

Complying with Alaska's Replacement Regulation for Life Insurance and Annuities

The following contains basic information you need to know about the Replacement Regulation and its effect on how you sell Symetra Life Insurance Company annuity and life insurance products after September 1, 2008.

Please read this information and the attached "IMPORTANT NOTICE: REPLACEMENT OF LIFE INSURANCE OR ANNUITIES" (IMPORTANT NOTICE) carefully. Unless exempted below, you must complete and sign the IMPORTANT NOTICE and submit it with each application.

The definition of "Replacement" is modified

The IMPORTANT NOTICE contains a modified definition of "Replacement." Please become familiar with this new definition. The definition clarifies that a replacement occurs if your prospect partially surrenders any existing policy or contract in connection with your sale of a new policy or contract. A replacement also occurs if your prospect finances the purchase of a new a life insurance policy or annuity through the policy values of an existing life insurance policy.

Transactions involving the following are exempt

- Credit life insurance;
- Group life insurance or group annuities where there is no direct solicitation of individuals by the insurance producer. Group life & annuity certificates marketed through direct response solicitation are subject to the provisions for this regulation.
- Group life insurance and annuities used to fund prearranged funeral contracts,
- An application to the existing insurer when a contractual change or conversion privilege is being exercised among corporate affiliates, or when the existing policy or contract is being replaced by a program filed with and approved by the commissioner,
- Proposed life insurance under a binding or conditional receipt issued by the same company;
- Policies or contract used to fund an employee pension or welfare plan covered by ERISA, a plan described in Section 401(a), 401(k) or 403(b) of the Internal Revenue Code (IRC), a government or church plan defined in section 414 of the IRC, or a nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor. However, this exemption does not apply to contracts or policies used to fund a plan that are solely funded by the employee, where the employee has a choice between two or more insurers or products, and there is direct agent solicitation;
- New coverage provided under a life insurance policy or contract where the cost is borne wholly by the insured's employer or an association of which the insured is a member;
- Existing life insurance that is non-convertible term life insurance policy that will expire in 5 years or less and cannot be renewed;
- Immediate annuities purchased from the proceeds of an existing annuity. However, immediate annuities purchased from the proceeds of a life insurance policy are **not** exempt;
- Structured settlement annuities.

Duties of producers

All applications for life insurance and annuities must include a statement signed by both the applicant and the producer as to whether the applicant has existing life insurance policies or annuity contracts. If the applicant does **not** have an existing policy or contract, the producer's duties with respect to replacement are complete.

If, however, the applicant does have an existing policy or contract the following requirements apply ***no later than*** at the time the application is taken:

1. The producer must read the IMPORTANT NOTICE aloud to the applicant, unless the applicant does not wish the notice to be read aloud and initials the notice to that effect.
2. The IMPORTANT NOTICE must be completed in full. If the applicant answered "Yes" to items 1 or 2 on the notice, each contract must be identified by:
 - name of insurer;
 - name of the insured or annuitant;
 - policy or contract number if available; and
 - whether or not the existing policy or contract will be replaced or used as a source of financing for the new policy or contract.
3. Both the applicant and the producer must sign the IMPORTANT NOTICE.
4. The producer must leave the following with the applicant:
 - a copy of the completed and signed IMPORTANT NOTICE (if printed and signed electronically, the insurer shall mail the applicant a copy within 3 days of receipt of application);
 - the original, or a copy of all, sales material; and
 - no later than at the time of contract delivery, a copy of any electronically presented sales material will be provided to the policyholder in printed form.
5. The producer must submit the following to Symetra along with the application:
 - the completed and signed "IMPORTANT NOTICE: REPLACEMENT OF LIFE INSURANCE OR ANNUITIES", LU-745;
 - a statement identifying any preprinted or electronically presented Symetra-approved sales materials used (space is provided on the LU-745 to included this); and
 - copies of any individualized sales materials, including any illustrations related to the specific contract purchased.

"30-Day Free Look" ("Right to Examine") applies

As explained on the second page of the IMPORTANT NOTICE, a "30-Day Free Look" period applies to the replacing policy according to the policy-return instructions and the amount-to-be-refunded terms set forth on the first page of that policy. Although Alaska only requires a '10-day Free Look period', Symetra will provide a '30-day Free-Look period' for replacements.

