

3. The most recent financial examination report, whether conducted by the applicant's state of domicile or other state;

4. A statement addressing whether the applicant is planning to modify its method of doing business in any way including, but not limited to, new acquisitions or new restructuring;

5. If the applicant is a member of a holding company system, the following shall be provided:

i. A list of all members of the holding company system;

ii. A list of all intercompany transactions for the period beginning January 1 in the year of the filing to the date of the quarterly statement immediately preceding the date of the filing, in the format set forth in the statutory annual statement filed by the applicant; and

iii. A copy of the applicant's organizational chart;

6. An actuarial opinion attesting to the adequacy of reserves in the format of and satisfying all requirements for the actuarial opinion and memorandum required to be submitted as a part of the annual statement filed by the applicant;

7. A report signed by the attesting actuary referred in (a)6 above, which includes, in summary form if necessary, all data utilized, a complete explanation of methods and assumptions and sufficient additional narrative to account for any features of the data or circumstances necessary for proper interpretation;

8. A copy of the annual statement of the applicant, including all accompanying exhibits, filed with this State immediately preceding the date of the relief filing;

9. Copies of all quarterly statements for the period beginning January 1 in the year of the filing to the quarterly statement immediately preceding the date of the filing;

10. Three-year financial projections beginning with the calendar year of the date of the filing assuming relief is granted and assuming relief is denied. The projections shall include, in summary form if necessary, all data utilized, and a complete explanation of methods and assumptions utilized and relied upon by the applicant in making the projections. The projections shall assume the same rate of assessment as in the first year calculation period for the subsequent two-year calculation period, and shall include projections of the applicant's operating results containing the information and in the balance sheet; and statement of revenue, expenses and net worth of the annual statement filed by the applicant;

11. A description of any relief from obligations imposed by this State or any other state granted or in effect within the preceding 12 months, and the basis upon which such relief was granted; and

12. Any other information the Commissioner may deem relevant to the consideration of the request.

(b) An applicant asserting that the Department's review of its request be evaluated on a particular basis (that is, pre-pooled, post-pooled, consolidated or unconsolidated) shall submit a written statement which sets forth the specific reasons, with supporting documentation, if any, for which it believes evaluation on a particular basis is appropriate to that applicant, and the specific reasons, with supporting documentation, if any, for which evaluation on other bases would be inappropriate.

(c) All filings shall be accompanied by the following certification signed by the chief financial officer of the applicant: "I \_\_\_\_\_ certify that the attached filing complies with all requirements set forth in N.J.A.C. 11:4-1 and that all of the information it contains is true and accurate. I further certify that I am authorized to execute this certification on behalf of the applicant."

#### 11:4-1.7 Confidentiality of request for relief

(a) All data or information contained in the request for relief filed pursuant to this subchapter shall be confidential and shall not be subject to public disclosure or copying pursuant to the "Right to Know" law, N.J.S.A. 47:1A-1 et seq., except for the following items, but only upon written, specified request and following 10 days written notice by the Department to the member/applicant:

1. N.J.A.C. 11:4-1.6(a)1i and ii—cover letter with name of applicant and describing relief sought;

2. N.J.A.C. 11:4-1.6(a)1iv—name, title, telephone number and telefax number of person familiar with the filing;

3. N.J.A.C. 11:4-1.6(a)3—most recent financial examination report;

4. N.J.A.C. 11:4-1.6(a)5i and ii—list of members of holding company system and intercompany transactions for period preceding date of filing;

5. N.J.A.C. 11:4-1.6(a)8—annual statement filed immediately preceding date of filing; and

6. N.J.A.C. 11:4-1.6(a)12—additional information required by the Commissioner to evaluate a particular filing.

#### 11:4-1.8 Disposition of request for relief

(a) When the Commissioner determines pursuant to N.J.S.A. 17B:32B-9e that payment of the assessment would endanger the ability of the member organization to fulfill its contractual obligations or, based on indicia that relate to the ability to pay the assessment by the member organization, would place it in an unsafe or unsound financial condition, the Commissioner shall notify the Association of such finding and direct the Association to exempt, abate or defer the obligation of the member organization, as set forth in (b)

below. If the Commissioner decides to defer, in whole or in part, a member organization's obligation to pay assessments, the member shall remain liable to the Association for the amount deferred. The Commissioner shall find that a member is or would be unable to meet its contractual obligations or be placed in an unsafe or unsound financial condition if:

