by an insurance producer for the purchase of a contract or policy. As used in this subsection, direct solicitation shall not include any group meeting held by a producer solely for the purpose of educating individuals about the plan or arrangement or enrolling individuals in the plan or arrangement or, when initiated by an individual employee, assisting with the selection of investment options offered by a single insurer in connection with enrolling that individual employee;

(7) Where new coverage is provided under a life insurance policy or contract and the cost is borne wholly by the insured's employer or by an association of which the insured is a member;

(8) Existing life insurance that is a non-convertible term life insurance policy that will expire in no more than five (5) years and cannot be renewed;

(9) Immediate annuities that are purchased with proceeds from an existing annuity contract. Immediate annuities purchased with proceeds from an existing life insurance policy are not exempted from the requirements of sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies; or

(10) Structured settlements.

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

(C) Registered contracts shall be exempt from the requirements of section 38a-435-5(a)(2) and section 38a-435-6(b) of the Regulations of Connecticut State Agencies with respect to the provision of illustrations or policy summaries; however, premium or contract contribution amounts and identification of the appropriate prospectus or offering circular shall be required instead.

(New) Section 38a-435-2 Definitions

As used in section 38a-435-1 through section 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies:

(1) "Commissioner" means the Insurance Commissioner.

(2) "Direct-response solicitation" means a solicitation through a sponsoring or endorsing entity or individually solely through mails, telephone, the Internet or other mass communication media.

(3) "Existing insurer" means the insurance company whose policy or contract is or will be changed or affected in a manner described within the definition of "replacement".

(4) "Existing policy or contract" means an individual life insurance policy (policy) or annuity contract (contract) in force, including a policy under a binding or conditional receipt or a policy or contract that is within an unconditional refund period.

(5) "Financed purchase" means the purchase of a new policy involving the actual or intended use of funds obtained by the withdrawal or surrender of, or by borrowing from values of an existing policy to pay all or part of any premium due on the new policy. For purposes of an individual transaction only, if a withdrawal, surrender or borrowing involving the policy values of an existing policy is used to pay premiums on a new policy owned by the same policyholder and issued by the same company no more than four (4) months before or no more than thirteen (13) months after the effective date of the new policy, it will be deemed *prima facie* evidence of the policyholder's intent to finance the purchase of the new policy with existing policy values. This *prima facie* standard is not intended to increase or decrease the monitoring obligations contained in section 38a-435-4(a)(5) of the Regulations of Connecticut State Agencies.

(6) "Illustration" means a presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years.

(7) "Policy summary":

(A) For policies or contracts other than universal life policies, means a written statement regarding a policy or contract which shall contain to the extent applicable, but

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

need not be limited to, the following information: current death benefit; annual contract premium; current cash surrender value; current dividend; application of current dividend; and amount of outstanding loan.

(B) For universal life policies, means a written statement that shall contain at least the following information: the beginning and end date of the current report period; the policy value at the end of the previous report period and at the end of the current report period; the total amounts that have been credited or debited to the policy value during the current report period, indentifying each by type (e.g., interest, mortality, expense and riders); the current death benefit at the end of the current report period on each life covered by the policy; the net cash surrender value of the policy as of the end of the current report period; and the amount of outstanding loans, if any, as of the end of the current report period.

(8) "Producer," means a person as defined in section 38a-702a of the Connecticut General Statutes.

(9) "Replacing insurer" means the insurance company that issues or proposes to issue a new policy or contract that replaces an existing policy or contract or is a financed purchase.

(10) "Registered contract" means a variable annuity contract or variable life insurance policy subject to the prospectus delivery requirements of the Securities Act of 1933.

(11) "Replacement" means a transaction in which a new policy or contract is to be purchased, and it is known or should be known to the proposing producer, or to the proposing insurer if there is no producer, that by reason of the transaction, an existing policy or contract has been or is to be:

(a) Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;

(b) Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;

(c) Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;

(d) Reissued with any reduction in cash value; or

(e) Used in a financed purchase.

(12) "Sales material" means a sales illustration and any other written, printed or electronically presented information created, or completed or provided by the insurance company or

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

producer and used in the presentation to the policy or contract owner related to the policy or contract purchased.

(New) Section 38a-435-3 Duties of Producers

(a) A producer who initiates an application shall submit to the insurer, with or as part of the application, a statement signed by both the applicant and the producer as to whether the applicant has existing policies or contracts. If the answer is "no," the producer's duties with respect to replacement are complete.