**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 interest. You will pay acquisition costs and there may be surrender costs deducted from your policy or contract. You may be able to make changes to your existing policy or contract to meet your insurance needs at less cost. A financed purchase will reduce the value of your existing policy and may reduce the amount paid upon the death of the insured.

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

1. Are you considering discontinuing making premium payments, surrendering, forfeiting, assigning to the insurer, or otherwise terminating your existing policy or contract? YES NO
2. Are you considering using funds from your existing policies or contracts to pay premiums due on the new policy or contract? YES NO

If you answered "yes" to either of the above questions, list each existing policy or contract you are contemplating replacing (include the name of the insurer, the insured or annuitant, and the contract number if available) and whether each policy 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 _____

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

Applicant's Signature and Printed Name Date

Producer's Signature and Printed Name Date

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

Symetra approved sales materials: _____
(form numbers)

Please give a copy to your client

IF THE NEW POLICY IS A REPLACEMENT, THE FOLLOWING NOTICE APPLIES:

Notice of 30-Day Right to Examine the Policy or Contract

You have the right to return the policy or contract within 30 days after you receive it. Please refer to the first page of your policy or contract for instructions on returning it, and the amount to be refunded to you if you return it within the 30 days.

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?

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Bellevue, WA 98004-5135

To accompany Life and Annuity application

Applicant's question:

Do you have any existing life insurance policies or annuity contracts with this or any other company? Yes No

Agent's question:

Does the applicant have any existing life insurance policies or annuity contracts with this or any other company? Yes No

If answered YES, the IMPORTANT NOTICE: REPLACEMENT OF LIFE INSURANCE OR ANNUITIES, LU-745, must be read aloud to the applicant, completed, signed, and submitted with the application.

X _____
Applicant's Signature

X _____
Agent's Signature

Dated: _____

3 AAC 26.790. Applicability. (a) The provisions of 3 AAC 26.790 - 3 AAC 26.819 apply to all life insurance policies and annuity contract transactions except for the following, unless a provision of 3 AAC 26.790 - 3 AAC 26.819 specifically includes the otherwise exempted transaction:

(1) credit life insurance;

(2) a group life insurance policy or group annuity contract transaction in which the direct solicitation of individuals by an insurance producer does not take place; for purposes of this paragraph, the following group meetings held by an insurance producer are not considered direct solicitations of individuals:

(A) a group meeting held solely for the purpose of educating or enrolling individuals;

(B) a group meeting that an individual member of the group requests for assistance with the selection of investment options offered by a single insurer in connection with enrolling the individual;

(3) a group life insurance policy or group annuity contract used to fund prepaid funeral contracts;

(4) an application to the insurer that issued the existing life insurance policy or annuity contract to exercise a contractual change, a conversion privilege, or a term conversion exercised among corporate affiliates;

(5) an existing life insurance policy or annuity contract that is replaced under a program of replacement of existing life insurance policies or annuity contracts that is filed with and approved by the director;

(6) a proposed life insurance policy to replace life insurance under a binding or conditional receipt issued by the same company;

(7) a life insurance policy or annuity contract that is not subject to (b) of this section and is used to fund

(A) an employee pension or welfare benefit plan that is covered under 29 U.S.C. 1001 – 1461 (Employee Retirement Income Security Act of 1974);

(B) a plan described in 26 U.S.C. 401(a) or (k) or 26 U.S.C. 403(b) (Internal Revenue Code), if the plan is established or maintained by an employer;

(C) a governmental or church plan defined in 26 U.S.C. 414 (Internal Revenue Code), including a governmental or church welfare benefit plan;

(D) a deferred compensation plan of a state or local government or tax-exempt organization under 26 U.S.C. 457 (Internal Revenue Code); or

(E) a nonqualified deferred compensation arrangement under 26 U.S.C. 409A (Internal Revenue Code) established or maintained by an employer or plan sponsor;

(8) when new coverage is provided under a life insurance policy and the cost of the policy is paid solely by the insured's employer or by an association of which the insured is a member;

(9) an existing life insurance policy that is a non-convertible term life insurance policy with a term of five years or less that cannot be renewed;

(10) an immediate annuity that is purchased with proceeds from an existing annuity contract;

(11) a structured settlement.

