





STATE OF WEST VIRGINIA  
Offices of the Insurance Commissioner

Legal Division

GASTON CAPERTON  
Governor

August 29, 1996

HANLEY C. CLARK  
Insurance Commissioner

HAND DELIVERED

Ms. Judy Cooper, Director  
Administrative Law Division  
Office of the Secretary of State  
State Capitol  
Charleston, West Virginia 25305

Dear Ms. Cooper:

Enclosed please find for filing one (1) copy of the following:

- (1) Notice of Agency Approval of a Proposed Rule Filing with the Legislative Rule-Making Review Committee;
- (2) Consent to Proposed Rule;
- (3) Fiscal Note;
- (4) Brief Summary of the Rule;
- (5) Statement of Circumstances;
- (6) Legislative Rule-Making Review Committee Questionnaire; and
- (7) The agency-approved rule entitled "Replacement of Life Insurance," (Series 8).

Please contact me if further information is required.

Very truly yours,

Donna S. Quesenberry  
Associate Counsel

DSQ/avn  
Enclosures

RECEIVED  
96 AUG 29 PM 3:53  
OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE



STATE OF WEST VIRGINIA  
Offices of the Insurance Commissioner

Legal Division

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Governor

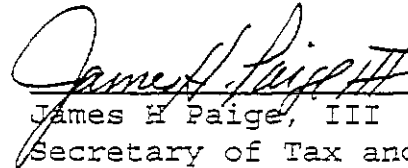
HANLEY C. CLARK  
Insurance Commissioner

CONSENT TO FILING OF RULE

To Whom It May Concern:

Pursuant to West Virginia Code § 5F-2-2(a)(12), the undersigned hereby grants consent to the filing of the following rule proposed by the Insurance Commissioner of the State of West Virginia: Title 114, Series 8, relating to "Replacement of Life Insurance."

Signed this 26<sup>th</sup> day of July, 1996.

  
James H. Paige, III  
Secretary of Tax and Revenue

APPENDIX B

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Replacement of Life Insurance

Type of Rule:  Legislative  Interpretive  Procedural

Agency: Insurance Commissioner

Address: Post Office Box 50540  
2019 Washington Street, East  
Charleston, West Virginia 25305-0540

1. Effect of Proposed Rule

	ANNUAL FISCAL YEAR				
	Increase	Decrease	Current	Next	Thereafter
ESTIMATED TOTAL COST	none				
PERSONAL SERVICES	none				
CURRENT EXPENSE	none				
REPAIRS AND ALTERNATIONS	none				
EQUIPMENT	none				
OTHER	none				

2. Explanation of above estimates:

This rule will be no additional fiscal impact upon state, local or federal government.

3. Objectives of these rules:

The objections of this rule are to implement the provisions of West Virginia Code §33-11-5a, enacted during the 1996 legislative session by House Bill 4388, and to protect the life insurance public by establishing standards of conduct to be observed in the replacement or proposed replacement of life insurance policies and by making available clear and accurate information upon which life insurance applicant can make an informal decision.

Rule Title: Replacement of Life Insurance

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government.

None

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of Citizens.

None

C. Economic Impact on Citizens/Public at Large.

None

Date: 26 July 96

Signature of Agency Head or Authorized Representative

Hanley A. Clark

Insurance Commissioner  
Legislative Rule  
Title 114, Series 8

## REPLACEMENT OF LIFE INSURANCE

Title 114, Series 8

### BRIEF SUMMARY OF RULE

This proposed rule implements the provisions of West Virginia Code §33-11-5a which was enacted during the 1996 legislative session by House Bill 4388. The rule amends the "Notice Regarding Replacement of Life Insurance" and provides that new life insurance issued by a replacing company cannot be contestable, in the event of the insured's death, to any greater extent than the existing insurance policy. This provision does not apply to that amount of replacing insurance written which exceeds the amount of the existing insurance. The rule also grants the insured a thirty (30) day free look on the replacing policy.

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## REPLACEMENT OF LIFE INSURANCE

Title 114, Series 8

### STATEMENT OF CIRCUMSTANCES

On February 14, 1996, the West Virginia Legislature passed House Bill 4388 which added Section 5a to Article 11, Chapter 3 of the West Virginia Code relating to replacement of life insurance. The amended rule provides in the "Notice Regarding Replacement of Life Insurance" that new life insurance issued by a replacing company cannot be contestable, in the event of the insured's death, to any greater extent than the existing insurance policy. This provision does not apply to that amount of replacing insurance written which exceeds the amount of the existing insurance. The rule also grants the insured a thirty (30) day free look on the replacing policy.

