

DECEMBER PRODUCT UPDATES – FAQs

To help you navigate the various changes that roll out in December, we've collected a series of FAQs by topic. These include:

- *Transamerica Financial Foundation IUL*® (FFIUL) (updates effective Dec. 4, 2021)
 - National and New York specific details
 - Transition dates
 - LTC Rider endorsement details
- *Transamerica Lifetime*™ Whole Life (updates effective Dec. 11, 2021)
 - Conversion limit and pricing updates
 - Transition dates
- Consolidated Appropriations Act, 7702 and 7702A Regulatory Updates
 - FFIUL (updates effective Dec. 4, 2021)
 - Final Expense and *Transamerica Lifetime*™ (updates effective Dec. 11, 2021)

TRANSAMERICA FINANCIAL FOUNDATION IUL®

Q. What is changing on the FFIUL product on December 4, 2021?

A. Changes include updates to the Per Unit Charges (PUCs), Minimum No-Lapse Premiums (MNLPs), the Long Term Care (LTC) Rider, and 7702 and 7702A rate assumptions.

- PUCs and MNLPs will be reduced to support repricing strategies and to improve our competitiveness within the market
- National PUCs will be reduced by 2%, 5%, and 10% in Bands 2, 3, and 4, respectively
- National MNLPs will be reduced by 30% in most cells

Q. What were the PUCs and MNLPs previously, and what are they now?

A. PUC and MNLP amounts are driven by issue age, sex, band, and smoker status.

- PUC changes were decreased across the board, with the amount varying by band
- MNLPs are calculated to ensure the policyholder has a positive cash surrender value at the end of their no-lapse period, with a floor that is a fixed percentage of the target premiums
 - That floor is being lowered from 71% to 50%
 - Some cells will see minimal to no change
 - Most cells are at the floor and will see a 30% decrease
 - MNLPs were reduced or kept the same; none were increased

Q. Is selling a level death benefit in Band 1 still restricted?

A. Correct. That has not changed.

FFIUL - NEW YORK ONLY

Q. What is changing on the FFIUL for New York on December 4, 2021?

A. Per Unit Charges (PUCs) will be lowered to improve our competitiveness within the market.

- New York FFIUL PUCs will be reduced by 35% on all bands
- There will be no changes to the Minimum No-Lapse Premium (MNLPs)

Q. What were the PUCs previously and what are they now?

A. PUCs vary by issue age, sex, band, and smoker status. Updated PUCs will be 35% lower, and there will be no change to the duration of the PUCs.

BOTH FFIUL NATIONAL AND FFIUL NEW YORK

Q. Will target premiums change?

A. No, target premiums will remain the same. Only the minimum no-lapse premiums are changing for National.

Q. Can I reissue a policy for the new rates?

A. No. The new rates are available for applications issued on or after December 4, 2021. Applications issued or printed before December 4, 2021 will have old rates.

Q. If I want to request an internal 1035 Exchange to a new policy, what is required to waive surrender charges?

A. For FFIUL only, the policyholder must increase the face amount on the new policy by 25% or more above the in force policy to waive surrender charges. Keep in mind when they apply and move an in force policy to a new policy it is the cash value that is moved.

The policyholder must also increase the MNLP on the new policy by 25%, or more, above the in force policy's MNLP. Rider charges cannot be used as part of the 25% increase in MNLP.

The following documents are required for an internal 1035 Exchange:

- New application
- 1035 Exchange form
- Applicable replacement forms
- Illustrations showing the anticipated 1035 Exchange funds before issuing a policy

Transamerica will provide an illustration with the final 1035 Exchange funds amount, and the form will need to be signed by the client.

Q. Will there be any changes to the current processes or forms?

A. No, there are no changes to the current processes. The application submission process, new business, underwriting, and forms requirements remain the same.

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FFIUL TRANSITION DETAILS

FFIUL - National

Cutover for New Applications

- Applications submitted on or after Dec. 4, 2021, will reflect the new PUC and MNLP pricing.

Inflight Applications Submitted Before December 4, 2021

- Applications issued on or after Dec. 4, 2021, will receive the new PUC and MNLP pricing and may require a new illustration.

FFIUL - New York

Cutover for New Applications

- Applications submitted on or after Dec. 4, 2021, will reflect the new PUC pricing.

Inflight Applications Submitted Before December 4, 2021

- Applications issued on or after Dec. 4, 2021, will receive the new PUC pricing and may require a new illustration.

LTC RIDER UPDATES

California, New York, Florida, Arizona, and Montana have not approved the endorsement

On December 4, 2021, these new features will automatically be part of any new FFIUL policy issued with the LTC Rider. In addition, the endorsement will be automatically added to any existing FFIUL 2017 CSO (IUL09) policies with the LTC Rider.

With the new LTC Rider endorsement:

- Informal care will be a recognized form of care to meet the elimination period and qualify for claims payments. Informal care allows people close to the insured, who are not skilled professionals, to provide qualifying care without the supervision of a home care agency. Please refer to your training materials for the endorsement details. We'll be sending an email with training webinars and materials.
- International LTC claims will be paid when insureds residing outside of the United States, District of Columbia, or Canada incur expenses in a qualified International LTC facility.
- There are no additional costs and no additional underwriting requirements for the rider or endorsement.
- There are no changes to the foreign national eligibility for the LTC rider.

Q. Are existing policyholders with the LTC Rider eligible for the updates?

A. Yes, in the states that have approved the LTC endorsement. We'll send a letter to existing policyholders and agents with a copy of the state-approved endorsement and an updated LTC Outline of Coverage form.