(b) Notwithstanding (a)(7) of this section, the provisions of 3 AAC 26.790 - 3 AAC 26.819 apply to a life insurance policy or annuity contract used to fund a plan or arrangement

(1) that is funded solely by contributions an employee elects to make on a before-tax or after-tax basis;

(2) for which the insurer has been notified that plan participants may choose from among two or more insurers; and

(3) for which an insurance producer directly solicits an individual employee for the purchase of the contract or policy; for purposes of this paragraph, the following activities are not considered direct solicitations:

(A) a group meeting held by an insurance producer solely for the purpose of educating or enrolling individuals;

(B) when initiated by an individual member of a group, an insurance producer assisting with the selection of investment options offered by a single insurer in connection with enrolling an individual.

(c) A registered contract is exempt from 3 AAC 26.805(a)(3) and 3 AAC 26.810(2) with respect to the provision of illustrations or policy summaries if premium or contract contribution amounts and identification of the appropriate prospectus or offering circular is provided. (Eff. 7/25/2008, Register 187)

Authority: AS 21.06.090 AS 21.36.030 AS 21.36.050

AS 21.36.020

AS 21.36.040

AS 21.36.150

3 AAC 26.795. Duties of an insurance producer. (a) An insurance producer who initiates a new application shall submit to the insurer, with or as part of the application, a statement as to whether the applicant has an existing life insurance policy or annuity contract. The statement must be signed by both the applicant and the insurance producer.

(b) If an applicant has an existing life insurance policy or annuity contract, before or at the time of taking an application, the insurance producer shall provide to the applicant a copy of the notice regarding replacements that

(1) conforms with Appendix A of this section;

(2) conforms with Appendix A of this section, but is amended to delete references that are not applicable to the product being sold or replaced; or

(3) is substantially similar to Appendix A of this section and has been approved by the director.

(c) The insurance producer shall read aloud to the applicant the notice provided under (b) of this section before or at the time of application, unless the applicant declines to have the notice read aloud. The applicant and the insurance producer must sign the notice certifying that either the notice was read aloud to the applicant by the insurance producer or that the applicant declined to have the notice read aloud. The insurance producer shall give the applicant a copy of the signed notice. If the notice is presented and signed electronically, the insurer shall mail the applicant a copy of the notice within three working days after the insurer receives the application.

(d) In connection with a replacement, the insurance producer shall give the applicant at the time of application for a new life insurance policy or annuity contract a copy of all sales material used in connection with the replacement. In the case of a direct-response solicitation or electronically presented sales material, the insurance producer or insurer shall provide the life insurance policy holder or annuity contract owner a printed copy of all sales material used in connection with the replacement before or at the time of delivery of the life insurance policy or annuity contract.

(e) In connection with a replacement, except as provided in (f) of this section, an insurance producer shall submit to the replacing insurer with the application for a life insurance policy or annuity contract

(1) a statement identifying any preprinted or electronically presented sales material approved by the replacing insurer and used by the insurance producer; and

(2) copies of any individualized sales material used by the insurance producer, including any illustrations related to the specific life insurance policy or annuity contract purchased.

(f) If a replacing insurer prohibits an insurance producer from using sales material other than the sales material approved by the replacing insurer, the insurance producer shall

(1) submit to the replacing insurer with the application for a life insurance policy or annuity contract

(A) a statement that the insurance producer used only the sales material approved by the replacing insurer; and

(B) copies of all sales material that were provided to the applicant as required by (d) of this section; and

(2) retain copies of the statement and sales material required in (1) of this subsection for at least five years after termination or expiration of the life insurance policy or annuity contract.

APPENDIX A

IMPORTANT NOTICE:

REPLACEMENT OF LIFE INSURANCE OR ANNUITY CONTRACT

This document must be signed by the applicant and the insurance producer 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 life insurance policy or annuity contract. If so, a replacement is occurring. Financed purchases are also considered replacements.