(b) If the applicant answered "yes" to the question regarding existing coverage referred to in subsection (a) of this section, the producer shall present and read to the applicant, not later than at the time of taking the application, a notice regarding replacements in the form as described in Appendix A or other substantially similar form approved by the commissioner. However, no approval shall be required when amendments to the notice are limited to the omission of references not applicable to the product being sold or replaced. The notice shall be signed by both the applicant and the producer attesting that the notice has been read aloud by the producer or that the applicant did not wish the notice to be read aloud (in which case the producer need not have read the notice aloud) and left with the applicant.

(c) The notice shall list all life insurance policies or annuities proposed to be replaced, properly identified by name of insurer, the insured or annuitant, and policy or contract number if available; and shall include a statement as to whether each policy or contract will be replaced or whether a policy will be used as a source of financing for the new policy or contract. If a policy or contract number has not been issued by the existing insurer, alternative identification, such as an application or receipt number, shall be listed.

(d) In connection with a replacement transaction, the producer shall leave with the applicant at the time an application for a new policy or contract is completed, the original or a copy of all sales material. With respect to electronically presented sales material, it shall be provided to the policy or contract owner in printed form no later than at the time of policy or contract delivery.

(e) Except as provided in section 38a-435-5(c) of the Regulations of Connecticut State Agencies in connection with a replacement transaction, the producer shall submit to the insurer to which an application for a policy or contract is presented, a copy of each document required by this section, a statement identifying any preprinted or electronically presented company approved

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

sales materials used, and copies of any individualized sales materials, including any illustrations related to the specific policy or contract purchased.

(New) Section 38a-435-4 Duties of Insurers that Use Producers

Each insurer shall:

(a) Maintain a system of supervision and control to insure compliance with the requirements of sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies that shall include at least the following:

(1) Inform its producers of the requirements of sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies and incorporate the requirements of sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies into all relevant producer training manuals prepared by the insurer;

(2) Provide to each producer 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;

(3) A system to review the appropriateness of each replacement transaction that the producer does not indicate is in accord with paragraph (2) of this subsection;

(4) Procedures to confirm that the requirements of sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies have been met; and

(5) 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 with sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies may include, but shall not be limited to, systematic customer surveys, interviews, confirmation letters, or programs of internal monitoring;

(b) 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 commissioner. The capacity to monitor shall include the ability to produce records for each producer's:

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

(1) Life replacements, including financed purchases, as a percentage of the producer's total annual sales for life insurance;

(2) Number of lapses of policies by the producer as a percentage of the producer's total annual sales for life insurance;

(3) Annuity contract replacements as a percentage of the producer's total annual annuity contract sales;

(4) 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 subsection (a)(5) of this section; and

(5) Replacements, indexed by replacing producer and existing insurer;

(c) 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;

(d) Require with each application for life insurance or an annuity that indicates an existing policy or contract a completed notice regarding replacements as contained in Appendix A;

(e) When the applicant has existing policies or contracts, each insurer shall be able to produce copies of any sales material required by section 38a-435-3(c) of the Regulations of Connecticut State Agencies, 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 (5) years after the termination or expiration of the proposed policy or contract;

(f) Ascertain that the sales material and illustrations required by section 38a-435-3(e) of the Regulations of Connecticut State Agencies meet the requirements of sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies and are complete and accurate for the proposed policy or contract;

(g) If an application does not meet the requirements of 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies, notify the producer and applicant and fulfill the outstanding requirements; and

(h) Maintains records in paper, photograph, microprocess, magnetic, mechanical or electronic media or by any process that accurately reproduces the actual document.

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

(New) Section 38a-435-5 Duties of Replacing Insurers that Use Producers

(a) Where a replacement is involved in the transaction, the replacing insurer shall:

(1) Verify that the required forms are received and are in compliance with sections 38a-435-1 through 38a-435-8, inclusive, of the Regulations of Connecticut State Agencies;

(2) Notify any other existing insurer that may be affected by the proposed replacement not later than five (5) business days from receipt of a completed application indicating replacement or when the replacement is identified if not indicated on the application, and mail a copy of the available illustration or policy summary for the proposed policy or available disclosure document for the proposed contract to the existing insurer or applicant not later than five (5) business days of a request from an existing insurer;

(3) Be able to produce copies of the notification regarding replacement required in section 38a-435-3(b) of the Regulations of Connecticut State Agencies, indexed by producer, for at least five (5) years or until the next regular examination by the insurance department of a company's state of domicile, whichever is later; and

(4) Provide to the policy or contract owner notice of the right to return the policy or contract not later than ten (10) days from receipt of the policy or contract and receive an unconditional full refund of all premiums or considerations paid on it, including any policy fees or charges or, in the case of a variable or market value adjustment policy or contract, a payment of the cash surrender value provided under the policy or contract plus the fees and other charges deducted from the gross premiums or considerations or imposed under such policy or contract; such notice may be included in Appendix A or C.

