



EQUITABLE

BULLETIN

Life Business

- New
- Update

Category

- Products
- Underwriting
- New Business
- Marketing
- Compliance/Legal
- Miscellaneous

Channel: Independent

Bulletin number: AD21-0825 (August 25, 2021)

Subject: VUL Optimizer® and other life product changes due to updates to IRC Section 7702 interest rates

Main message:

Due to recent tax law changes, interest rates under Section 7702 of the Internal Revenue Code of 1986, as amended, were reduced and funding limits increased on policies with register dates of January 1, 2021 and later:

- Policies using the Guideline Premium Test (GPT) to meet the Definition of Life Insurance will generally be able to accept more premiums.
- Policyholders will generally be able to pay more premiums into their policies without the policies becoming Modified Endowment Contracts (MECs), which have less favorable tax treatment.
- New Business illustrations will reflect these changes for VUL Optimizer® starting on September 7, 2021. No other product charges, credits or target premiums are changing.
- Other products available for sale and inforce policies with a register date of January 1, 2021 or later will be updated to reflect the new Section 7702 interest rates and funding limits in the administrative and illustration systems starting on November 22, 2021.
- NOTE: One additional result of the recent tax law changes is our need to add further restrictions on exercising the Substitution of Insured (SOI) rider, which has been included on VUL Optimizer® and VUL Legacy policies. See below for details.

What/When:

On September 7, 2021

- The higher premium limits will apply to VUL Optimizer® Series 160 policies with application signed dates of September 7, 2021 or later.
- Illustrations will be updated to reflect the 7702 changes for new business illustrations for VUL Optimizer®. A new “Balanced” Solve will be available (see Balanced Solve section). Inforce illustrations for VUL Optimizer® will be updated November 22, 2021.
- The Substitution of Insured (SOI) rider will not be available on VUL Optimizer®, Series 160 and VUL Legacy, Series 160 policies with app signed dates of September 7, 2021 or later.
- Owners of VUL Optimizer®, Series 160 and VUL Legacy, Series 160 policies with register dates before January 1, 2021 are no longer allowed to utilize the SOI benefit.

On November 22, 2021

- All other VUL and IUL products available for sale and inforce VUL and IUL policies with a register date of January 1, 2021 or later will be updated in the administration and illustration systems to reflect the new Section 7702 interest rates and premium funding limits. An additional field bulletin covering the November changes in greater detail will be published in November.

The remainder of this field bulletin will focus on the changes that will take place in September.

IMPACT ON FUNDING LIMITS – VUL Optimizer® Series 160

- VUL Optimizer® Series 160 policies with applications dated September 7, 2021 or later will have higher 7-Pay premium limits, meaning they will be able to accept more premium for a given Face Amount without being classified as Modified Endowment Contracts (MECs). The higher 7-Pay premium limits will appear in illustrations and be applied in administration.
- VUL Optimizer® Series 160 policies with applications dated September 7, 2021 or later will have higher guideline premium limits, meaning they will be able to accept more premium for a given Face Amount and still meet the Definition of Life Insurance. The higher guideline premium limits will be reflected in illustrations and applied in administration.
- If you illustrate a VUL Optimizer® policy funded at the 7-Pay or guideline limit before September 7, 2021 and an application has not yet been submitted, you may want to rerun the proposal after September 6 and inform your client of the opportunity to pay more premium.
- Inforce illustrations reflecting the Section 7702 interest changes will be available on November 22, 2021 for VUL Optimizer® Series 160 policies issued with a register date on or after January 1, 2021 and an application date prior to September 7, 2021.
- Owners of policies with register dates on or after January 1, 2021 and an application date prior to September 7, 2021 will have the option to pay higher premiums prospectively on or after November 22 as a result of the Section 7702 changes and their effect on guideline premium and 7-pay premium limits.
- NOTE: Consistent with policy provisions, Face Amount decreases will not be allowed in the first two policy years to reduce the net amount at risk and mortality charges.

NEW- BALANCED SOLVE ILLUSTRATION ENHANCEMENT FOR VUL Optimizer®

- Balanced Solve will calculate the lowest Face Amount (the minimum non-mec) under the definition of 7702/7702a interest rates prior to January 1, 2021, rounded down to the nearest \$25,000 of Face Amount.
- The Balanced Solve is only available if GPT and Death Option B or Death Benefit B to A Optimal are utilized.
- You can now choose the minimum non-mec solve, the balanced solve, or input a specific Face Amount based on your clients' needs and amount of premium.

ADDITIONAL RESTRICTIONS ON THE SUBSTITUTION OF INSURED (SOI) RIDER – VUL Optimizer® and VUL Legacy

- We are discontinuing issue of the Substitution of Insured (SOI) rider starting with applications dated September 7, 2021.
- Exercise of the SOI rider is no longer allowed on VUL Optimizer® Series 160 and VUL Legacy Series 160 policies with register dates before January 1, 2021.
- These measures are necessary to ensure compliance with the tax law.
- A prospectus supplement announcing and explaining these restrictions was mailed to policyholders in mid-August. A copy of the supplement has been included at the end of this bulletin.
- Policies sold with the SOI rider in 2021 will be allowed to exercise the rider through 2022, and possibly beyond, if the Section 7702 interest rates are not changed again per the IRC provision.