A replacement occurs when a new life insurance policy or annuity contract is purchased and, in connection with the sale, you discontinue making premium payments on the existing life insurance policy or annuity contract, or an existing life insurance policy or annuity 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 or annuity contract 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 life insurance policy or annuity contract 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 life insurance policy or annuity contract. You may be able to make changes to your existing life insurance policy or annuity 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 life insurance policy or annuity contract? ___ YES ___ NO
2. Are you considering using funds from your existing life insurance policy or annuity contract to pay premiums due on the new life insurance policy or annuity contract? ___ YES ___ NO

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

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 CONTRACT 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?

(Eff. 7/25/2008, Register 187)

Authority:	AS 21.06.090	AS 21.36.030	AS 21.36.050
	AS 21.36.020	AS 21.36.040	AS 21.36.150

3 AAC 26.800. Duties of an insurer that uses an insurance producer. An insurer shall

(1) maintain a system of supervision and control designed to ensure compliance with the requirements of 3 AAC 26.790 - 3 AAC 26.819 that at a minimum includes

(A) informing the insurer’s insurance producers of the requirements of 3 AAC 26.790 - 3 AAC 26.819 and incorporating the requirements of 3 AAC 26.790 - 3 AAC 26.819 into all relevant insurance producer training manuals prepared by the insurer;

(B) providing each of the insurer’s insurance producers with a written statement of the insurer’s position with respect to the acceptability of replacements and

providing guidance to its insurance producers relative to the appropriateness of replacements;

(C) implementing a system to review the appropriateness of each replacement that the insurance producer does not indicate is in accordance with the insurer's position in (B) of this paragraph;

(D) implementing procedures to confirm that the requirements of 3 AAC 26.790 - 3 AAC 26.819 are met;

(E) implementing procedures to detect transactions that are replacements but are not reported as replacements by the applicant or insurance producer; those procedures may include

(i) systematic customer surveys;

(ii) interviews;

(iii) confirmation letters; and

(iv) programs of internal monitoring;

(2) have the capacity to monitor each of its insurance producer's life insurance policy and annuity contract replacements and, upon request, provide to the director a report for each insurance producer showing the number of

(A) life insurance policy replacements and financed purchases as a percentage of the insurance producer's total annual life insurance sales;

(B) lapses of life insurance policies sold by the insurance producer as a percentage of the insurance producer's total annual sales of life insurance policies;

(C) annuity contract replacements as a percentage of the insurance producer's total annual sales of annuity contracts;

(D) unreported replacements by the existing insurer detected by the insurer's monitoring system under (1)(E) of this section; and

(E) replacements indexed by the replacing insurance producer and existing insurer;

(3) require with or as part of each application for a life insurance policy or an annuity contract a signed statement by both the applicant and the insurance producer indicating whether the applicant has an existing life insurance policy or annuity contract;

(4) require with each application for a life insurance policy or an annuity contract that indicates the applicant has an existing life insurance policy or annuity contract a completed notice regarding replacements that conforms with Appendix A of 3 AAC 26.795;

(5) for an applicant with an existing life insurance policy or annuity contract, retain for at least five years after termination or expiration of a proposed life insurance policy or annuity contract copies of

(A) any sales material required under 3 AAC 26.795;

(B) the basic illustration and any supplemental illustrations related to the specific policy or contract that is purchased; and

(C) the insurance producer's and applicant's signed statements with respect to financing and replacement;

(6) assure that the sales material and illustrations required under 3 AAC 26.795 meet the requirements of 3 AAC 26.790 - 3 AAC 26.819 and are complete and accurate for the proposed life insurance policy or annuity contract;

(7) if an application does not meet the requirements of 3 AAC 26.790 - 3 AAC 26.819,

(A) notify the insurance producer and the applicant that the application does not meet the requirements; and

(B) modify the application to meet the requirements; and

(8) maintain records in a manner that accurately reproduces the actual document.