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

FROM: OFFICE OF THE INSURANCE COMMISSIONER

DATE: August 29, 1996

LEGISLATIVE RULE TITLE: Replacement of Life Insurance (Series 8)

1. Authorizing statute(s) citation W.Va. Code §§ 33-2-10, 33-11-5a, 33-11-6

2. a. Date filed in State Register with Notice of Hearing: July 26, 1996

b. What other notice, including advertising, did you give of the hearing?  
None

c. Date of hearing(s): Comment period ended on  
August 26, 1996

d. Attach list of persons who appeared at hearing, comments received, amendments, reasons for amendments.  
Attached \_\_\_\_\_ No comments received XX

e. Date you filed in State Register the agency approved proposed Legislative Rule following public hearing: (be exact)  
August 29, 1996

f. Name and phone number of agency person to contact for

additional information:

Donna Ouesenberry

Associate Counsel

(304) 558-0401

3. If the statute under which you promulgated the submitted rules requires certain findings and determinations to be made as a condition precedent to their promulgation:

a. Give the date upon which you filed in the State Register a notice of the time and place of a hearing for the taking of evidence and a general description of the issues to be decided.

Not applicable

b. Date of hearing: Not applicable

c. On what date did you file in the State Register the findings and determinations required together with the reasons therefor?

Not applicable

d. Attach findings and determinations and reasons:

Attached Not applicable

114CSR8

WEST VIRGINIA LEGISLATIVE RULE  
INSURANCE COMMISSIONER

SERIES 8  
REPLACEMENT OF LIFE INSURANCE

Section	
114-8-1.	General.
114-8-2.	Definitions.
114-8-3.	Exemptions.
114-8-4.	Duties of Agents.
114-8-5.	Duties of Replacing Insurers.
114-8-6.	Duties of Insurers with Respect to Direct-Response Sales.
114-8-7.	Duties of the Existing Insurer.
114-8-8.	Violations.
114-8-9.	Separability.
Appendix A.	Important Notice Regarding Replacement of Life Insurance.
Appendix B.	Important Notice Regarding Replacement of Life Insurance.
Appendix C.	Important Notice Regarding Replacement of Life Insurance.
Appendix D.	Comparative Information Form and Agent's Statement.

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SENATE LEGISLATIVE STAFF

TITLE 114

WEST VIRGINIA LEGISLATIVE RULE  
INSURANCE COMMISSIONER

SERIES 8  
REPLACEMENT OF LIFE INSURANCE

§ 114-8-1. General.

1.1. Scope. -- The purpose of this ~~regulation rule~~ is to protect the interests of the life insurance public by establishing minimum standards of conduct to be observed in the replacement or proposed replacement of life insurance policies; by making available full and clear information on which an applicant for life insurance can make a decision in his own best interest; by reducing the opportunity for misrepresentation and incomplete comparisons in replacement situations; and by precluding unfair methods of competition and unfair practices. The ~~regulation rule~~ encompasses the general acts and practices of insurers and agents transacting life insurance in West Virginia.

1.2. Authority. - W. Va. Code § 33-2-10, § 33-11-5a and § 33-11-6.

1.3. Filing Date. -

1.4. Effective Date. -

§ 114-8-2. Definitions.

~~For the purposes of this regulation, the following definitions shall apply:~~

2.1. "Replacement" means any transaction in which new life insurance is to be purchased, and it is known or should be known to the proposing agent, or to the proposing insurer if there is no agent, that by reason of such transaction, existing life insurance has been or is to be:

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~~(a)~~ a. Lapsed, forfeited, surrendered, or otherwise terminated; or

~~(b)~~ 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; or

~~(c)~~ 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; or

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

~~(e)~~ e. Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding twenty-five percent (25%) of the loan value set forth in the policy.

2.2. "Cash dividend" means the current illustrated dividend which can be applied toward payment of the gross premium.

2.3. "Conservation" means any attempt by the existing insurer or its agent to continue existing life insurance in force when the existing insurer has received a Comparative Information Form as required by ~~Section 5.1, Subsection, (C) Subdivision (1)~~ Subsection 5.2, Subdivision d of this ~~regulation rule~~ from a replacing insurer. A conservation effort does not include such routine administrative procedures like late payment reminders, late payment offers or reinstatement offers.

2.4. "Direct-Response Sales" means any sale of life insurance where the insurer does not utilize an agent in the sale or delivery of the policy.

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2.5. "Existing Insurer" means the insurance company whose policy is or will be changed or terminated in such a manner as described within the definition of "Replacement."

2.6. "Existing Life Insurance" means any life insurance in force including life insurance under a binding or conditional receipt or a life insurance policy that is within an unconditional refund period, but excluding life insurance obtained through the exercise of a dividend option.

2.7. "Generic Name" means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.

2.8. "Replacing Insurer" means the insurance company, including the same insurer or an insurer in the same group of affiliated insurers, that issues a new policy which is a replacement of existing life insurance.

2.9. "Sales Proposal" means individualized, written sales aids of all kinds, excluding Comparative Information Forms and Policy Summaries, which are used by an insurer, agent or broker in comparing existing life insurance to proposed life insurance in order to recommend the replacement or conservation of existing life insurance. Sales aids of a generally descriptive nature, which are maintained in the insurer's advertising compliance file, shall not be considered a sales proposal within the meaning of this definition.

