

Catalog

RNA Buyers Guide.pdf	1
RNA Disclosures.PDF	4
RNA form-1767-Accelerated Death Benefit Disclosure signoff.pdf	6
RNA-Replacement form.pdf	9



Life Insurance Buyer's Guide

This guide is prepared by the National Association of Insurance Commissioners

The National Association of Insurance Commissioners is an association of state insurance regulatory officials. This association helps the various insurance departments to coordinate insurance laws for the benefit of all consumers.

This guide does not endorse any insurer or policy.

Reprinted by Royal Neighbors of America

This guide can help you when you shop for life insurance. It discusses how to:

- Find a policy that meets your needs and fits your budget
- Decide how much insurance you need
- Make informed decisions when you buy a policy.

Important things to consider

1. Review your own insurance needs and circumstances. Choose the kind of policy that has benefits that most closely fit your needs. Ask a representative (agent) or company to help you.
2. Be sure that you can handle premium payments. Can you afford the initial premium? If the premium increases later and you still need insurance, can you still afford it?
3. Don't sign an insurance application until you review it carefully to be sure all the answers are complete and accurate.
4. Don't buy life insurance unless you intend to stick with your plan. It may be very costly if you quit during the early years of the policy.
5. Don't drop one policy and buy another without a thorough study of the new policy and the one you have now. Replacing your insurance may be costly.
6. Read your policy carefully. Ask your representative (agent) or company about anything that is not clear to you.
7. Review your life insurance program with your representative or company every few years to keep up with changes in your income and your needs.

Buying life insurance

When you buy life insurance, you want coverage that fits your needs.

First, decide how much you need—and for how long—and what you can afford to pay. Keep in mind the major reason you buy life insurance is to cover the financial effects of unexpected or untimely death. Life insurance can also be one of many ways you plan for the future.

Next, learn what kinds of policies will meet your needs and pick the one that best suits you.

Then, choose the combination of policy premium and benefits that emphasizes protection in case of early death, or benefits in case of long life, or a combination of both.

It makes good sense to ask a life insurance agent or company to help you. A representative can help you review your insurance needs and give you information about the available policies. If one kind of policy doesn't seem to fit your needs, ask about others.

This guide provides only basic information. You can get more facts from a life insurance representative or company or from your public library.

What about the policy you have now?

If you are thinking about dropping a life insurance policy, here are some things you should consider:

- If you decide to replace your policy, don't cancel your old policy until you have received the new one. You then have a minimum period to review your new policy and decide if it is what you wanted.
- It may be costly to replace a policy. Much of what you paid in the early years of the policy you have now paid for the company's cost of selling and issuing the policy. You may pay this type of cost again if you buy a new policy.
- Ask your tax advisor if dropping your policy could affect your income taxes.
- If you are older or your health has changed, premiums for the new policy will often be higher. You will not be able to buy a new policy if you are not insurable.
- You may have valuable rights and benefits in the policy you now have that are not in the new one.
- If the policy you have now no longer meets your needs, you may not have to replace it. You might be able to change your policy or add to it to get the coverage or benefits you now want.
- At least in the beginning, a policy may pay no benefits for some causes of death covered in the policy you have now.

In all cases, if you are thinking of buying a new policy, check with the representative or company that issued you the one you have now. When you bought your old policy, you may have seen an illustration of the benefits of your policy. Before replacing your policy, ask your representative or company for an updated illustration. Check to see how the policy has performed and what you might expect in the future, based on the amounts the company is paying now.

How much do you need?

Here are some questions to ask yourself:

- How much of the family income do I provide? If I were to die early, how would my survivors, especially my children, get by? Does anyone else depend on me financially, such as a parent, grandparent, brother, and sister?
- Do I have children for whom I'd like to set aside money to finish their education in the event of my death?
- How will my family pay final expenses and repay debts after my death?
- Do I have family members or organizations to whom I would like to leave money?
- Will there be estate taxes to pay after my death?
- How will inflation affect future needs?

As you figure out what you have to meet these needs, count the life insurance you have now, including any group insurance where you work or veteran's insurance. Don't forget Social Security and pension plan survivor's benefits. Add other assets you have: savings, investments, real estate and personal property. Which assets would your family sell or cash in to pay expenses after your death?