(Eff. 7/25/2008, Register 187)

Authority:	AS 21.06.090	AS 21.36.030	AS 21.36.050
	AS 21.36.020	AS 21.36.040	AS 21.36.150

3 AAC 26.805. Duties of a replacing insurer that uses an insurance producer. (a) In connection with a replacement, a replacing insurer shall

(1) verify that

(A) the replacing insurer has received the forms required under 3 AAC 26.795(e) and (f); and

(B) the forms received are in compliance with 3 AAC 26.795(e) and (f);

(2) notify any other existing insurer that may be affected by the proposed replacement of that proposed replacement within five working days

(A) after receipt of a completed application that includes a statement as required under 3 AAC 26.795(a) that an applicant has an existing life insurance policy or annuity contract; or

(B) after receipt of other information indicating that an applicant has an existing life insurance policy or annuity contract;

(3) mail a copy of the available illustration or policy summary for the proposed life insurance policy or the available disclosure document for the proposed annuity contract to an existing insurer within five working days after receipt of a request from an existing insurer;

(4) retain copies of the notifications regarding replacement required under 3 AAC 26.795(b) indexed by insurance producer for at least five years and, upon request, provide copies of the notifications to the director;

(5) include in the life insurance policy or annuity contract the right to return the life insurance policy or annuity contract within 30 days after the delivery of the life insurance policy or annuity contract, and

(A) for a life insurance policy or annuity contract other than a variable or market value-adjusted life insurance policy or annuity contract, the right to receive an unconditional full refund of all premiums or considerations paid, including any fees or charges imposed under the life insurance policy or annuity contract;

(B) for a variable or market value-adjusted life insurance policy or annuity contract, the right to receive payment of the cash surrender value provided under the life insurance policy or annuity contract plus the fees or other charges deducted from

the gross premiums or considerations or otherwise imposed under the life insurance policy or annuity contract; and

(6) provide the life insurance policy or annuity contract owner notice of the owner's rights under (5) of this subsection.

(b) In a transaction in which the replacing insurer is the same as the existing insurer or the insurers are subsidiaries or affiliates under common ownership or control, the replacing insurer shall, subject to (c) of this section, reduce the incontestability and suicide periods in the new life insurance policy or annuity contract by the amount of time that has elapsed under the replaced life insurance policy's or annuity contract's incontestability and suicide periods up to the amount of the replaced life insurance policy or annuity contract.

(c) For a financed purchase of a life insurance policy or annuity contract, the reduction in the incontestability and suicide periods under (b) of this section may be limited to the amount by which the amount of the replaced life insurance policy or annuity contract is reduced by the use of policy values to finance the new life insurance policy or annuity contract.

(d) If a replacing insurer prohibits an insurance producer from using sales material other than the sales material approved by the replacing insurer, the replacing insurer shall within 10 days after issuance of the new life insurance policy or annuity contract

(1) notify the applicant that the insurance producer has represented to the replacing insurer that copies of all sales material have been left with the applicant;

(2) provide the applicant a toll-free telephone number to contact the compliance personnel of the replacing insurer if the applicant did not receive a copy of all sales material; and

(3) notify the applicant of the importance of retaining copies of the sales material.

(e) A replacing insurer shall maintain copies of the notification required in (d) of this section for at least five years after termination or expiration of the life insurance policy or annuity contract. (Eff. 7/25/2008, Register 187)

Authority: AS 21.06.090 AS 21.36.030 AS 21.36.050
 AS 21.36.020 AS 21.36.040 AS 21.36.150

3 AAC 26.810. Duties of an existing insurer. In connection with a replacement, an existing insurer shall

- (1) retain the notifications required from replacing insurers under 3 AAC 26.805(a)(2) indexed by replacing insurer for at least five years and, upon request, provide copies of the notifications to the director;
- (2) provide notification to the life insurance policy or annuity contract owner of the right to receive information regarding the existing life insurance policy or annuity contract values, including, if available, an in force illustration or policy summary;
- (3) provide the life insurance policy or annuity contract owner the information requested under (2) of this section within five working days after receipt of the request;
- (4) upon receipt of a request by the life insurance policy owner to borrow, surrender, or withdraw any life insurance policy values, send the life insurance policy owner a notice advising the life insurance policy owner that borrowing, surrendering, or withdrawing insurance policy values may affect the guaranteed elements, non-guaranteed elements, face amount, or surrender value of the life insurance policy;
- (5) send the notice required under (4) of this section

(A) separate from the payment of the life insurance policy values, if the payment is sent to a person other than the life insurance policy owner; and

(B) only at the time of the first loan in the case of consecutive automatic premium loans. (Eff. _____/_____/_____, Register _____)

Authority: AS 21.06.090 AS 21.36.030 AS 21.36.050
 AS 21.36.020 AS 21.36.040 AS 21.36.150

3 AAC 26.815. Duties of an insurer with respect to a direct-response solicitation. (a)

An insurer shall require, with or attached to an application resulting from a direct-response solicitation, a statement from the applicant regarding whether the applicant intends to replace, discontinue, or change an existing life insurance policy or annuity contract.