§ 114-8-3. Exemptions.

3.1. ~~Exemptions.~~ Unless otherwise specifically included, this ~~regulation~~ rule shall not apply to:

~~(a)~~ a. Annuities;

~~(b)~~ b. Individual credit life insurance;

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~~(e)~~ c. Group life insurance, group credit life insurance, and life insurance policies issued in connection with a pension, profit-sharing or other benefit plan qualifying for tax deductibility of premiums: Provided, That as to any plan described in this subdivision, full and complete disclosure of all material facts shall be given to the administrator of any plan to be replaced;

~~(d)~~ d. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account;

~~(e)~~ e. An application to the existing insurer that issued the existing life insurance where a contractual change or conversion privilege or a privilege of policy change granted by the insurer is being exercised;

~~(f)~~ f. Existing life insurance that is a nonconvertible term life insurance policy which will expire in five (5) years or less and cannot be renewed; or

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

§ 114-8-4. Duties of agents.

~~4.1. Duties of agents.~~

~~(a)~~ 4.1. Each agent shall submit to the replacing insurer with or as part of each application for life insurance:

~~(1)~~ a. A statement signed by the applicant as to whether or not such insurance will replace existing life insurance; and

~~(2)~~ b. A signed statement as to whether or not the agent knows replacement is or may be involved in the transaction.

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~~(b)~~ 4.2. Where a replacement is involved, the agent shall:

~~(1)~~ a. Present to the applicant, not later than at the time of taking the application, ~~the appropriate a "Notice Regarding Replacement of Life Insurance," or other substantially similar form approved by the Commissioner.~~ A "Notice Regarding Replacement of Life Insurance," attached and incorporated herein as Appendix A, is to be used where the existing and proposed policies are written by different companies. A "Notice Regarding Replacement of Life Insurance," attached and incorporated herein as Appendix B, is to be used where the existing and proposed policies are written by the same company. Substantially similar forms may be used upon approval by the commissioner. The appropriate notice must be signed by and left with applicant.

~~(2)~~ b. Present to the applicant, not later than at the time of taking the application, a Comparative Information Form in a form substantially as described in Appendix D and incorporated herein ~~(substantially equivalent forms may be used with the prior approval of the Commissioner)~~. If more than one existing life insurance policy is to be replaced, a separate Comparative Information Form is to be provided for each such policy or separate information is to be provided in the Comparative Information Form for each such policy, and a summary of all the separate policy information to the extent possible must be included. The agent must include in the Comparative Information Form all of the information required to be in that form, except that information concerning the existing life insurance policy that cannot be obtained from that policy itself. The Comparative Information Form must be signed by the agent and the applicant and a copy left with the applicant.

~~(3)~~ c. Leave with the applicant the original or a copy of all sales proposals used for presentation to the applicant.

~~(4)~~ d. Submit to the replacing insurer with the application, a copy of the appropriate "Notice Regarding Replacement of Life Insurance" signed by the applicant, a copy of

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the Comparative Information Form signed by the agent and the applicant, and a copy of all sales proposals used for presentation to the applicant.

~~(c)~~ 4.3. Each agent who uses a sales proposals when conserving existing life insurance shall:

~~(1)~~ a. Leave with the applicant the original or a copy of all sales proposals used in the conservation effort; and

~~(2)~~ b. Submit to the existing insurer a copy of all sales proposals used in the conservation effort.

§ 114-8-5. Duties of replacing insurers.

~~5.1. Duties of replacing insurers.~~ Each replacing insurer shall:

~~(a)~~ a. Inform its field representatives of the requirements of this regulation rule.

~~(b)~~ b. Require with or as part of each completed application for life insurance:

~~(1)~~ 1. A statement signed by the applicant as to whether or not such insurance will replace existing life insurance; and

~~(2)~~ 2. A statement signed by the agent as to whether or not he or she knows replacement is or may be involved in the transaction.

~~(c)~~ 5.2. Where a replacement is involved, each replacing insurer shall:

~~(1)~~ a. Require from the agent with the application for life insurance a copy of the appropriate "Notice Regarding Replacement of Life Insurance" signed by the applicant, a copy of the Comparative Information Form signed by the agent and the

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applicant, and a copy of all sales proposals used for presentation to the applicant.

~~(2)~~ b. Verify the substantial accuracy of information concerning the proposed policy furnished to the applicant in the Comparative Information Form. If the information concerning that policy is not substantially accurate, the replacing insurer must obtain a Comparative Information Form signed by the agent and the applicant which includes substantially accurate information before it can begin to process the application for the proposed policy.