(b) In transactions where the replacing insurer and the existing insurer are the same or subsidiaries or affiliates under common ownership or control, allow credit for the period of time that has elapsed under the replaced policy's or contract's incontestability and suicide period up to the face amount of the existing policy or contract. With regard to financed purchases, the credit may be limited to the amount the face amount of the existing policy is reduced by the use of existing policy values to fund the new policy or contract.

(c) If an insurer prohibits the use of sales material other than that approved by the company, as an alternative to the requirements made of an insurer pursuant to section 38a-435-3(e) of the Regulations of Connecticut State Agencies, the insurer may:

(1) Require with each application a statement signed by the producer that:

(A) Represents that the producer used only company-approved sales material; and

(B) States that copies of all sales material were left with the applicant in accordance with section 38a-435-3(d) of the Regulations of Connecticut State Agencies; and

(2) Not later than ten (10) days from the issuance of the policy or contract:

(A) Notify the applicant by sending a letter to the applicant by a person whose duties are separate from the marketing area of the insurer, that the producer has represented that copies of all sales material have been left with the applicant in accordance with section 38a-435-3(d) of the Regulations of Connecticut State Agencies;

(B) Provide the applicant with a toll free number to contact company personnel involved in the compliance function if such is not the case; and

(C) Stress the importance of retaining copies of the sales material for future reference; and

(3) Be able to produce a copy of the letter or other verification in the policy file for at least five (5) years after the termination or expiration of the policy or contract.

(New) Section 38a-435-6 Duties of the Existing Insurer

Where a replacement is involved in the transaction, the existing insurer shall:

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

(a) Retain and be able to produce all replacement notifications received, indexed by replacing insurer, for at least five (5) years or until the conclusion of the next regular examination conducted by the Insurance Department of its state of domicile, whichever is later.

(b) Send a letter to the policy or contract owner of the right to receive information regarding the existing policy or contract values including, if available, an in force illustration or policy summary if an in force illustration cannot be produced not later than five (5) business days from receipt of a notice that an existing policy or contract is being replaced. The information shall be provided not later than five (5) business days from receipt of the request from the policy or contract owner.

(c) Upon receipt of a request to borrow, surrender or withdraw any policy values, send a notice, advising the policy owner that the release of policy values may affect the guaranteed elements, non-guaranteed elements, face amount or surrender value of the policy from which the values are released. The notice shall be sent separate from the check if the check is sent to anyone other than the policy owner. In the case of consecutive automatic premium loans, the insurer is only required to send the notice at the time of the first loan.

(New) Section 38a-435-7 Duties of Insurers with Respect to Direct Response Solicitations

(a) In the case of an application that is initiated as a result of a direct response solicitation, the insurer shall require, with or as part of each completed application for a policy or contract, a statement asking whether the applicant, by applying for the proposed policy or contract, intends to replace, discontinue or change an existing policy or contract. If the applicant indicates a replacement or change is not intended or if the applicant fails to respond to the statement, the insurer shall send the applicant, with the policy or contract, a notice regarding replacement as described in Appendix B, or other substantially similar form approved by the commissioner.

(b) If the insurer has proposed the replacement or if the applicant indicates a replacement is intended and the insurer continues with the replacement, the insurer shall:

(1) Provide to applicants or prospective applicants with the policy or contract a notice, as described in Appendix C, or other substantially similar form approved by the commissioner. In these instances the insurer may delete the references to the producer,

including the producer's signature, and references not applicable to the product being sold or replaced, without having to obtain approval of the form from the commissioner. The insurer's obligation to obtain the applicant's signature shall be satisfied if it can demonstrate that it has made a diligent effort to secure a signed copy of the notice referred to in this paragraph. The requirement to make a diligent effort shall be deemed satisfied if the insurer includes in the mailing a self-addressed postage prepaid envelope with instructions for the return of the signed notice referred to in this section; and

(2) Comply with the requirements of section 38a-435-5(a)(2) of the Regulations of Connecticut State Agencies, if the applicant furnishes the names of the existing insurers, and the requirements of sections 38a-435-5(a)(3), 38a-435-5(a)(4), and 38a-435-5(b) of the Regulations of Connecticut State Agencies.

(New) Section 38a-435-8 Severability

If any section or portion of a section of this regulation, or its applicability to any person or circumstances, is held invalid by a court, the remainder of this regulation, or the applicability of its provisions to other persons, shall not be affected.

Statement of Purpose: The purpose of this regulation is to regulate activities of insurers and producers with respect to the replacement of existing life insurance and annuities.