(b) If the statement by the applicant under (a) of this section is that the applicant does not intend to replace, discontinue, or change an existing life insurance policy or annuity contract, or if the applicant fails to provide a statement, the insurer shall send the applicant a notice regarding replacement that

(1) conforms with Appendix A of this section; or

(2) is substantially similar to Appendix A of this section and has been approved by the director.

(c) If an insurer proposes a replacement or the statement from an applicant under (a) of this section indicates that the applicant intends to replace, discontinue, or change an existing life insurance policy or annuity contract, the insurer shall provide the applicant or prospective applicant a notice that

(1) conforms with Appendix B of this section;

(2) conforms with Appendix B of this section with references to an insurance producer and other references deleted, if those references are not applicable to the life insurance policy or annuity contract; or

(3) is substantially similar to Appendix B of this section and has been approved by the director.

(d) An insurer shall make a diligent effort to obtain the applicant's signature on the notice provided to the applicant under (c) of this section. The mailing of the notice along with a self-addressed postage paid envelope with instructions for the return of the signed notice will be considered a diligent effort.

(e) An insurer that solicits a life insurance policy or annuity contract subject to 3 AAC 26.790 - 3 AAC 26.819 through a direct-response solicitation must also comply with 3 AAC 26.805(a)(2) - (5) and 3 AAC 26.805(b).

APPENDIX A

NOTICE REGARDING REPLACEMENT REPLACING YOUR LIFE INSURANCE POLICY OR ANNUITY CONTRACT

Are you thinking about buying a new life insurance policy or annuity contract and discontinuing or changing an existing one? If you are, your decision could be a good one, or a mistake. You will not know for sure unless you make a careful comparison of your existing benefits and the proposed life insurance policy's or annuity contract's benefits.

Make sure you understand the facts. You should ask the company or insurance producer that sold you your existing policy or contract to give you information about it.

Hear both sides before you decide. This way you can be sure you are making a decision that is in your best interest.

APPENDIX B

IMPORTANT NOTICE: REPLACEMENT OF LIFE INSURANCE OR ANNUITY CONTRACT

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 life insurance policy or annuity contract. If so, a replacement is occurring. Financed purchases are also considered replacements.

A replacement occurs when a new life insurance policy or annuity contract is purchased and, in connection with the sale, you discontinue making premium payments on the existing life insurance policy or annuity contract, or an existing life insurance policy or annuity 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 life insurance policy or annuity contract. You may be able to make changes to your existing life insurance policy or annuity 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 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 life insurance policy or annuity contract? YES
 NO
2. Are you considering using funds from your existing life insurance policy or annuity contract to pay premiums due on the new life insurance policy or annuity contract? YES NO

Please list each existing life insurance policy or annuity contract you are contemplating replacing (including the name of the insurer, the insured, and the policy or contract number if available) and whether each life insurance policy or annuity 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 insurance producer for information about the old life insurance policy or annuity 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 insurance producer in the sales presentation. Be sure that you are making an informed decision.

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

Applicant's Signature and Printed Name

Date

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 life insurance policy or annuity contract and the proposed life insurance policy or annuity contract. One way to do this is to ask the company or insurance producer that sold you your existing life insurance policy or annuity contract to provide you with information concerning your existing life insurance policy or annuity contract. This may include an illustration of how your existing life insurance policy or annuity 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 insurance producer 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 CONTRACT 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?