~~(3)~~ c. Unless otherwise modified by the provisions of Subdivision ~~(e)~~, Paragraph ~~(5) or (6)~~, e or f of this subsection ~~of this regulation~~, furnish to the applicant a policy summary in accordance with the provisions of the Life Insurance Solicitation Regulation legislative rule pertaining to Disclosure and Deceptive Practices in the Advertisement, Solicitation and Sale of Life Insurance, 114CSR11.

~~(4)~~ d. Send to the existing insurer a verified Comparative Information Form as required by Subdivision ~~(e)~~, Paragraph ~~(1) or (2)~~, a or b of this subsection, within three (3) working days of the date the application and a substantially accurate Comparative Information Form are received at its home or regional office, or the date its policy is issued, whichever is sooner.

~~(5)~~ e. Delay, if it is not also the existing insurer, the issue of its policy for ~~twenty (20)~~ thirty (30) days after it sends the existing insurer a copy of the Policy Summary, unless it provides in its "Notice Regarding Replacement of Life Insurance" and in either its policy or in a separate written notice that is delivered with the policy that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of ~~twenty (20)~~ thirty (30) days commencing from the date of delivery of the policy, and it sends the Policy Summary required by this section to the existing insurer within three (3) working days of

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the date its policy is issued, in which event the replacing insurer may issue its policy immediately.

~~(6)~~ f. Provide, if it is also the existing insurer, the policy owner a ~~P~~policy ~~S~~summary for the new policy prepared in accordance with ~~Subdivision (C), Paragraph (3)~~ g, of this subsection, prior to accepting the applicant's initial premium or premium deposit, unless the replacing insurer provides in its "Notice Regarding Replacement of Life Insurance" and in either its policy or in a separate written notice that is delivered with the policy that the applicant has the right to an unconditional refund of all premiums paid, which right may be exercised within a period of ~~twenty (20)~~ thirty (30) days commencing from the date of delivery of the policy, in which event, the replacing insurer must furnish the ~~P~~policy ~~S~~summary at or prior to delivery of the policy.

~~(7)~~ g. Maintain copies of the "Notice Regarding Replacement of Life Insurance," the verified Comparative Information Form, the ~~P~~policy ~~S~~summary, and all sales proposals used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced, for at least three (3) years or until the conclusion of the next succeeding regular examination by the insurance department of its state or domicile, whichever is later.

**§ 114-8-6. Duties of insurers with respect to direct-response sales.**

~~6.1. Duties of insurers w~~With respect to direct-response sales, ~~Each insurer shall:~~

~~(a)~~ a. Inform its responsible personnel of the requirements of this ~~regulation~~ rule.

~~(b)~~ b. Require with or as part of each completed application for life insurance a statement signed by the applicant as to whether or not such insurance will replace existing life insurance.

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~~(c)~~ c. Where no replacement is proposed by an insurer in the solicitation of a direct-response sale and a replacement is involved at the time the policy is mailed to the applicant, include a "Notice Regarding Replacement of Life Insurance-" in a form substantially as described in Appendix C and incorporated herein.

~~(d)~~ d. Where a replacement is proposed by an insurer in the solicitation of a direct-response sale and a replacement is involved:

~~(1)~~ 1. Request from the applicant with or as part of the application a list of all existing life insurance to be replaced. Such existing insurance shall be identified by name of insurer.

~~(2)~~ 2. If the applicant furnishes the names of the existing insurers, then the replacing direct-response insurer shall mail the applicant a "Notice Regarding Replacement of Life Insurance," in a form substantially as described in ~~Exhibit~~ Appendix C, within three (3) working days after receipt of the application and shall comply with all of the provisions of ~~Subdivisions (c), Paragraph (3), (5), (6) and (7) c, e, f and g,~~ of Subsection ~~5.1~~ 5.2, of this ~~regulation rule~~, except that it need not meet the requirements of this ~~regulation rule~~ concerning Comparative Information Forms and need not maintain a replacement register required by Subdivision ~~(c), Paragraph (7), g~~ of Subsection ~~5.1~~ 5.2, of this ~~regulation rule~~.

~~(3)~~ 3. If the applicant does not furnish the names of the existing insurers, then the replacing direct-response insurer shall at the time the policy is mailed to the applicant, include a "Notice Regarding Replacement of Life Insurance."

§ 114-8-7. Duties of the existing insurer.

