Security Benefit®
LIFE INSURANCE COMPANY

Replacement Policy

Over the past few years, many states have adopted laws and regulations requiring insurers to fully inform representatives/agents of the insurer's replacement policy. Some states have adopted a version of the NAIC's Life Insurance and Annuities Replacement Model Regulation, while others have adopted similar laws. Several of these enactments require Security Benefit Life Insurance Company (SBL) to provide you with a written statement regarding our position on the acceptability of replacements. SBL is also required to provide guidance as to the appropriateness of replacement transactions.

The term "replacement" has a unique meaning in the insurance industry and is described more fully below. SBL wants you to understand how a replacement can impact you, your clients and SBL.

A "replacement" occurs when a new life insurance policy or annuity contract is purchased and, in connection with the sale, an existing policy or contract is:

- Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
- 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;
- 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;
- Reissued with any reduction in cash value; or
- Used in a financed purchase. A financed purchase is the purchase of a new policy or contract involving the actual or intended use of funds obtained by the withdrawal (including penalty-free withdrawal) or surrender of, or by borrowing from values of an existing policy or contract to pay all or part of any premium due on the new policy or contract.

You should keep in mind that the receipt of funds from a previously existing annuity contract and the purchase of a new annuity contract need not occur simultaneously for a transaction to constitute a replacement. For example, withdrawing funds from a previously existing annuity contract, depositing those funds into a bank account, and then subsequently purchasing another annuity contract with a check written from that bank account is still a replacement. Some state laws specify that a replacement has occurred if funds taken from an existing annuity contract or life insurance policy are used to purchase a new annuity contract up to a year later.

It is incumbent upon you to ascertain the ultimate source of the funds that will be used to purchase a Security Benefit annuity. In other words, you should confirm with your client whether the funds being used were at any time taken from a previously existing annuity.

There are circumstances in which replacing an existing life insurance policy or annuity contract can benefit a contract owner. As a general rule, however, replacement is not in a contract owner's best interest. SBL does not encourage replacements, but we understand that your client's circumstances may change and that another product may better meet their current needs. Accordingly, you and your client should conduct a careful comparison of the costs and benefits of the existing policy or contract and the proposed policy or contract in order to determine whether a replacement is in your client's best interest.

A replacement may be appropriate if:

1. A careful comparison of the costs and benefits of the existing policy or contract and the proposed policy or contract determines the replacement adds clear value to the client in exchange for any new or increased costs/fees or contingent deferred sales charge (CDSC) exposure.
2. The replacement product's design or options (death benefit, subaccounts, fee structure, etc.) will better meet the customer's current or future investment and insurance objectives.
3. The replacement product has lower costs/fees than the existing product while still meeting the customer's investment and insurance objectives.

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A replacement may not be appropriate for your customer if:

1. The replacement product offers no clear added benefit in exchange for any new or increased costs/fees or CDSC exposure.

2. The replacement causes a loss or reduction in value or benefits that is not offset by other increased value or benefits.

If you have questions about this Replacement Policy, please contact the Service Center at 800.888.2461.

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The information provided herein is not intended to be and should not be construed as legal advice.