1. The member has been placed in rehabilitation or liquidation pursuant to N.J.S.A. 17B:32-31 et seq. or such similar law of the member's state of domicile;
2. The member has been placed under administrative supervision pursuant to N.J.S.A. 17:51A-1 et seq. or such similar law of the member's state of domicile; or
3. The Commissioner finds based solely on indicia of N.J.A.C. 11:2-27 that relate to the ability to pay the assessment that the member is or would be placed in a hazardous financial condition.

(b) If the Commissioner determines that relief should be granted, the member organization's obligation shall be exempted, abated or deferred, as follows:

1. Except as provided at (b)2 below, the Commissioner shall in all cases direct the Association that the member's obligation shall be deferred pending a quarterly review of the member's financial condition. The deferral shall be deemed to be an exemption two years from the date the obligation was originally due, unless the Commissioner, prior to that date, determines that the member's financial condition has improved such that payment of the assessment, or a portion thereof, will not result in the member being or becoming in a hazardous financial condition. If a member is required to pay a portion of its obligation prior to the expiration of the two-year period, the remainder shall be deferred, and shall be deemed exempt at the expiration of the two-year period in the same manner as provided in this paragraph for deferred obligations.

2. The Commissioner shall direct the Association that the member organization's obligation be exempted, and thus no obligation thereafter shall be deemed to exist for the particular obligation for which the exemption was granted, if the member is in liquidation or rehabilitation pursuant to N.J.S.A. 17B:32-31 et seq., or similar statutes of the member's state of domicile, at the time the request is made. An exemption granted under this paragraph shall be for the entire obligation and no obligation thereafter shall exist for the particular obligation for which the exemption was granted; provided that the determination whether to grant an exemption from a future obligation shall be considered at the time such obligation becomes due based on the member's financial condition at that time.

3. The Commissioner shall direct that the member's obligation to pay the full amount of the assessment be abated if he or she determines that payment of some amount will not result in the member being or becoming in a hazardous financial condition. The amount which is not abated shall be deferred in the same manner provided by (b)1 above.

#### 11:4-1.9 Rates

(a) In determining its schedule of charges or rates filed with the Commissioner pursuant to N.J.S.A. 26:2J-8b, or filed in accordance with any other law requiring such filing, no member organization shall include the amount paid or to be paid as assessments under N.J.S.A. 17B:32B-1 et seq., or any portion of that amount, unless the Commissioner specifically determines that exclusion of those assessments in determining its schedule of charges or rates will significantly and adversely affect the organization by precluding it from earning a constitutionally adequate rate of return, or as otherwise set forth in (c) below. Each member organization shall annually file a certification to the Commissioner that the member organization has not included any amounts assessed in its schedule of charges or rates, unless permitted to do so pursuant to this section.

(b) No member organization shall be permitted to include the amount paid or to be paid as assessments unless it first requested relief from payment of such assessment, and such request was denied, pursuant to this subchapter. However, a request for relief shall not be required provided the filer files a request to include assessments paid in its schedule of charges or rates that includes the information set forth at N.J.A.C. 11:4-1.6 in the format of N.J.A.C. 11:4-1.5, wherein the filer recognizes that the Department shall review the information filed to determine whether relief is warranted pursuant to N.J.A.C. 11:4-1.8

(c) The Commissioner shall find that exclusion of assessments in determining the member organization's schedule of charges or rates will significantly and adversely affect the organization if the member organization demonstrates that it is unable to earn a constitutionally adequate rate of return after paying the assessment. Alternatively, the Commissioner may consider in determining whether the exclusion of assessments will significantly and adversely affect the organization if the member organization demonstrates that:

1. Its net worth will be below that required by N.J.A.C. 8:38-11.1 after payment of the assessment; and
2. For the three-year period immediately following payment of the assessment, its net worth will be less than that required by N.J.A.C. 8:38-11.1 if the assessment is not included in the member's schedule of charges or rates.