~~7.1. Duties of the existing insurer.~~ Each existing insurer shall inform its responsible personnel of the requirements of this ~~regulation rule~~. Each existing insurer, or

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such insurer's agent, that undertakes a conservation effort shall:

~~(a)~~ a. Within ~~twenty (20)~~ thirty (30) days from the date of the Comparative Information Form required by Subdivision ~~(c), Paragraph (4), d~~ of Subsection ~~5.1~~ 5.2 of this ~~regulation rule~~, is received, either furnish the policy owner with the Comparative Information Form received from the replacing insurer and include in it all of the information concerning the existing life insurance that was not completed and correct any information that was inaccurately completed by the replacing agent or furnish the policy owner with a Policy Summary for the existing life insurance. Such Policy Summary shall be completed in accordance with the provisions of the Life Insurance Solicitation Regulation legislative rule pertaining to Disclosure and Deceptive Practices in the Advertisement, Solicitation and Sale of Life Insurance, 114CSR111, except that information relating to premiums, cash values, death benefits and dividends, if any, shall be computed from the current policy year of the existing life insurance. The Policy Summary shall include the amount of any outstanding policy indebtedness, the sum of any dividend accumulations or additions and may include any other information that is not in violation of any ~~regulation rule~~ or statute. Life insurance cost index and equivalent level annual dividend figures need not be included in the Policy Summary. If index figures are included in the Policy Summary, the policy owner must receive written notification at the time the Policy Summary is delivered that such figures should only be used for comparing the relative costs of similar policies.

~~(b)~~ b. Furnish the replacing insurer with a copy of the fully completed Comparative Information Form or the Policy Summary for the existing life insurance within three (3) working days of the date that the fully completed Comparative Information Form or the Policy Summary is sent by the existing insurer to either its agent or directly to the policy owner.

~~(c)~~ c. Maintain a file containing the following:

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~~(1)~~ 1. Comparative Information Forms required by Subdivision ~~(c)~~, Paragraph ~~(4)~~, d of Subsection ~~5.1~~ 5.2 of this ~~regulation rule~~ and Policy Summaries required by Subdivision ~~(c)~~, Paragraph ~~(5)~~ a, of Subsection ~~5.1~~ 5.2 of this ~~regulation rule~~, received from replacing insurers; and.

~~(2)~~ 2. Copies of fully completed Comparative Information Forms or Policy Summaries prepared pursuant to Subdivision ~~(a)~~ a, Subsection 7.1 of this ~~regulation rule~~ and all sales proposals used to conserve the existing life insurance.

3. This material shall be indexed by replacing insurer and held for three (3) years or until the conclusion of the next regular examination conducted by the Insurance Department of its domicile, whichever is later.

§ 114-8-8. Violations.

~~8.1. Penalties.~~

~~(a)~~ 8.1. Any insurer, agent, representative, officer or employee of such insurer failing to comply with the requirements of this ~~regulation rule~~ shall be subject to such penalties as may be appropriate under the insurance laws of West Virginia.

~~(b)~~ 8.2. This ~~regulation rule~~ does not prohibit the use of additional material other than that which is required that is not in violation of this ~~regulation rule~~ or any other West Virginia statute or ~~regulation rule~~.

~~(c)~~ 8.3. Policyowners have the right to replace existing life insurance after indicating in or as part of the applications for life insurance that such is not their intention; however, patterns of such action by policyowners who purchase the replacing policies from the same agent shall be deemed prima facie evidence of the agent's knowledge that replacement was intended in connection with the sale of those policies and such

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patterns of action shall be deemed prima facie evidence of the agent's intent to violate this regulation rule.

§ 114-8-9. Separability.

9.1. ~~Partial invalidity.~~—If any provision of this regulation rule shall be held invalid, the remainder of the regulation rule shall not be affected thereby.

EXHIBIT APPENDIX A

(To be used where the existing and proposed policies are written by different companies.)  
(Name, address and telephone number of the insurance company)

IMPORTANT NOTICE REGARDING REPLACEMENT OF LIFE INSURANCE

Our agent is recommending to you that you purchase a life insurance policy from us. In connection with this purchase, you have indicated, either as a result of his recommendation or at your own initiative, that you may terminate or change your existing policy issued by another insurance company or that you may obtain a loan from that company against your policy to pay premiums on the proposed policy. Any of these actions is a replacement of life insurance. This notice must be given to you, along with a Comparative Information form which includes form including preliminary information comparing the proposed policy with your existing policy to be replaced. Please read this notice and the Comparative Information Form carefully.

Whether it is to your advantage to replace your existing insurance coverage, only you can decide. It is in your best interest, however, to have adequate information before a decision to replace your present coverage becomes final so that you may understand the essential features of the proposed policy and of your existing insurance coverage.

To this end, we are required to give you a Policy Summary including complete information on the proposed policy ~~no later than when that~~ at the time the proposed policy is delivered to you. In addition, we are required to notify the insurance company that issued your existing policy. That company may then furnish you with additional information concerning your existing policy. You may want to ~~contact~~ contact that company or its agent for further information and advice or discuss your purchase with other advisors. The information you receive will be of value to you in reaching a final decision.

If either the proposed policy or the existing insurance you intend to replace is a participating policy, you should be aware that dividends may materially reduce the cost of insurance and are an important factor to consider. Dividends, however, are not guaranteed.

