

Product & Service Notice



Date: July 26, 2021
To: Ameritas Field Associates
RE: IRC Section 7702 Revision
Transition Guidelines

Memo Number: PS4304 REV
Product Area: Life Insurance

Summary: The Consolidated Appropriations Act, which was passed in late December and went into effect on Jan. 1, 2021, allows a new minimum interest rate assumption for the life insurance cash value accumulation test (CVAT) and guideline premium test (GPT). These rates have long been set at 4% and 6%. These new rates allow more premiums to be placed in permanent life insurance without violating these tests or creating a modified endowment contract (MEC). Ameritas began transition for these new rates on all variable universal, index universal and universal life insurance products on June 14, 2021. Note, the new survivor index universal life insurance product, launched in May with the new rates, so there are no necessary changes. For 7702 purposes, the applicable rates in our whole life products will continue to be based on the contract rate. Watch for changes to our whole life products later this year. Please review the guidelines for more information.

Policies issued in 2021 and prior to June 14, 2021

All variable universal, index universal and universal life insurance products issued Jan. 1, 2021 through June 13, 2021 were initially administered using the prior 7702 contribution limits. **Effective July 26, 2021, all impacted policies have been updated to reflect the new contribution limits. Policyholders who chose the Cash Value Accumulation Test (CVAT) will receive a letter with a revised policy schedule page reflecting the updated corridor factors. There is no action required by the financial professional or the client. The FLX IUL policies new contributions limits are not complete, we will provide more communication once the transition and mailing are done.**

The new 7702 rates are available in the illustration software and administrative systems. If you have delivered a policy with an issue date in 2021 and would like to make a modification such as:

- Reduce the face amount,
- Change the death benefit option or
- Change your choice of life insurance qualification test.

The request will be handled as a re-issue and will require the following:

- Ask your new business representative to process a re-issue, noting it is related to the 7702 rate changes. Provide a new signed illustration reflecting the new product specifications.
- Additional requirements at underwriter's discretion.
- A signed amendment and signed illustration (if not initially received) will be completed on delivery.
- A new policy will be provided to replace the original policy on delivery.
- Cases that have been facultatively reinsured or are subject to increased risk will be handled case by case by the underwriter.

Note: Reissue requests must be received within six months (subject to state regulations) of policy issue.

Policies issued after June 14, 2021

All policies issued on or after June 14 are issued and administered using the updated 7702 contribution limits regardless of when the application was submitted. New applications or sales illustrations are not required to receive the updated contribution limits; however, the illustration software will be available with the new contribution limits.

Policies issued before Jan. 1, 2021

For any policies issued prior to Jan. 1, 2021, our standard replacement guidelines will apply. You should discuss with your client whether replacement is in your client's best interest after doing a careful comparison of the costs and benefits to analyze how a replacement may affect your client's policy.

Pease refer to the [Frequently Asked Questions](#) for more questions and a [Client Flyer](#) can be found on the Producer Workbench page. [Find out more >>>](#)

Life insurance products are issued by Ameritas Life Insurance Corp. in approved states and by Ameritas Life Insurance Corp. of New York in New York. Variable universal life insurance products are issued by Ameritas Life Insurance Corp. and underwritten by affiliate Ameritas Investment Company, LLC.

Variable products are subject to investment risk, including possible loss of principal. ***Before investing, carefully consider the investment objectives, risks, charges, expenses and other important information about the policy and underlying investment options. This information can be found in the policy and investment options prospectuses. You can obtain copies from our website ameritas.com by calling 800-745-1112. Read the prospectuses carefully before investing.***

Products and riders may not be available in all states. Optional provisions and riders may have limitations, restrictions and additional charges. Policy guarantees are based upon the claims-paying ability of the issuing company.

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