#### 11:4-1.10 Penalties

Failure to comply with this subchapter may result in the denial of relief requested and imposition of penalties as authorized by law.

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## SUBCHAPTER 2. REPLACEMENT OF LIFE INSURANCE POLICY

#### 11:4-2.1 Purpose

(a) The purpose of this subchapter is:

1. To regulate the activities of insurers and agents with respect to the replacement of existing life insurance;
2. To protect the interests of life insurance policyowners by establishing minimum standards of conduct to be observed in the replacement or proposed replacement of existing life insurance by:
  - i. Assuring that the policyowner receives information with which a decision can be made in his or her own best interest;
  - ii. Reducing the opportunity for misrepresentation and incomplete disclosures; and
  - iii. Establishing penalties for failure to comply with the requirements of this subchapter.

### 11:4-2.2 Definitions

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

“Conservation” means any attempt by the existing insurer or its agent to continue existing life insurance in force when existing insurer has received a Comparative Information Form as required by N.J.A.C. 11:4-2.5(a)3iv from a replacing insurer. A conservation effort does not include routine administrative procedures like late payment reminders, late payment offers or reinstatement offers.

“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.

“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”.

“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.

“Generic name” means a short title which is descriptive of the premium and benefit patterns of a policy or a rider.

“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:

1. Lapsed, forfeited, surrendered, or otherwise terminated;
2. 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;

3. 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;
4. Reissued with any reduction in cash value; or
5. 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 25 percent of the loan value set forth in the policy.

“Replacing insurer” means the insurance company that issues a new policy which is a replacement of existing life insurance.

“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.

### 11:4-2.3 Exemptions

(a) Unless otherwise specifically included, this subchapter shall not apply to:

1. Annuities;
2. Individual credit life insurance;
3. 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, however, that as to any plan described in this subsection, full and complete disclosure of all material facts shall be given to the administrator of any plan to be replaced;
4. Variable life insurance under which the death benefits and cash values vary in accordance with unit values of investments held in a separate account;
5. An application to the existing insurer that issued the existing life insurance and a contractual change or conversion privilege is being exercised;
6. Existing life insurance that is a non-convertible term life insurance policy which will expire in five years or less and cannot be renewed; or
7. Proposed life insurance that is to replace life insurance under a binding or conditional receipt issued by the same company.

### 11:4-2.4 Duties of agent

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

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

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

1. Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement of Life Insurance" in the form as described in Exhibit A or B of this subchapter, whichever is applicable, or other substantially similar form approved by the Commissioner. The Notice must be signed by and left with applicant.

2. Present to the applicant not later than at the time of taking the application, a Comparative Information Form as described in Exhibit D of this subchapter. (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. Leave with the applicant the original or a copy of all Sales Proposals used for presentation to the applicant.

4. Submit to the replacing insurer with the application, a copy of the "Notice Regarding Replacement of Life Insurance" signed by the applicant, a copy of 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) Each agent who uses a Sales Proposal when conserving existing life insurance shall:

1. Leave with the applicant the original or a copy of all Sales Proposals used in the conservation effort; and

2. Submit to the existing insurer a copy of all Sales Proposals used in the conservation effort.

#### 11:4-2.5 Duties of replacing insurers

(a) Each replacing insurer shall:

1. Inform its field representatives of the requirements of this subchapter.

2. Require with or as part of each completed application for life insurance:

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

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

3. Where a replacement is involved:

i. Require from the agent with the application for life insurance a copy of the "Notice Regarding Replacement of Life Insurance" signed by the applicant, a copy of the Comparative Information Form signed by the agent and the applicant, and a copy of all Sales Proposals used for presentation to the applicant.

ii. 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.

iii. Unless otherwise modified by the provisions of (a)3v or vi below, furnish to the applicant a Policy Summary in accordance with the provisions of the Life Insurance Solicitation Regulation.

iv. Send to the existing insurer a verified Comparative Information Form as required by (a)3i and ii above within three 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.

v. Delay, if it is not also the existing insurer, the issue of its policy for 20 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 that the applicant has a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 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 working days of the date its policy is issued, in which event the replacing insurer may issue its policy immediately.