Q. Do we know when New York and the other remaining states will approve the LTC endorsement?

A. At this time we do not know when we will receive the approvals or the implementation timeline after we receive the approvals, but we will keep you updated.

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TRANSAMERICA LIFETIMESM WHOLE LIFE

**Not available in NY*

Q. What is changing on the *Transamerica LifetimeSM* product on December 11, 2021?

A. In response to the Consolidated Appropriations Act of 2021, which included changes to Section 7702 and 7702A of the Internal Revenue Code (IRC), we're updating the rate assumptions used to calculate regulatory premium limits for *Transamerica LifetimeSM*. These changes will be transparent to customers.

Know that these changes do not affect the guaranteed level premiums, cash surrender value, or the guaranteed death benefit on *Transamerica LifetimeSM*.

In response to other regulatory changes, *Transamerica LifetimeSM* will have higher guaranteed cash values. While the Pay to Age 100 Payment Period will have the same cost-effective rates, the 10, 20, 30-Pay scenarios will experience a rate increase. Additionally, system enhancements will allow a conversion to *Transamerica LifetimeSM* up to \$9,999,999; previously, the limit was \$2 million. This update means your clients can convert higher face amounts without needing to convert them into multiple policies.

Q. What were the cash values previously and what are they now?

A. The cash values will increase between 1-10%. The actual increase is dependent upon age, risk class, face amount, and policy duration.

Q. With the higher cash value, can the customer borrow more money against the policy?

A. New policies as of December 11, 2021, will have a higher cash value than policies issued before the regulatory update. Know that the cash values vary by policy, depending on issue age, premium paying period (10,20,30 or Pay to Age 100). You can run a quote to show the applicant or policyholder their borrowing cash values.

Q. Is the cash value increase positive for all customers?

A. Yes, it's a positive change for all new policies as of December 11, 2021.

Q. Why are the premiums going up on the 10, 20, and 30 Pay Options?

A. Premium increases were applied to offset the impact of the regulatory change.

Q. Are there any conversion premium impacts?

A. The level pay, or conversion premiums, remain the same.

Q. Will there be any changes to the current processes or forms?

A. No, there will be no changes to any of the current processes. The application submission process, new business, underwriting, and forms requirements will remain the same.

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TRANSAMERICA LIFETIMESM TRANSITION DETAILS

Cutover for New Applications

- Applications submitted on or after Dec. 11, 2021, will reflect the new repriced product.
- Paper applications signed and received after 4 p.m. ET, Dec. 10, 2021, will receive the new repriced product rates.
- iGO e-App[®] applications submitted and signed after 11:59 p.m. ET, Dec. 10, 2021, will receive the new repriced product rates.

Inflight Applications Submitted Before Dec. 11, 2021

- Paper applications signed and received in good order on or before 4 p.m. ET, Dec. 10, 2021, will receive the old rates.
- iGO e-App[®] applications (including inflight iGO e-App[®] applications) must be submitted and signed before 11:59 p.m. ET, Dec. 10, 2021, to receive the old rates.
- **NOTE:** Inflight applications submitted before Dec. 11, 2021, but not issued or placed in force, will need to be placed in force before Jan. 1, 2022, to receive the old rates and not require an amendment.

CONSOLIDATED APPROPRIATIONS ACT - SECTION 7702 /7702A **FFIUL, FINAL EXPENSE & TRANSAMERICA LIFETIMESM**

Summary: Federal law enacted in late 2020 has changed the definition of a life insurance policy that is deemed a Modified Endowment Contract (MEC) under Section 7702 and 7702A of the Internal Revenue Code. Among other things, the tax law change lowered the accumulation rate used in all 7702 and 7702A calculations for policies sold on or after January 1, 2021.

Q. What is a MEC?

A. A Modified Endowment Contract (MEC) is a tax qualification for a life insurance policy whose funding exceeds federal tax law limits. The taxation structure and IRS policy classification change after a life insurance policy morphs into a MEC. If your client pays too much premium in too short of a time, their policy can fail the IRS 7-pay test and be deemed a MEC. As a MEC, certain tax benefits are lost as they relate to withdrawals from the policy.

Q. What does this mean for FFIUL policyholders?

A. The new law means policies sold after January 1, 2021, will have higher GLP, GSP, 7-Pay, and NSP values. In addition, these updates increased the amount of money that can be applied to or premiums paid into the life insurance policy without losing tax benefits given to life insurance policies over investment vehicles.

Policies issued on or after January 1, 2021, will be updated with the new rate assumptions, including FFIUL policies with MEC designations. As a result of the higher values, some FFIUL policies that our administrative systems treated as an MEC in 2021 may no longer be an MEC under new legislation. We will notify policyholders who are changing from a MEC designation to a non-MEC designation.

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Q. How will FFIUL policyholders be notified of their MEC designation and the 7702 changes to their policy?

A. All FFIUL policyholders will receive a letter from us in early 2022 that will explain the change. If your existing clients have a policy treated by our administrative system as a MEC on or after January 1, 2021, but the policy is no longer a MEC under the new legislation, we'll send you and those clients a letter and inform you both of the actual non-MEC status.

Q. What does this mean for Final Expense and Transamerica LifetimeSM customers?

A. These changes do not affect the guaranteed level premiums, cash surrender value, or guaranteed death benefit and will be transparent to the customer. The changes will be effective for Final Expense and Transamerica LifetimeSM policies issued on or after December 11, 2021.