What is the right kind of life insurance?

All policies are not the same. Some give coverage for your lifetime and others cover you for a specific number of years. Some build up cash values and others do not. Some policies combine different kinds of insurance, and others let you change from one kind of insurance to another. Some policies may offer other benefits while you are still living. Your choice should be based on your needs and what you can afford.

There are two basic types of life insurance: **term insurance** and **cash value insurance**. Term insurance generally has lower premiums in the early years, but does not build up cash values that you can use in the future. You may combine cash value life insurance with term insurance for the period of your greatest need for life insurance to replace income.

Term Insurance covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value.

You can renew most term insurance policies for one or more terms even if your health has changed. Each time you renew the policy for a new term, premiums may be higher. Ask what the premiums will be if you continue to renew the policy. Also ask if you will lose the right to renew the policy at some age. For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period at the same price each year. At the end of that time you may need to pass a physical examination to continue coverage, and premiums may increase.

You may be able to trade many term insurance policies for a cash value policy during a conversion period—even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Cash Value Life Insurance is a type of insurance where the premiums charged are higher at the beginning than they would be for the same amount of term insurance. The part of the

premium that is not used for the cost of insurance is invested by the company and builds up a cash value that may be used in a variety of ways. You may borrow against a policy's cash value by taking a policy loan. If you don't pay back the loan and the interest on it, the amount you owe will be subtracted from the benefits when you die, or from the cash value if you stop paying premiums and take out the remaining cash value. You can also use your cash value to keep insurance protection for a limited time or to buy a reduced amount without having to pay more premiums. You also can use the cash value to increase your income in retirement or to help pay for needs, such as a child's tuition, without canceling the policy. However, to build up this cash value, you must pay higher premiums in the earlier years of the policy. Cash value life insurance may be one of several types; whole life, universal life, and variable life are all types of cash value insurance.

Whole Life Insurance covers you for as long as you live if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first take out the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term policy until your later years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher since the premium payments are made during a shorter period.

Universal Life Insurance is a kind of flexible policy that lets you vary your premium payments. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. The premiums you pay (less expense charges) go into a policy account that earns interest. Charges are deducted from the account. If your yearly premium payments plus the interest your account earns is less than the charges, your account value will become lower. If it keeps dropping, eventually your coverage will end. To prevent that, you may need to start making premium payments, or increase your premium payments, or lower your death benefits. Even if there is enough in your account to pay the premiums, continuing to pay premiums yourself means that you build up more cash value.

Variable Life Insurance is a kind of insurance where the death benefits and cash values depend on the investment performance of one or more separate accounts, which may be invested in mutual funds or other investments allowed under the policy. Be sure to get the prospectus from the company when buying this kind of policy and STUDY IT CAREFULLY. You will have higher death benefits and cash value if the underlying investments do well. Your benefits and cash value will be lower or may disappear if the investments you chose didn't do as well as you expected. You may pay an extra premium for a guaranteed death benefit.

Life insurance illustrations

You may be thinking of buying a policy where cash values, death benefits, dividends, or premiums may vary based on events or situations the company does not guarantee (such as interest rates). If so, you may get an illustration from the

representative or company that helps explain how the policy works. The illustration will show how the benefits that are not guaranteed will change as interest rates and other factors change. The illustration will show you what the company guarantees. It will also show you what could happen in the future. Remember that nobody knows what will happen in the future. You should be ready to adjust your financial plans if the cash value doesn't increase as quickly as shown in the illustration. You will be asked to sign a statement that says you understand that some of the numbers in the illustration are not guaranteed.

Finding a good value in life insurance

After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider. For example:

- Do premiums or benefits vary from year to year?
- How much do the benefits build up in the policy?
- What part of the premiums or benefits is not guaranteed?
- What is the effect of interest on money paid and received at different times on the policy?

Remember that no one company offers the lowest cost at **all** ages for **all** kinds and amounts of insurance. You should also consider other factors:

- How quickly does the cash value grow? Some policies have low cash values in the early years that build quickly later on. Other policies have a more level cash value buildup. A year-by-year display of values and benefits can be very helpful. (The representative or company will give you a policy summary or an illustration that will show benefits and premiums for selected years.)
- Are there special policy features that particularly suit your needs?
- How are nonguaranteed values calculated? For example, interest rates are important in determining policy returns. In some companies increases reflect the average interest earnings on all of that company's policies regardless of when issued. In others, the return for policies issued in a recent year, or a group of years, reflects the interest earnings on that group of policies; in this case, amounts paid are likely to change more rapidly when interest rates change.