A. The problems, issues or circumstances that the regulation proposes to address. The issue this regulation addresses is to protect the interests of life insurance and annuity purchases by establishing minimum standards of conduct to be observed in transactions which replace existing life and annuity products. It does so by assuring that purchasers receive information with which a decision can be made in the purchasers' best interests and to reduce the opportunity for misrepresentation and incomplete disclosure. This regulation is being promulgated under the authority of section 38a-435 of the Connecticut General Statutes, and is based on a National Association of Insurance Commissioners (NAIC) model.

B. Summary of the main provisions of the proposed regulation. Section 38a-435-1 has several exclusions from the scope of the regulation, including the following major exclusions: credit life insurance, group life insurance or group annuities where there is no direct solicitation of individuals by a producer; group life insurance and annuities used to fund prearranged funeral contracts; policies or contracts used to

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

fund various employer sponsored retirement plans; where new coverage is provided under a life insurance policy and the cost is borne wholly by the insured's employer or association of which the insured is a member; existing life insurance that is nonconvertible term life insurance that will expire in no more than five years and can not be renewed; immediate annuities that are purchased with proceeds from an existing annuity contract; and structured settlements.

Section 38a-435-3 imposes disclosure requirements on life insurance producers, orally and in writing, to be given to the proposed purchaser regarding the replacement transaction, including a list of all life insurance policies and annuities proposed to be replaced. Section 38a-435-4 imposes duties of supervision and control on insurers that use producers, including informing producers of the regulation's requirements, reviewing the appropriateness of replacement transactions, confirming that requirements of the regulation have been met and detecting replacement transactions that have not been reported as such.

Section 38a-435-5 imposes obligations on insurers that use producers, including verification that required forms are received and are in compliance with the regulation; notifying other existing insurers that may be affected by the proposed replacement within five business days or receipt of the completed transaction; and providing to the policy or contract owner the right to return the policy no later than ten days from receipt of the policy or contract. In addition, in transactions where the replacing insurer and existing insurer are the same, credit is to be allowed under the replaced policy's or contract's incontestability clause, and for companies that prohibit the use of sales material other than that approved by the company.

Section 38a-435-6 requires that the existing insurer in a replacement transaction is to send a letter to the policy or contract owner regarding the existing policy or contracting values and that the release of policy values may affect guaranteed and non-guaranteed elements, face amounts or surrender value of the policy from which the values are released.

Section 38a-435-7 imposes obligations on insurers with respect to direct response solicitations, including notice requirements to consumers and making diligent efforts to obtain signed verification from a consumer of the notice on the potential impact of the replacement.

In addition, the regulation includes as appendices the wording of required notices to consumers regarding the replacement of life insurance or annuities and a signed verification that the consumer has been so notified.

C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.

The proposed regulation is a new regulation in Connecticut, and thus does not change existing regulations or other laws. The model regulation on which it is based is in effect in more than 45 U.S. states and jurisdictions and insurance company compliance practices are typically based on that model. If adopted, it would allow the Insurance

STATE OF CONNECTICUT
REGULATION
OF

NAME OF AGENCY
INSURANCE DEPARTMENT

Commissioner to take formal regulatory action if those standards are violated.

APPENDIX A

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.

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 interests. 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.

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

   If you answered "yes" to either of the above questions, 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.

The existing policy or contract is being replaced because

______________________________________.

I certify that the responses herein are, to the best of my knowledge, accurate:

____

Applicant's Signature and Printed Name Date

____

Producer's Signature and Printed Name Date

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

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 a 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?

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?

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.

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?

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?

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?

APPENDIX B

NOTICE REGARDING REPLACEMENT

REPLACING YOUR LIFE INSURANCE POLICY OR ANNUITY?

Are you thinking about buying a new life insurance policy or annuity and discontinuing or changing an existing one? If you are, your decision could be a good one—or a mistake. You will not know for sure unless you make a careful comparison of your existing benefits and the proposed policy or contract's benefits.

Make sure you understand the facts. You should ask the company or agent that sold you your existing policy or contract to give you information about it.

Hear both sides before you decide. This way you can be sure you are making a decision that is in your best interest.

APPENDIX C

IMPORTANT NOTICE: REPLACEMENT OF LIFE INSURANCE OR ANNUITIES

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 interests. 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.

We want you to understand the effects of replacements 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

Please list each existing policy or contract you are contemplating replacing (include the name of the insurer, the insured, 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.

I certify that the responses herein are, to the best of my knowledge, accurate:

____

Applicant's Signature and Printed Name   Date

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 a 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?

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?

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.

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?

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?

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?