EFFECT ON POLICY CHANGES

- Aside from the restrictions on the exercise of the SOI rider, rules regarding all other types of policy changes will remain the same based upon our current understanding of the tax law and available guidance.

TRANSITION MEASURES – VUL Optimizer®

- **New business submission**
 - No action is needed for cases submitted with applications dated on September 7, 2021 or later and illustrations run on or after that date, as the new Section 7702 interest rates and funding limits will have been reflected already.
- **Inforce policies**
 - Policies with a register date prior to January 1, 2021 are not affected.
 - Policies with a register date on or after January 1, 2021 and an application date prior to September 7, 2021 will be updated in the administration system on November 22, 2021.
 - Inforce illustrations run on or after November 22, 2021 will reflect the new Section 7702 interest rate and funding limits.
 - Financial professionals should take the initiative to communicate with their clients if they deem it appropriate. The company will only contact policy owners directly in the event of a change in MEC status from MEC to non-MEC.
 - Policies cannot be reissued solely due to the Section 7702 interest rate and funding limit changes.
 - Face Amount reductions cannot be requested until the third policy year.

Where: These changes will apply in all jurisdictions.

For more info:

Equitable Life Sales Desk: 1-800-924-6669
equitableLIFT.com

Equitable Financial Life Insurance Company Equitable Financial Life Insurance Company of America

Supplement dated July 1, 2021 to the prospectus dated May 1, 2021 for:

- VUL LegacySM
- VUL OptimizerSM

This Supplement updates certain information in the most recent statutory prospectus, initial summary prospectus and updating summary prospectus, and statement of additional information you received and in any supplements to that prospectus and statement of additional information (collectively, the "Prospectus"). You should read this Supplement in conjunction with the Prospectus and retain it for future reference. Unless otherwise indicated, all other information included in the Prospectus remains unchanged. The terms and section headings we use in this Supplement have the same meaning as in the Prospectus. We will send you another copy of any prospectus or supplement without charge upon request. Please contact the customer service group referenced in the Prospectus.

The purpose of this Supplement is to provide you with information regarding the effect of tax law changes and the Substitution of Insured Person Rider.

The following is added to the Tax information provision of the Prospectus:

2021 or later increases in benefits or coverage, addition of riders, or certain other policy changes

On December 27, 2020, Congress enacted the Consolidated Appropriations Act, 2021, which, among other items, amended certain interest rates used to test the qualification of life insurance and modified endowment contracts issued on or after January 1, 2021. If your policy was issued prior to January 1, 2021 and if we determine that a future change to your policy would cause it to lose its ability to be tax tested under pre-2021 interest rates, we intend to refuse such transactions which might have otherwise been available under your policy, subject to our rules then in effect. We would take such action to help assure that your policy can continue to be tested under the pre-2021 interest rates and to qualify as life insurance under our interpretation of applicable tax law.

Based upon our current understanding of federal tax rules at the time this prospectus was prepared, for policies issued prior to January 1, 2021, we will no longer permit the exercise of the Substitution of Insured Person Rider.

The Substitution of Insured Person Rider will not be offered on policies issued after September 6, 2021.

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VUL Optimizer / VUL Legacy New Biz

Catalog No. 162721 (6.21)
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SAMPLE EMAIL TO FINANCIAL PROFESSIONALS WITH VUL OPTIMIZER® SERIES 160 CASES PENDING ON SEPTEMBER 7, 2021

To: [Name of Field Professional]

RE: Your pending VUL Optimizer® cases and 7702 updates on illustration software

On September 7, 2021 the illustration software was updated to reflect the new Section 7702 interest rates applicable to policies issued under VUL Optimizer® with register dates of January 1, 2021 or later. Although there are no changes to the product pricing, the minimum interest rates used in determining tax law limits on premium payments under the Guideline Premium Test and 7-Pay test were lowered. This change in the tax rules will generally (but not always) result in increased premium limits as compared to the prior limits that were reflected in any illustrations run prior to September 7, 2021.

You currently have pending new business for VUL Optimizer® policies.

Although not required, these changes may be beneficial for your client. You may wish to run a revised illustration that reflects the new Section 7702 interest rates to determine if any policy design changes should be considered prior to underwriting approval and/or issue. The new Section 7702 interest rates will generally allow for higher premiums for a given Face Amount while still qualifying as a non-MEC (Modified Endowment Contract) and satisfying the Definition of Life Insurance. Alternatively, it may be possible for a policy to qualify as a non-MEC and satisfy the Definition of Life Insurance by using a lower Face Amount in the illustration at the same given premium level, thereby lowering the net amount at risk and associated cost of insurance.

For additional information, please see the [7702 Explained](#) eNotice or contact the Equitable Sales Desk.

VUL Optimizer® and VUL Legacy are issued in New York and Puerto Rico by Equitable Financial Life Insurance Company (NY, NY) and in all other jurisdictions by Equitable Financial Life Insurance Company of America, an Arizona stock corporation with its main administration office in Jersey City, NJ 07310 and are distributed by affiliate Equitable Distributors, LLC. When sold by New York-based (i.e. domiciled) Equitable Advisor Financial Professionals, VUL Legacy is issued by Equitable Financial Life Insurance Company (NY, NY)

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