**A Fraternal Benefit Society
Incorporated in 1895**



INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIES™

**Royal Neighbors of America
Home Office
230 Sixteenth St.
Rock Island, IL 61201
(800) 627-4762
(309) 788-4561
www.royalneighbors.org**

IMPORTANT INFORMATION – FOR USE WITH APPLICATIONS COMPLETED BY TELEPHONE

This document contains important consumer disclosure notices and application agreements, acknowledgments, and authorizations. The applicant must read this document prior to completing the application and must retain a copy for their records.

During the telephonic interview process, the proposed insured will be asked to acknowledge and agree to the terms of this document, which includes the Authorization, MIB, Inc. Notice, Fair Credit Report Act Notice, Ohio Disclosure Agreement/Acknowledgement, and Fraud Notice Warning below. These items will become part of the application completed and signed by the proposed insured.

Consumer Disclosure Notices

FRAUD NOTICE/WARNING: Any person who, with intent to defraud, or knowing that they are facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

MIB, Inc., Notice

Information regarding your insurability will be treated as confidential. Royal Neighbors of America (Royal Neighbors) or its reinsurers may make a brief report thereon to the MIB, Inc., formerly known as Medical Information Bureau, a not-for-profit membership organization of insurance companies which operates an information exchange on behalf of its members. If you apply to another MIB member company for life or health insurance coverage, or if a claim for benefits is submitted to such company, MIB, upon request, will supply such company with the information in its file.

Upon receipt of a request from you, MIB will arrange disclosure of any information it may have in your file. Please contact MIB at (866) 692-6901, TTY (866) 346-3642. If you question the accuracy of information in MIB's file, you may contact MIB and seek a correction in accordance with the procedures set forth in the federal Fair Credit Report Act. The address of MIB's information office is: MIB, 50 Braintree Hill Park, Suite 400, Braintree, MA 02184.

Royal Neighbors or its reinsurers may also release information in its file to other insurance companies to whom you apply for life or health insurance, or to whom a claim for benefits may be submitted. Information for consumers about MIB may be obtained on its website at www.mib.com.

Fair Credit Report Act Notice

This is to inform you that as part of our underwriting procedures in connection with this application, an investigative consumer report may be obtained on the Proposed Insured. This report will provide applicable information concerning character, general reputation, personal characteristics, and mode of living.* This information will be obtained through personal interviews with neighbors, friends, and associates. You may request to be interviewed in connection with the preparation of the investigative consumer report. You have the right to make a written request within a reasonable period of time to receive additional detailed information about the nature and scope of this investigation. No information collected concerning the sexual orientation of the Proposed Insured will be used to determine her or his eligibility for life insurance.

**Information obtained will not be used to determine sexual orientation.*

NOTICE: ROYAL NEIGHBORS OF AMERICA IS LICENSED TO DO BUSINESS IN THE STATE OF OHIO AS A TAX-EXEMPT MEMBERSHIP ORGANIZATION. FRATERNAL BENEFIT SOCIETIES ARE NOT INCLUDED IN THE OHIO GUARANTY ASSOCIATION. THIS MEANS THAT FRATERNAL BENEFIT SOCIETIES CANNOT BE ASSESSED FOR THE INSOLVENCY OF OTHER LIFE INSURERS OR OTHER FRATERNAL BENEFIT SOCIETIES. BY LAW, A FRATERNAL BENEFIT SOCIETY IS RESPONSIBLE FOR ITS OWN SOLVENCY. IF THERE IS AN IMPAIRMENT OF RESERVES, A CERTIFICATEHOLDER MAY BE ASSESSED A PROPORTIONATE SHARE OF THE IMPAIRMENT. THIS PROCESS IS DESCRIBED IN THE CERTIFICATE ISSUED BY THE SOCIETY.