(Eff. 7/25/2008, Register 187)

Authority: AS 21.06.090 AS 21.36.030 AS 21.36.050
AS 21.36.020 AS 21.36.040 AS 21.36.150

3 AAC 26.819. Definitions. In 3 AAC 26.790 - 3 AAC 26.819, unless the context requires otherwise,

- (1) “credit life insurance” has the meaning given in AS 21.57.160;
- (2) “direct-response solicitation” means a solicitation solely through mail, telephone, the Internet, or other mass communication media;
- (3) “existing insurer” means the insurer whose life insurance policy or annuity contract is or will be changed or affected by a replacement;
- (4) “existing life insurance policy or annuity contract” means an individual life insurance policy or annuity contract in force; “existing life insurance policy or annuity contract” includes
 - (A) a life insurance policy under a binding or conditional receipt; and
 - (B) a life insurance policy or annuity contract that is within an unconditional refund period;
- (5) “financed purchase” means the purchase of a new life insurance policy involving the actual or intended use of money obtained by the withdrawal or surrender of or by borrowing from values of an existing life insurance policy to pay all or part of any premium due on the new life insurance policy; “financed purchase” includes using withdrawn, surrendered, or borrowed life insurance policy values of an existing life insurance policy within four months

before or 13 months after the effective date of a new life insurance policy to pay premiums on the new life insurance policy, if the new life insurance policy is owned by the same policyholder and issued by the same insurer;

(6) “guaranteed elements” means the premiums, credited interest rates, bonuses, benefits, values, non-interest based credits, charges, or elements of formulas used to determine any of these, that are guaranteed and determined at issue; “guaranteed elements” includes a value or amount calculated from only guaranteed elements;

(7) “illustration” means a presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years as prescribed in 3 AAC 28.800 – 3 AAC 28.849;

(8) “insurance producer” has the meaning given in AS 21.27.900;

(9) “non-guaranteed elements” means the premiums, credited interest rates, bonuses, benefits, values, non-interest based credits, charges, or elements of formulas used to determine any of these, that are subject to discretion by the insurer and are not guaranteed at issue; “non-guaranteed elements” includes a value or amount calculated from at least one non-guaranteed element;

(10) “policy summary” means

(A) for other than universal life policies, a written statement regarding a life insurance policy or annuity contract that contains, to the extent applicable, the

(i) current death benefit;

(ii) annual contract premium;

(iii) current cash surrender value;

(iv) current dividend;

(v) application of the current dividend; and

(vi) amount of any outstanding loan;

(B) for universal life policies, a written statement that contains at least the

(i) beginning and ending date of the current reporting period;

(ii) policy value at the end of the previous reporting period and at the end of the current reporting period;

(iii) total amounts by type of credit or debit that have been credited or debited to the policy value during the current reporting period;

(iv) current death benefit at the end of the current reporting period on each life covered by the policy;

(v) net cash surrender value of the policy at the end of the current reporting period; and

(vi) amount of outstanding loans, if any, at the end of the current reporting period;

(11) “registered contract” means a variable annuity contract or a variable life insurance policy that is subject to the registration and prospectus delivery requirements under 15 U.S.C. 77e (sec. 5 of the Securities Act of 1933);

(12) “replacement” means a transaction involving the purchase of a new life insurance policy or annuity contract in which, by reason of the transaction, the insurance producer or the replacing insurer, if no insurance producer is involved, knows or should have known that an existing life insurance policy or annuity contract was or will be

(A) lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer, or otherwise terminated;

(B) converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;

(C) amended in a manner that results in a reduction in benefits or in the term of the coverage or benefits;

(D) reissued with any reduction in cash value; or

(E) used in a financed purchase;

(13) “replacing insurer” means the insurer that issues or proposes to issue a new life insurance policy or annuity contract that replaces an existing life insurance policy or annuity contract or is a financed purchase;

(14) “sales material” means the illustration and any other written, printed, or electronically presented information created, completed, or provided by the insurer or insurance producer and is used in the presentation to the life insurance policy or annuity contract owner related to a life insurance contract or annuity contract purchase;

(15) “universal life insurance policy” means a life insurance policy in which separately identified interest credits and charges, including mortality and expense charges, are applied to the life insurance policy;

(16) “working day” means a calendar day other than Saturday, Sunday, an official federal holiday, or an official holiday in this state. (Eff. 7/25/2008, Register 187))

Authority: AS 21.06.090 AS 21.36.030 AS 21.36.050

Register 187, October 2008 COMMERCE, COMMUNITY, AND EC. DEV.

AS 21.36.020

AS 21.36.040

AS 21.36.150