vi. Provide, if it is also the existing insurer, the policy owner a Policy Summary for the new policy prepared in accordance with (a)3iii above, 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 a right to an unconditional refund of all premiums paid, which right may be exercised within a period of 20 days

commencing from the date of delivery of the policy, in which event, the replacing insurer must furnish the Policy Summary at or prior to delivery of the policy.

vii. Maintain copies of the "Notice Regarding Replacement of Life Insurance", the verified Comparative Information Form, the Policy Summary, and all Sales Proposals used, and a replacement register, cross indexed, by replacing agent and existing insurer to be replaced, for at least five years or until the conclusion of the next succeeding regular examination by the Insurance Department of its state or domicile, whichever is later.

#### **11:4-2.6 Duties of insurers with respect to direct-response sales**

(a) Each insurer shall:

1. Inform its responsible personnel of the requirements of this subchapter.

2. 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.

3. Where no replacement is proposed by an insurer in the solicitation of a direct-response sale and a replacement is involved:

i. 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 Exhibit C of this subchapter.

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

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

ii. 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 C of this subchapter within three working days after receipt of the application and shall comply with N.J.A.C. 11:4-2.5(a)3iii, v, vi and vii, except that it need not meet the requirements of this subchapter concerning Comparative Information Forms and need not maintain a replacement registered required by N.J.A.C. 11:4-2.5(a)3vii.

iii. 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" in a form substantially as described in Exhibit C of this subchapter.

#### **11:4-2.7 Duties of the existing insurer**

(a) Each existing insurer shall inform its responsible personnel of the requirements of this subchapter. Each existing insurer, or such insurer's agent, that undertakes a conservation effort shall:

1. Within 20 days from the date the Comparative Information Form required by N.J.A.C. 11:4-2.5(a)3iv is received, either furnish the policyowner 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 policyowner with a Policy Summary for the existing life insurance. The Policy Summary must be provided whenever the policyowner has indicated on the Comparative Information Form that he/she wishes to receive it. Such Policy Summary shall be completed in accordance with the provisions of the Life Insurance Solicitation Regulation, 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 or statute. No charge may be made by the existing insurer for furnishing the Policy Summary.

2. Furnish the replacing insurer with a copy of the fully completed Comparative Information Form and the Policy Summary for the existing life insurance within three working days of the date that the fully completed Comparative Information Form and Policy Summary is sent by the existing insurer to either its agent or directly to the policyowner.

3. Maintain a file containing the following:

i. Comparative Information Forms required by N.J.A.C. 11:4-2.5(a)3iv and Policy Summaries required by N.J.A.C. 11:4-2.5(a)3v received from replacing insurers; and

ii. Copies of fully completed Comparative Information Forms and Policy Summaries prepared pursuant to (a)1 above, and all Sales Proposals used to conserve the existing life insurance.

(b) The material noted in (a)3i and ii above shall be indexed by the replacing insurer and held for five years or until the conclusion of the next regular examination conducted by the Insurance Department of its domicile, whichever is later.

#### **11:4-2.8 Penalties**

(a) Any insurer, agent, representative, officer or employee of such insurer failing to comply with the requirements of the subchapter shall be subject to such penalties as may be appropriate under the Insurance Laws of New Jersey.

(b) This subchapter does not prohibit the use of additional material other than that which is required that is not in violation of this subchapter or any other New Jersey Statute or regulation.

(c) Policyowners have the right to replace existing life insurance after indicating in or as part of the application 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 patterns of action shall be deemed prima facie evidence of the agent's intent to violate this subchapter.

**11:4-2.9 Separability**

If any provisions of this subchapter shall be held invalid, the remainder of the subchapter shall not be affected thereby.

Exhibit 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 form including preliminary information comparing the proposed policy with your existing policy to be replaced. Please read this notice and a 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 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 the 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 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.

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 20 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.

(Alternate paragraph if 20-day money-back guarantee is not provided).

We are required by state regulation to delay the issuance of the policy for which you are making application for 20 days from the date on which we send your existing insurer notification that their policy will be replaced.

CAUTION:

If, after studying 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 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 OF REPLACEMENT OF LIFE INSURANCE

Our agent is recommending 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 issues 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 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 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 our company could contest the policy because of a material misstatement or omission on your application, or deny coverage for death 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.