Application Agreements, Acknowledgments, and Authorizations

Agreement/Acknowledgement

Agreement/Disclosure: To the best of my knowledge and belief, all statements in my application for life insurance including any amendments and supplements are true and complete. I also agree that:

- My statements in the application and any amendment(s), paramedical/medical exam, and supplement(s) are the basis of any certificate issued and will be attached to and, along with the articles of incorporation and bylaws of Royal Neighbors, become part of the new certificate.
- No information will be deemed to have been given to Royal Neighbors unless it is stated in the application and amendment(s), paramedical/medical exam, and any supplement(s).
- Only authorized officers of Royal Neighbors may: a) make or change any contract of insurance; b) make a binding promise about insurance; or c) change or waive any term of an application, receipt, or certificate.
- If not a current member, I, the Proposed Insured, hereby apply to become a member of Royal Neighbors as indicated by my signature on the application. As a member, I agree to uphold the principles of Faith, Unselfishness, Courage, Endurance, and Humility upon which Royal Neighbors was founded more than 100 years ago.

Authorization

I, the Proposed Insured, hereby authorize any licensed physician, medical practitioner, hospital, clinic, laboratory, pharmacy, pharmacy benefit manager, or other medical facility, insurance or reinsurance company, MIB, Inc., consumer reporting agency, division of motor vehicles, the veterans administration, or other government agency or department having information as to the diagnosis, treatment, or prognosis with respect to any physical or mental condition, or having any non-medical information, concerning me to release and disclose the entire medical record and any other protected health or other information concerning me within the past 10 years, without restriction, to Royal Neighbors, its agents, employees, or representatives. I further authorize Royal Neighbors, or its reinsurers, to make a brief report of my personal health information to MIB. This includes information on the treatment of alcohol, drug, and tobacco abuse, and psychiatric diagnosis and treatment. **In order to facilitate the rapid transmission of such information, I authorize all the sources named above, except MIB, to give such information to any legal representative or agent employed by Royal Neighbors.**

I understand that the protected information is to be disclosed under this authorization so that Royal Neighbors may underwrite my application for life insurance, determine my eligibility for insurance, risk rating, or certificate issuance determinations, administer claims and determine or fulfill responsibility for coverage and provision of benefits, administer coverage, and conduct other legally permissible activities that relate to any coverage I have applied for with Royal Neighbors. Any protected information obtained will not be released by Royal Neighbors to any person or organization EXCEPT to other divisions and/or departments of Royal Neighbors, MIB, other life/health insurance organizations or fraternal benefit societies with which I have insurance contracts or to whom I may apply for insurance or to whom a claim for benefits may be submitted, or other persons or organizations performing business or legal services in connection with my application, insurance certificate(s), or claim for benefits or as may be otherwise lawfully required or as I may further authorize.

I understand that this authorization shall remain in force for 24 months from the date signed if used in connection with an application for life insurance certificate, an application for reinstatement of a life insurance certificate, or a request for change in certificate benefits; or for the duration of a claim if used for the purpose of collecting information in connection with a claim for benefits under a certificate.

I understand and agree that a copy of this authorization is as valid as the original and that I or my authorized representative is entitled to receive a copy. I understand that this authorization may be revoked by me at any time in writing, and if I refuse to sign or if I subsequently revoke this authorization, Royal Neighbors may not be able to process this application, and if coverage has been issued, may not be able to process any benefit payments. I agree that Royal Neighbors shall be fully protected if it acts in reliance on this authorization prior to receiving notice of revocation at its Home Office or to the extent that Royal Neighbors has a legal right to contest a claim under an insurance contract. Any information that is disclosed pursuant to this authorization may be re-disclosed as provided herein or as required or authorized by law and may then no longer be covered by federal rules governing privacy and confidentiality of health information.

NO IMMEDIATE LIFE INSURANCE COVERAGE: Royal Neighbors will have no liability under this application unless and until: a) it has been received and approved by Royal Neighbors at its Home Office; b) the certificate has been issued and delivered to the certificatarowner; c) the first premium has been paid to and accepted by Royal Neighbors (If the first premium is to be electronically drafted, then the premium has not been "paid" until honored by the financial institution.); and d) at the time of delivery and payment, the facts concerning the insurability of the Insured are as stated in this application.

The proposed insured's signature will appear at the end of the application for insurance, directly below this Authorization.