You should also recognize that a policy which has been in existence for a period of time may have certain advantages to you over a new policy. If the policy coverages are basically similar, the premiums for a new policy may be higher because rates increase as your age increases. ~~Under your existing policy, the period of time during which the issuing company could contest the policy because of a material misstatement or omission on your application, or deny coverage for death caused by suicide, may have expired or may expire earlier than it will under the proposed policy. Your existing policy may have options which are not available under~~

~~the proposed policy.~~ Your existing policy may have options which are not available under the policy being proposed to you or may not come into effect under the proposed policy until a later time during your life. Also, your proposed policy's cash value and dividends, if any, may grow slower initially because the company will incur the cost of issuing your new policy. On the other hand, the proposed policy may offer advantages which are more important to you.

You should also be aware that the new life insurance issued by the replacing insurer will not be contestable in the event of the insured's death to any greater extent than the existing life insurance would have been contestable by the existing insurer had the replacement not taken place. However, the replacing insurer may, within two years from the date of issue, contest because of material misstatement or omission on your application, or for death caused by suicide, that amount of insurance, if any, written and issued in excess of the amount of the existing life insurance.

If you are considering borrowing against your existing policy to pay the premiums on the proposed policy, you should understand that in the event of your death, the amount of any unpaid loan, including unpaid interest, will be deducted from the benefits of your existing policy thereby reducing your total insurance coverage.

After we have received your application and notified the other insurance company you will have ~~twenty~~ thirty days from the date the proposed policy is delivered to you to cancel the policy issued on your application and receive back all payments you made to us.

#### CAUTION

If, after studying ~~to the~~ the information made available to you, you decide to replace the existing life insurance with our life insurance policy, you are urged not to take action to terminate or alter your existing life insurance coverage until after you have been issued the new policy, examined it and ~~have~~ found it to be acceptable to you. If you should terminate or otherwise materially alter your existing coverage and fail to qualify for the life insurance for which you have applied, you may find yourself unable to purchase other life insurance or able to purchase it only at substantially higher rates.

I have received and read a copy of this Replacement Notice.

(Signed) \_\_\_\_\_ Date \_\_\_\_\_

EXHIBIT APPENDIX B

(To be used where the existing and proposed policies are written by the same company.)

(Name, address and telephone number of the insurance company)

IMPORTANT NOTICE REGARDING REPLACEMENT OF LIFE INSURANCE

Our agent is recommending to you that you purchase a life insurance policy from us. In connection with this purchase, you have indicated either as a result of his recommendation or at your own initiative, that you may terminate or change your existing policy issued by our company or that you may obtain a loan from our company against your existing policy to pay premiums on the proposed policy. Any of these actions is a replacement of life insurance. This notice must be given to you, along with a Comparative Information Form which includes preliminary information comparing the proposed policy with your existing policy to be replaced. Please read this notice and the Comparative Information Form carefully.

Whether it is to your advantage to replace your existing insurance coverage, only you can decide. It is in your best interest, however, to have adequate information before a decision to replace your present coverage becomes final so that you may understand the essential features of the proposed policy and of your existing insurance coverage.

To this end, we are required to give you a Policy Summary including complete information on the proposed policy ~~no later than when the~~ at the time the proposed policy is delivered to you. In addition, we will, at your request, furnish you additional information concerning your existing policy. You may want to discuss your purchase with other advisors. The information you receive will be of value to you in reaching a final decision.

If either the proposed or the existing insurance you intend to replace is a participating policy you should be aware that dividends may materially reduce the cost of insurance and are an important factor to consider. Dividends, however, are not guaranteed.

You should also recognize that a policy which has been in existence for a period of time may have certain advantages to you over a new policy. If the policy coverages are basically similar, the premiums for a new policy may be higher because rates increase as your age increases. Your existing policy may have options which are not available under the policy being proposed to you or may not come into effect under the proposed policy until a later time during your life. Also, your proposed policy's cash value and dividends, if any, may grow slower initially because the company will incur the cost of issuing your new policy. On the other hand, the proposed policy may offer advantages which are more important to you.

~~Under your existing policy, the period of time during which our company could contest the policy because of material misstatement or omission on your application, or deny coverage for death caused by suicide, may have expired or may expire earlier than it will under the proposed policy. Your existing policy may have options which are not available under the policy being proposed to you or may not come into effect under the proposed policy until a later time during your life. Also, your proposed policy's cash values and dividends, if any, may grow slower initially because the company will incur the cost of issuing your new policy. On the other hand, the proposed policy may offer advantages which are more important to you.~~

You should also be aware that the new life insurance issued by the replacing insurer will not be contestable in the event of the insured's death to any greater extent than the existing life insurance would have been contestable by the existing insurer had the replacement not taken place. However, the replacing insurer may, within two years from the date of issue, contest because of material misstatement or omission on your application, or for death caused by suicide, that amount of insurance, if any, written and issued in excess of the amount of the existing life insurance.

If you are considering borrowing against your existing policy to pay the premiums on the proposed policy, you should understand that in the event of your death, the amount of any unpaid loan, including unpaid interest, will be deducted from the benefits of your existing policy thereby reducing your total insurance coverage.

