



Ameritas Value Plus

Whole Life Insurance

Agent Guide

Ameritas Life Insurance Corp.
Ameritas Life Insurance Corp. of New York

Ameritas 
fulfilling life.

policy information

Minimum Specified Amounts

\$25,000 on Standard Tobacco, Standard Non-Tobacco, and underwriting classes. All others \$100,000.

Issue Ages

0-85 Not all underwriting classes may be available at all issue ages.

Guaranteed Cash Value Interest Rate

4%

Guaranteed Level Premium

Premiums are level, guaranteed and payable every year during the insured's lifetime or until age 121, when the policy is paid up. Regardless of the company's investment, expense or mortality experience, premiums are guaranteed never to increase during the insured's lifetime.

Modal Premium Factors and Policy Fee

Mode	Policy Fee	Modal Factor
Annual	\$75.00	1.00
Semiannual	\$38.50	0.51
Quarterly	\$19.50	0.26
Monthly	\$ 6.50	0.09

Payment interval must be selected at time of application and may be changed with written notice. Pre-authorized payment arrangement required for monthly premiums.

dividends

Dividends are paid when the company experiences favorable results with respect to interest, mortality and expenses. A single dividend reflects experience on both the base policy and participating riders. Any such dividends are paid starting at the end of the second policy year. A pro-rata dividend is not paid if a policy is surrendered or lapsed, but is paid upon the death of the insured for in force policies. Dividends are not guaranteed.

Dividend Options

Policy owners may choose one of the following options for their dividend payments:

- **Paid-up additional insurance.** This is the default selection.
- **Cash.**
- **Reduce premium** if the premium payment mode is annual, semiannual or quarterly.
- **Accumulate interest.** Rate is guaranteed to be one percent or more.
- **Reduce outstanding loans.**
- **Purchase participating one-year term insurance** equal to the cash value of the policy.

Dividend Calculation

Dividends are calculated based on the reserves and net amount at risk of the entire policy, including OYT and/or paid-up riders. Supplementary benefit and substandard ratings will not affect the dividends paid. There will be direct recognition of loans where applicable.

policy loans

After the policy grace period, loans are available at any time. However, during the first policy year, they are only available on policies with the Flexible Paid-Up rider. The loan interest rate is variable but will not change more than once per year.

The amount that can be borrowed from the policy is called the net loan value or the maximum loan amount. It equals the cash value of the policy including riders, plus the cash value of any paid-up additions, minus any premiums that are due or unpaid, minus the amount of any existing loan, minus loan interest from the date of the loan to the next policy anniversary.

Loan payments can be made at any time. When submitting loan payments, policy owners must indicate that the funds are repayment of loan principal otherwise funds will be assumed to be premium.

Impact on Dividends and Death Benefit

Policy loans impact the policy's death benefit and dividend earnings. The policy's death benefit will be reduced by any outstanding loan payoff amount. The impact to dividend earnings depends on the loan interest rate and the total amount of the cash value that has been borrowed.

Automatic Premium Loan

If this option is selected, it will pay any premium not paid before the end of the grace period by charging it as a loan against the policy (as long as there is sufficient net loan value). This option will not pay the premium for the Flex Paid-Up rider. It can be selected at any time unless there is premium currently in default.

policy lapse

If a premium is not paid by the end of the grace period (31 days) and the Automatic Premium Loan does not apply, the policy will lapse. If the policy lapses and cash surrender value is available, it is used to continue the policy either as extended term insurance or reduced paid-up insurance. These lapse benefits or non-forfeiture options are covered in more detail below.

Extended Term Insurance

The policy's cash surrender value is applied as a net single premium based on the attained age of the insured to purchase paid-up term insurance for a limited time. The amount of extended term insurance provided as a lapse benefit equals the face amount of the base policy (excluding the term rider), plus any paid-up additions, plus any dividend accumulation, minus the amount of any loans or loan interest. This option is the default option on standard policies. Policy loans are not available if the policy is in-force as extended term insurance.

Reduced Paid-Up Insurance

The policy's net cash surrender value is applied as a single premium to purchase paid up whole life insurance at the attained age of the insured for a reduced amount. The amount of the RPU insurance provided is based on the due date of the unpaid premium and the net single premium for the insured's gender and then current age (based on 2017 CSO Mortality tables and 4% interest), adjusted for any loan or dividend transaction on or after that date. This option is the default option on rated policies.

