

# Fidelity Life Association, A Legal Reserve Life Insurance Company

Administrative Office: P.O. Box 5030, Des Plaines, Illinois 60017

(800) 369-3990

## 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 \_\_\_\_\_

You have the right to return this policy or contract within 30 days of delivery 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.

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

Applicant's Signature: _____	Date: _____
Applicant's Name Printed: _____	

By	
Producer's Signature: _____	Date: _____
Producer's Name Printed: _____	

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?

## **INSURANCE POLICY REPLACEMENT INFORMATION**

Fidelity Life Association expects producers to only recommend replacements that are appropriate to customers and confirm that any transaction that involves either an internal (same insurer) or external (another insurer) replacement of an existing policy is appropriate. Fidelity Life Association requires all producers with whom it is contracted to comply fully with their individual state's replacement laws and complete all required replacement forms.

Under the National Association of Insurance Commissioners Life Insurance and Annuities Replacement Model Regulation enacted in a number of states, in connection with the sale of a life insurance or annuity policy, "replacement" includes policies that are:

1. Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
2. Converted to reduced paid-up insurance, continued as extended term life insurance or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;
3. Amended so as to effect a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
4. Reissued with any reduction in cash value; or
5. Used in a financed purchase. 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.

Replacement does not include:

1. Exercise of a contractual change or a conversion privilege with an existing insurer;
2. Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same insurer; or
3. Supplanting life insurance that is non-convertible term life insurance that will expire in five (5) years or less and cannot be renewed.

Appropriate replacements are those replacements that are considered in the best interest of the customer. Possible reasons for an appropriate replacement may include improved death benefit, lower charges for the customer or new policy features.

Inappropriate replacements are those replacements that are not considered in the best interest of a customer. A policy that has been in existence for a period of time may have certain advantages over a new policy. Possible advantages for keeping an existing policy may include lower premiums based on initial policy issue age or policy features that may be better under the old policy.

Submission to Fidelity Life Association by a producer of an application that is a proposed replacement will be deemed to constitute a certification by that producer that the proposed replacement is appropriate.

A producer must submit with an application that is a proposed replacement a copy of any preprinted or electronically presented insurer-approved sales materials used and copies of any individualized sales materials. Lack of submission of such materials with an application that is a proposed replacement will be deemed to constitute a certification by that producer that no such sales materials were used in connection with the application.

If you have any questions or need more information about replacements at Fidelity Life Association, please contact our Corporate Counsel by calling our toll-free telephone number at (877) 704-6279.

**PRODUCER USE ONLY. PLEASE DO NOT SUBMIT THIS INSURANCE POLICY REPLACEMENT INFORMATION FORM TO FIDELITY LIFE ASSOCIATION.**