After we have issued your policy, you will have ~~twenty~~ thirty days from the date the new policy is delivered to you to cancel the policy issued on your application and receive back all payments you made to us.

#### CAUTION

If, after studying the information made available to you, you ~~do~~ decide to replace the existing life insurance with our company with a new life insurance policy issued by our company, you are urged not to take action to terminate or alter your existing life insurance coverage until after you have been issued the new policy, examined it and found it acceptable to you. If you should terminate or otherwise materially alter your existing coverage and fail to qualify for the life insurance for which you have applied, you may find yourself unable to purchase other life insurance or able to purchase it ~~only~~ only at substantially higher rates.

I have received and read a copy of this Replacement Notice.

(Signed) \_\_\_\_\_ Date \_\_\_\_\_

EXHIBIT APPENDIX C  
(Name, address and telephone number  
of the insurance company)

IMPORTANT NOTICE REGARDING REPLACEMENT OF  
LIFE INSURANCE

You have indicated that you intend to replace an existing life insurance policy or policies in connection with the purchase of our life insurance policy. As a result, we are required to send you this notice. Please read it carefully.

Whether it is to your advantage to replace your existing insurance coverage, only you can decide. It is in your best interest, however, to have adequate information before a decision to replace your present coverage becomes final so that you may understand the essential features of the proposed policy and your existing insurance coverage.

You may want to contact your existing life insurance company or its agent for additional information and advice or discuss your purchase with other advisors. The information you receive should be of value to you in reaching a final decision.

If either the proposed policy or the existing insurance you intend to replace is a participating policy, you should be aware that dividends may materially reduce the cost of insurance and are an important factor to consider. Dividends, however, are not guaranteed.

You should recognize that a policy which has been in existence for a period of time may have certain advantages to you over a new policy. If the policy coverages are basically similar, the premiums for a new policy may be higher because rates increase as your age increases. ~~Under your existing policy, the period of time during which the issuing company could deny coverage for death caused by suicide, within two years from the date of issue of the policy, may have expired or may expire earlier than it will under the proposed policy.~~ Your existing policy may have options which are not available under the policy being proposed to you or may not come into effect under the proposed policy until a later time during your life. Also, your proposed policy's cash values and dividends, if any, may grow slower initially because the company will incur the cost of issuing your new policy. On the other hand, the proposed policy may offer advantages which are more important to you.

You should also be aware that the new life insurance issued by the replacing insurer will not be contestable in the event of the insured's death to any greater extent than the existing life insurance would have been contestable by the existing insurer had the replacement not taken place. However, the replacing insurer may, within two years from the date of issue, contest because of material misstatement or omission on your application, or for death caused by suicide, that amount of insurance, if any, written and issued in excess of the amount of the existing life insurance.

If you are considering borrowing against your existing policy to pay the premiums on the proposed policy, you should understand that in the event of your death, the amount of any unpaid loan, including unpaid interest, will be deducted from the benefits of your existing policy thereby reducing your total insurance coverage.

You are urged not to take action to terminate or alter your existing life insurance coverage until you have been issued the new policy, examined it and have found it acceptable to you.

**EXHIBIT APPENDIX D**

**COMPARATIVE INFORMATION FORM  
(Name, address and telephone number  
of insurance company)**

Name of Proposed Insured \_\_\_\_\_ Address \_\_\_\_\_ Date of Birth \_\_\_\_\_

**GENERAL INFORMATION**

Name of Company \_\_\_\_\_  
 Policy Number \_\_\_\_\_  
 Basic Policy Generic Name \_\_\_\_\_  
 Name of Basic Policy \_\_\_\_\_  
 Rider 1; Generic Name \_\_\_\_\_  
 Rider 2; Generic Name \_\_\_\_\_  
 Rider 3; Generic Name \_\_\_\_\_  
 Issue Age \_\_\_\_\_  
 Date of Issue \_\_\_\_\_  
 Contestable Period Expires<sup>1</sup> \_\_\_\_\_  
 Suicide Clause Expires<sup>1</sup> \_\_\_\_\_

**EXISTING LIFE INSURANCE**

**PROPOSED LIFE INSURANCE**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

PREMIUM DATA\DEATH BENEFITS	PREMIUM MODE: AMOUNT	AGE PAYABLE TO	DEATH BENEFIT	AGE BENEFIT CEASES
Basic Policy	\$ _____	_____	\$ _____	_____
Rider 1	\$ _____	_____	\$ _____	_____
Rider 2	\$ _____	_____	\$ _____	_____
Rider 3	\$ _____	_____	\$ _____	_____
Accidental Death Benefit	\$ _____	_____	\$ _____	_____
Option to Purchase Additional Insurance	\$ _____	_____	\$ _____	(Option Ages: _____)
Waiver of Premium Benefit	\$ _____	_____	\$XXX	_____
Disability Income Benefit	\$ _____	_____	\$XXX	(Monthly Income: \$ _____)
Total Current Premium	\$ _____	_____	_____	_____

