Fidelity Life Association, A Legal Reserve Life Insurance Company
Administrative Office: P.O. Box 5030, Des Plaines, Illinois 60017
(800) 369-3990

IMPORTANT NOTICE:
REPLACEMENT OF LIFE INSURANCE OR ANNUITIES

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

You are contemplating the purchase of a life insurance policy or annuity contract. In some cases this purchase may involve discontinuing or changing an existing policy or contract. If so, a replacement is occurring. Financed purchases are also considered replacements.

A replacement occurs when a new policy or contract is purchased and, in connection with the sale, you discontinue making premium payments on the existing policy or contract, or an existing policy or contract is surrendered, forfeited, assigned to the replacing insurer, or otherwise terminated or used in a financed purchase.

A financed purchase occurs when the purchase of a new life insurance policy involves the use of funds obtained by the withdrawal or surrender of or by borrowing some or all of the policy values, including accumulated dividends, of an existing policy to pay all or part of any premium or payment due on the new policy. A financed purchase is a replacement.

You should carefully consider whether a replacement is in your best interests. You will pay acquisition costs and there may be surrender costs deducted from your policy or contract. You may be able to make changes to your existing policy or contract to meet your insurance needs at less cost. A financed purchase will reduce the value of your existing policy and may reduce the amount paid upon the death of the insured.

We want you to understand the effects of replacements before you make your purchase decision and ask that you answer the following questions and consider the questions on the back of this form.

1. Are you considering discontinuing making premium payments, surrendering, forfeiting, assigning to the insurer, or otherwise terminating your existing policy or contract? ☐ YES ☐ NO

2. Are you considering using funds from your existing policies or contracts to pay premiums due on the new policy or contract? ☐ YES ☐ NO

If you answered "yes" to either of the above questions, list each existing policy or contract your are contemplating replacing (include the name of the insurer, the insured or annuitant, and the policy or contract number if available) and whether each policy or contract will be replaced or used as a source of financing:

INSURER NAME	CONTRACT OR POLICY #	INSURED OR ANNUITANT	REPLACED (R) OR FINANCING (F)
1.			
2.			
3.			

Make sure you know the facts. Contact your existing company or its agent for information about the old policy or contract. If you request one, an in force illustration, policy summary or available disclosure documents must be sent to you by the existing insurer. Ask for and retain all sales material used by the agent in the sales presentation. Be sure that you are making an informed decision.

The existing policy or contract is being replaced because ____

You have the right to return this policy or contract within 30 days of delivery and receive an unconditional full refund of all premiums or considerations paid on it including any policy fees or charges or in the case of a variable or market value adjustment policy or contract, a payment of the cash surrender value provided under the policy or contract plus the fees and other charges deducted from the gross premiums or considerations or imposed under such policy or contract.

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

Applicant's Signature: ____ Date: ______________________________

Applicant's Name Printed: ____

By

Producer's Signature: ____ Date: ______________________________

Producer's Name Printed: ____

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

A replacement may not be in your best interest, or your decision could be a good one. You should make a careful comparison of the costs and benefits of your existing policy or contract and the proposed policy or contract. One way to do this is to ask the company or agent that sold you your existing policy or contract to provide you with information concerning your existing policy or contract. This may include an illustration of how your existing policy or contract is working now and how it would perform in the future based on certain assumptions. Illustrations should not, however, be used as a sole basis to compare policies or contracts. You should discuss the following with your agent to determine whether replacement or financing your purchase makes sense:

PREMIUMS:	Are they affordable? Could they change? You're older – are premiums higher for the proposed new policy? How long will you have to pay premiums on the new policy? On the old policy?
POLICY VALUES:	New policies usually take longer to build cash values and to pay dividends. Acquisition costs for the old policy may have been paid, you will incur costs for the new one. What surrender charges do the policies have? What expense and sales charges will you pay on the new policy? Does the new policy provide more insurance coverage?
INSURABILITY:	If your health has changed since you bought your old policy, the new one could cost you more, or you could be turned down. You may need a medical exam for a new policy. Claims on most new policies for up to the first two years can be denied based on inaccurate statements. Suicide limitations may begin anew on the new coverage.

IF YOU ARE KEEPING THE OLD POLICY AS WELL AS THE NEW POLICY:

How are premiums for both policies being paid?
How will the premiums on your existing policy be affected?
Will a loan be deducted from death benefits?
What values from the old policy are being used to pay premiums?