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.

(Additional paragraph if 20-day money back guarantee is provided.)

After we have issued your policy, you will have 20 days from the date the new policy is delivered to you to cancel the policy issued on your application and received 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 have 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 at substantially higher rates.

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

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

#### Exhibit C

(Name, address and telephone number of 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 purchase with other advisors. The information you received 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 the 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 material misrepresentation or omission concerning the medical information requested in your application, or)<sup>1</sup> deny coverage for death caused by suicide, may have expired 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.

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.

(Additional paragraph if direct-response insurer's solicitation proposes replacement, and a 20-day money-back guarantee is provided by the insurer.)

After we have issued your policy, you will have 20 days from the date the new policy is received by you to notify us you are cancelling the policy issued on your application and you will receive back all payments you made to us.

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.

<sup>1</sup> Use parenthetical language only when the application asks health questions.

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 life insurance is that it be:  
 \_\_\_\_\_ Not Changed \_\_\_\_\_ Lapsed \_\_\_\_\_ Surrendered  
 \_\_\_\_\_ Reduced Paid-Up \_\_\_\_\_ Extended Term  
 Other (Explain) \_\_\_\_\_  
 Borrowed Upon (Explain), \_\_\_\_\_
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 a premium for the basic policy or any rider or benefit changes, indicate the changes; attach schedule, 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 such 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.

Exhibit D

(Name, address and telephone number of insurance company)

COMPARATIVE INFORMATION FORM

Name of Proposed Insured GENERAL INFORMATION	Address EXISTING LIFE INSURANCE	Date of Birth PROPOSED LIFE INSURANCE
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	_____	_____
Suicide Clause Expires	_____	_____

PREMIUM DATA/ DEATH BENEFITS	EXISTING LIFE INSURANCE			PROPOSED LIFE INSURANCE				
	PREMIUM MODE: AMOUNT	AGE PAY- ABLE TO	DEATH BENEFIT	AGE BENEFIT CEASES	PREMIUM MODE: AMOUNT	AGE PAY- ABLE TO	DEATH BENEFIT	AGE BENEFIT CEASES
Basic Policy	\$		\$		\$		\$	
Basic Policy	\$		\$		\$		\$	
Rider 1	\$		\$		\$		\$	
Rider 2	\$		\$		\$		\$	
Rider 3	\$		\$		\$		\$	
Accidental Death Benefit	\$		\$		\$		\$	
Option to Purchase	\$		\$		\$		\$	
Additional Insurance			(Option Ages: ___)				(Option Ages: ___)	
Waiver of Premium Benefit	\$		\$xxx		\$		\$xxx	
Disability Income Benefit	\$		\$xxx		\$		\$xxx	
			(Monthly Income: _____)				(Monthly Income: _____)	
Total Current Premium	\$				\$			

CASH VALUES/ DIVIDENDS	EXISTING LIFE INSURANCE		PROPOSED LIFE INSURANCE	
	*GUARANTEED CASH VALUE	*DIVIDENDS	*GUARANTEED CASH VALUE	*DIVIDENDS
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 \_\_\_\_\_%  
 \*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.

**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)

**APPLICANT'S CERTIFICATION**

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

- / I wish to receive
- / I do not wish to receive

up-to-date cost index information in a Policy Summary for my existing policy(ies).

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

**SUBCHAPTER 3. COUPON POLICIES AND POLICIES CONTAINING GUARANTEED ANNUAL ENDOWMENT BENEFITS**

**11:4-3.1 Payments**

Payment of guaranteed annual endowment benefits in a policy shall not be made contingent on the payment of a premium falling due at the time such benefit would otherwise be payable or credited to the insured.

**11:4-3.2 Gross premium shown**

The gross premium for the guaranteed annual endowments shall be shown prominently and separately in the policy as distinct from the regular insurance gross premium.

**11:4-3.3 Gross premium regarding additional insurance**

The gross premium for any additional insurance effective after the first policy year, other than return of premiums, shall also be shown prominently and separately in the policy.

**11:4-3.4 Coupons**

Annual coupons for the guaranteed annual endowments shall not be included as a part of policies containing guaranteed annual endowments.