Accelerated Living Benefit Rider Disclosure

For use with Rider Form Series 1766

PREMIUMS – There are no premiums charged for this rider. If the certificate to which the rider is attached requires regularly scheduled premiums, scheduled premium payments must be made to keep the certificate in force. If the premiums due are not paid and the certificate enters a grace period, the rider will be subject to all provisions of the certificate.

AN ACCELERATED LIFE INSURANCE BENEFIT MAY BE TAXABLE – The acceleration of life insurance benefits offered under this rider is intended to qualify for favorable tax treatment under the Internal Revenue Code. If the acceleration of life insurance benefits qualifies for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Whether such benefits qualify depends on factors such as the Insured's life expectancy at the time the benefits are accelerated and whether the accelerated benefits are used to pay for necessary long-term care expenses, such as nursing home care. Tax laws relating to the acceleration of life insurance benefits are complex. You are advised to consult with a qualified tax professional regarding the circumstances under which you might be able to receive an acceleration of a life insurance benefit, excludable from income under federal law.

Receipt of an acceleration of life insurance benefits may also affect your, your spouse, or family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), Supplementary Social Security Income (SSI), and drug assistance programs. You are advised to consult with a qualified tax professional and with social service agencies regarding how receipt of such accelerated benefits may affect your, your spouse, and your family's eligibility for public assistance.

BENEFIT – The Accelerated Living Benefit Rider provides for a single lump sum payment of an accelerated life insurance benefit using a portion of your life insurance certificate's death benefit. Eligible proceeds are equal to 75% of the certificate's death benefit in force on the day Royal Neighbors receives the acceleration request, up to a maximum of \$250,000. A minimum amount of at least \$5,000 must be requested. **Only one acceleration for an insured will be allowed.**

This benefit is paid to the Owner of the life insurance certificate while the insured is living, provided the insured is diagnosed with a qualified terminal condition with a life expectancy of twelve (12) months or less, or the insured is permanently confined to a qualified nursing home, as provided under the terms of the rider. Royal Neighbors of America will require satisfactory evidence and a physician's statement certifying the insured's life expectancy in the event of a terminal condition; or, certification of permanent confinement in a qualified nursing home.

If the insured dies before the accelerated payment is made, the death benefit payable under the certificate will be paid to the beneficiary.

EFFECT OF ACCELERATION OF A BENEFIT – The accelerated benefit payment, administrative fee, and accrued interest constitute a lien on the life insurance certificate. Benefits payable at the death of the insured, and any cash or loan values available under the certificate will be reduced by any outstanding lien balance. At the time the accelerated benefit is paid, Royal Neighbors will provide the owner of the certificate with a statement specifying:

1. the amount of the accelerated benefit paid;
2. the effect of the accelerated benefit payment on the certificate's face amount, cash value, future premiums, loans and liens.

LIEN OF ACCELERATED BENEFIT – Royal Neighbors reserves the right to charge an administrative fee of \$150, if allowed by law. The amount of the administrative fee will be deducted from the Accelerated Benefit payment.

Interest on the amount of the Accelerated Benefit and the administrative fee will accrue from the date Royal Neighbors pays the Accelerated Benefit to the date of the Insured's death, and shall constitute a lien on the certificate. At the time of the Insured's death, the Death Benefit will be reduced by the amount of the Accelerated Benefit plus the accrued interest, the amount of any outstanding loans, and past due premiums, if any.

The interest rate applied to the Accelerated Benefit and the administrative fee shall be as set by Royal Neighbors and in effect at the time of payment of the Accelerated Benefit, but will not exceed the certificate loan interest rate stated in the certificate.

The Owner may only withdraw any portion of the certificate's cash value or obtain a loan on any portion of the certificate's loan value which exceeds the amount of the lien of the Accelerated Death Benefit, and any outstanding certificate loans, or reserve impairments, if any.

ELIGIBILITY – The Owner of the certificate to which this rider is attached is not eligible for payment of the accelerated benefit under this rider if:

- the Owner is required, by law, to use any payment to meet the claims of creditors, whether due to bankruptcy or otherwise; or
- the Owner is required by a government agency to use the payment in order to apply for, obtain, or keep a government benefit or entitlement; or
- the certificate to which this rider is attached is subject to any restriction imposed by any court order or rule of law; or
- the certificate to which this rider is attached has been continued as Extended Term Insurance (ETI) or as a Reduced Paid Up certificate (RPU).