PREMIUM MODE: AMOUNT	AGE PAYABLE TO	DEATH BENEFIT	AGE BENEFIT CEASE
\$ _____	_____	\$ _____	_____
\$ _____	_____	\$ _____	_____
\$ _____	_____	\$ _____	_____
\$ _____	_____	\$ _____	_____
\$ _____	_____	\$ _____	_____
\$ _____	_____	\$ _____	(Option Ages: _____)
\$ _____	_____	\$XXX	_____
\$ _____	_____	\$XXX	(Monthly Income: \$ _____)

CASE VALUES/ DIVIDENDS	*GUARANTEED CASH VALUE	*DIVIDENDS (NOT GUARANTEED)
Currently (last policy anniversary)	\$ _____	\$ _____
1 year hence	\$ _____	\$ _____
5 years hence	\$ _____	\$ _____
10 years hence	\$ _____	\$ _____
At age 65	\$ _____	\$ _____
*Current Death Benefit of Div. Adds	\$ _____	\$ _____
*Current Cash Value of Div. Adds	\$ _____	\$ _____
*Current Accum. Div.	\$ _____	\$ _____
*Current Policy Loan	\$ _____	\$ _____
Maximum Policy Loan Interest Rate	_____ %	_____ %

*GUARANTEED CASH VALUE	*DIVIDENDS (NOT GUARANTEED)
\$ _____	\$ _____
\$ _____	\$ _____
\$ _____	\$ _____
\$ _____	\$ _____
\$ _____	\$ _____
Maximum Policy Loan Interest Rate	_____ %

\*Dividends are based on the current (19\_\_ ) scale.

\*Dividends are based on the current (19\_\_ ) scale.

\*DIVIDENDS, POLICY LOAN AND CERTAIN GUARANTEED CASH VALUE INFORMATION CONCERNING YOUR EXISTING INSURANCE MAY NOT BE KNOWN TO OUR AGENT. DIVIDENDS ARE NOT GUARANTEED. HOWEVER, THEY MAY MATERIALLY REDUCE THE COST OF INSURANCE AND ARE AN IMPORTANT FACTOR TO CONSIDER. THUS, IF DIVIDENDS OR OTHER FIGURES HAVE BEEN OMITTED FROM THIS COMPARATIVE INFORMATION FORM, YOU SHOULD NOT REACH A FINAL DECISION TO REPLACE YOUR EXISTING INSURANCE UNTIL YOU HAVE THEM. YOU MAY OBTAIN THE OMITTED FIGURES FROM THE COMPANY THAT ISSUED YOUR EXISTING POLICY. WE WILL NOTIFY THAT COMPANY OF YOUR INTENT TO REPLACE YOUR EXISTING POLICY.

<sup>1</sup>For proposed life insurance, the insurer may, within two years from the date of issue, contest that amount of insurance, if any written and issued in excess of the amount of the existing life insurance.

AGENT'S STATEMENT

1. The primary reasons for my recommending the proposed replacement of existing life insurance by new life insurance are:\*

\_\_\_\_\_

2. My recommendations as to the existing insurance is that it be:

Not Changed     Lapsed     Surrendered     Reduced Paid-U     Extended Term

Other (Explain) \_\_\_\_\_

Borrowed Upon (Explain and state the amount to be borrowed) \_\_\_\_\_

3. The existing life insurance does not meet the insured/buyer's needs for insurance because:\*

\_\_\_\_\_

\*Specific reasons must be given. For example, if you believe the existing life insurance cannot meet the insured/buyer's needs, you must specify why you think it does not.

INSTRUCTIONAL NOTES FOR AGENT

1. Existing life insurance must be identified by name of insurer and the policy number. In the event that a policy number has not been assigned by the existing insurer, alternative identification information such as an application or receipt number must be shown.
2. If the premium for the basic policy or any rider or benefit changes, indicate the changes; attach schedules, if necessary.
3. If the death benefit for the basic policy or any rider or benefit changes, indicate the changes; attach schedules, if necessary.
4. If the premium for benefits is not separable from the premium for the basic policy, insert "Included" in Basic Policy Premium.
5. If more than one existing life insurance policy is to be replaced, a separate Comparative Information Form is to be provided for each policy, or separate information is to be provided in one Comparative Information Form for each such policy, and a summary of all the separate policy information must also be included to the extent possible.

AGENT'S CERTIFICATION

I hereby certify that prior to taking an application for a policy, I have provided the applicant with the Notice Regarding Replacement of Life Insurance and that the information in this Comparative Information Form is true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
(Signature of Agent)

\_\_\_\_\_  
(Date)

I have received and read a copy of this Comparative Information Form.

\_\_\_\_\_  
(Signature of Applicant)

\_\_\_\_\_  
(Date)