

Product & Service Notice



Date: May 24, 2021
To: Ameritas Field Associates
RE: IRC Section 7702 Revision
Transition Guidelines

Memo Number: PS4304
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 will begin 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.

Transition Guidelines

Policies issued on or after June 14 will be 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.

Any policy issued Jan. 1, 2021 through June 13, 2021 will be initially administered using the prior 7702 contribution limits. At a future date, after the updated contribution limits launch on June 14, 2021, these policies will be updated to utilize the new limits. There is no action required by the agent or client to receive this update. The field will be notified once these policies are updated. Any policyholder who chose the Cash Value Accumulation Test (CVAT) will receive revised policy schedule pages reflecting the updated corridor factors.

Policies Issued On Or After Jan. 1, 2021

Effective June 14, 2021 the new 7702 rates will be 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:

- Complete a new application.
- Submit an illustration reflecting the new product specifications.
- Original policy must be returned along with a cover memo requesting the re-issue.
- Additional requirements at underwriter's discretion.

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

Cases that have been facultatively reinsured will be handled case by case by the underwriter.

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.

Please 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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