IF YOU ARE SURRENDERING AN ANNUITY OR INTEREST SENSITIVE LIFE PRODUCT:

Will you pay surrender charges on your old contract?
What are the interest rate guarantees for the new contract?
Have you compared the contract charges or other policy expenses?

OTHER ISSUES TO CONSIDER FOR ALL TRANSACTIONS:

What are the tax consequences of buying the new policy?
Is this a tax free exchange? (See your tax advisor.)
Is there a benefit from favorable "grandfathered" treatment of the old policy under the federal tax code?
Will the existing insurer be willing to modify the old policy?
How does the quality and financial stability of the new company compare with your existing company?

Replacement Rule in New Jersey ***Life Insurance and Annuity***

Applies if *Existing is:**

Model Definition of Replacement

1. Ended (includes lapse, surrender, forfeit), changed to a non-forfeiture option, or a financed purchase.
2. Amended to reduce benefits; or the coverage term; or the benefit period.
3. Reissued with any reduction in cash value.
4. Pledged as collateral or borrowed (in a single sum or over time) for more than 25% of the loan value.

* "Existing" includes in force under receipt (conditional or binding), or within a "free look" period.

Exemptions:

1. Credit. Group.
2. Replacing insurance under receipt in the same insurer.
3. Contractual change or conversion in the same insurer.
4. Other activity in the same insurer or an affiliate is exempt from some requirements of the Replacing Insurer.
5. Non-convertible, non-renewable term expiring in 5 years or less.

Replacing Producer:

1. Present Notice (not later than when taking application), complete it and leave a signed copy with applicant.
2. Submit copy of Notice (completed and signed) with application, and information on contract to be replaced: name of insurer, insured and contract number (if no contract#, them app or receipt #).
3. Leave any written or printed communications used for presentation (or a copy) with applicant.
4. Applicable Agent's Statement Regarding Use of Consumer Sales Materials
   For term, form FK-1320; For universal life, form FK-1321.

   Notice CS505-N

Replacing Insurer:

1. Notify existing insurer, with information on contract to be replaced, and a Policy Summary – cost indexes and equivalent level annual dividends need not be included in the Summary – *within **10 working days** of receipt of an application (or on date of policy issue if sooner).* (n/a if the replacing and existing insurer are same or affiliates.)
2. Provide a 30 day free look in the replacing policy.
3. Provide to the applicant a letter or verbal communication by a person whose duties are separate from the marketing area, within 10 days of issuance:
   (a) Information that the producer has represented that copies of all sales materials have been left with the applicant; (b) The toll-free number by which the applicant can contact the company personnel involved in the compliance function if copies of the sales materials were not left with the applicant; and (c) Information regarding the importance of retaining copies of the sales materials for future reference.
4. Maintain for 5 years after Policy termination or expires (or until next examined by ILLINOIS, if earlier) evidence of: Notice, Policy Summary, and any ledger statements used – and a register, cross indexed by replacing producer and existing insurer.

If a registered product, there is no summary; provide instead premium or contribution amounts, and identify the appropriate prospectus or offering circular. If a fixed annuity, provide a Contract Summary (as defined in the Model Annuity & Deposit Fund Disclosure Regulation).

Existing Insurer:

1. Within 5 business days of receiving a Notice of Replacement from a replacing insurer, a letter must be sent to the policy/contract owner notifying them about the right to receive information regarding the product's values, including illustrations or summaries.
   Registered products are exempt from the above Requirement.
2. The information must be sent to the owner within 5 business days after receipt of the request for information from the owner.
3. When a request to borrow, surrender, or withdraw values, the insurer must advise the owner how the request will affect non-guaranteed elements, face amounts, or surrender values.

   Notice must be sent under separate cover from the check is sent to anyone other than the owner.

Conservation:	An attempt by the existing insurer or producer to dissuade a policyowner from replacement. Does not include routine administrative procedures such as late payment or reinstatement offers.
Conserving Producer:	Leave any written or printed communications used for presentation (or a copy) with policyowner. Furnish policyowner with a Summary from the conserving insurer (or a ledger statement in compliance with conserving insurer Summary requirements – copy to existing insurer).
Conserving Insurer:	Maintain for 5 years after the policy terminates or expires, (or until next examined by ILLINOIS if earlier): copies of any Summary and ledger statements used in a conservation.