COLLATERAL ASSIGNEES AND IRREVOCABLE BENEFICIARIES – Collateral assignees and irrevocable beneficiaries must sign a written consent to the payment of an accelerated benefit before such payment may be made to the Owner of the certificate. The written consent must be received at the Home Office in a form acceptable to Royal Neighbors of America before the date the accelerated benefit is paid.

TERMINATION – This rider will terminate and cease to be in force at the earliest of the following:

1. when the certificate to which it is attached terminates.
2. when a non-forfeiture option is elected.
3. on any date by prior written request of the Owner in proper form. Return of the certificate to the Home Office for proper endorsement may be required.

The certificate, to which this rider is attached, will terminate at any time the indebtedness, including any lien balance and certificate loans and reserve impairments, if any, plus accrued interest, exceeds the certificate's Death Benefit.

ASSIGNMENT – The Owner may not assign this rider or the Accelerated Benefit payments made under this rider.

FILING A CLAIM – Royal Neighbors will pay the Owner the benefits due under the Accelerated Living Benefit Rider upon receipt of a written request from the Owner, and due proof at the Owner's expense that the Insured has been diagnosed with a qualified terminal condition, or permanently confined to a qualified nursing home, pursuant to the terms of the rider. Due Proof includes, but is not limited to, a statement signed by a licensed physician that the Insured has been diagnosed with a qualified terminal condition, or is permanently confined to a qualified nursing home. Royal Neighbors of America reserves the right to require, at Royal Neighbors' expense, an exam by a physician of Royal Neighbors' choice in order to confirm that the Insured has a qualified condition or confinement, and to request documents that support the qualified condition diagnosis from the Insured's attending physician.

SAMPLE ILLUSTRATION – The sample illustration below assumes: (1) a \$100,000 death benefit; (2) that there are no outstanding loans on the certificate; (3) the entire available accelerated benefit is paid; (4) the interest rate on the lien is 8% per annum; and (5) the administrative fee is \$150.

Before payment of the accelerated benefit

Certificate Death Benefit	\$100,000
Available Accelerated Benefit (lesser of 75% of certificate face or \$250,000).....	\$ 75,000
Accelerated Benefit Payment	\$ 75,000
Initial Lien Amount on Certificate	\$ 75,000
LESS – Administrative Fee	\$ 150
Net Payment to the Owner.....	\$ 74,850

If Death Occurs Immediately After Accelerated Benefit Is Paid

Certificate Death Benefit	\$100,000
LESS – Initial Lien Amount	\$ 75,000
Net Death Proceeds Payable At Death Of The Insured	\$ 25,000

If Death Occurs Six (6) Months After Accelerated Benefit Is Paid

Certificate Death Benefit	\$100,000
LESS – Initial Lien Amount	\$ 75,000
LESS – Accrued Interest on the Lien Amount	\$ 2,943
Net Death Proceeds Payable At Death Of The Insured	\$ 22,057

Proposed Owner Signature _____ Date _____

Agent Signature _____ Date _____



Important Notice: Replacement of Life Insurance or Annuities

This document must be signed by the applicant/petitioner and the producer, if there is one, and a copy left with the applicant.

You are contemplating the purchase of a life insurance certificate (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 certificate (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 certificate (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 certificate (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 certificate (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:

<u>Insurer Name</u>	<u>Contract or Policy No.</u>	<u>Insured or Annuitant</u>	<u>Replaced (R) or Financing (F)</u>
1. _____			
2. _____			
3. _____			

Make sure you know the facts. Contact your existing insurer 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 field representative (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/Petitioner's Signature and Printed Name

Date

Agent's Signature and Printed Name

Date

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

Submit completed form with the application – Provide a copy of completed form to the applicant.



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 certificate or contract. One way to do this is to ask the insurer 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 or field representative 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 certificate?
- How long will you have to pay premiums on the new certificate? On the old policy?

Certificate (Policy) Values:

- New certificate(s) 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 certificate?
- Does the new certificate 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 certificate.
- Claims on most new certificate(s) 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 certificate:

- 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 insurer compare with your existing insurer?