When the RPU option has been elected:

- The policy can be surrendered for its cash value.
- Policy loans are available at the same rates as were available on the base policy.
- The RPU policy is entitled to receive dividends if declared.
- The base policy can be reinstated.
- The only payment accepted is a loan repayment.

Adverse tax consequences can occur when the RPU option is elected. Policy owners should be advised to seek competent legal and/or tax counsel before exercising this option.

Reinstatement

Within five years of the lapse date, provided the insured is living, the policy may be reinstated subject to proof of insurability, payment of all overdue premiums with interest, and reinstatement of any loan balance or lien balance as of the lapse date.

Grace Period

The grace period is 31 days. Insurance continues during the grace period; however, if the insured dies during the grace period, premium due will be subtracted from the death benefit.

Election of Paid-Up Policy (or Mature as Endowment)

The policy owner may request the policy to be endorsed as paid-up whenever the cash value equals or exceeds the net single premium for a paid-up policy. Similarly, the owner may request payment of the amount of insurance in force whenever the cash value equals that amount. Income tax consequences should be considered.

Termination

Policies may be terminated at any time by sending written notice to the company. The cash surrender value may be withdrawn or elected to provide extended term insurance or reduced paid-up insurance. The amount that the company will refund is the cash value of the policy including riders, plus the cash value of any paid-up additions, plus any dividend accumulations, plus any due and unpaid dividends, minus any policy loan and/or lien balance as of the date of the surrender.

policy riders

Accidental Death Benefit

Design: pays an additional death benefit to the beneficiary in the event of the insured's death resulting from accidental bodily injury occurring within 180 days of the injury. The policy owner selects the amount of the additional death benefit when the rider is issued.

If death results from the insured's travel as a fare-paying passenger on a public conveyance operated by a licensed common carrier for passenger service, the rider benefit is doubled.

Limitations: There are certain conditions under which the rider is not payable. Please refer to the rider itself for a complete listing of risks not assumed.

Minimum Face Amount of Additional Coverage: \$25,000

Maximum Face Amount of Additional Coverage:

- Age 0-20: \$50,000
- Age 21-25: \$100,000
- Age 26-55: \$150,000
- Age 56-65: \$100,000
- Maximum for all policies: \$250,000

Issue Ages: Up to age 65. (Rider remains on the policy to age 70.)

Cost: Based on the insured's age and gender. Costs are level, payable to age 70 and are shown on the policy schedule.

Available After Issue: Yes

Discounts: Employee and Association

Reinstatement: Allowed within five years of lapse with evidence of insurability and payment of all overdue premiums and interest.

Rider Termination: when the policy terminates or lapses (including exercising extended term or reduced paid-up options) or the anniversary nearest the insured's 70th birthday; or the date written notice is received requesting termination of this rider.

(Forms ICC16 ADBRWLT 10-16 and state variations)

Care4Life Accelerated Death Benefit Rider

Design: Provides an accelerated death benefit if insured is diagnosed with a qualifying critical, chronic or terminal illness. The amount available to accelerate is a percentage of the eligible amount and varies by qualifying condition.

Eligible Amount: Equals the base policy specified amount (and any paid-up insurance) at the time of the first accelerated benefit request. Any subsequent partial surrenders will reduce eligible amount. Surrender of paid-up additions or election of paid-up status will cause the eligible amount to be re-determined.

Critical Illness

Qualifying Conditions: cardiac event (first open heart surgery, first angioplasty or first Myocardial Infarction), life threatening cancer, stroke, major transplant, end-stage renal failure

Available Acceleration Amount: Up to 25% of the eligible amount. Maximum \$120,000.

Payment Frequency: One-time payment.

Restrictions: One claim maximum. In New York, this option cannot be exercised if the policy is a modified endowment contract at the time of the acceleration request.

Chronic Illness

Qualifying Conditions: Insured is unable to perform two of the six activities of daily living (dressing, toileting, transferring, continence, eating, bathing) for 90 days or is diagnosed with a severe cognitive impairment. Certification of the chronic illness is required every 12 months.

Available Acceleration Amount: Up to 50% of the eligible amount. Maximum \$1 million.

Payment Frequency: Choose frequency at time of first acceleration request. Changes not allowed.

- annual payments up to HIPAA limits or
- monthly 2% installments paid over 50 months or
- monthly 1% installments paid over 100 months

Restrictions: Certification of the chronic illness is required every 12 months to receive benefit payments.

Terminal Illness

Qualifying Conditions: Certification of an illness or physical condition which can reasonably be expected to result in death within 12 months.

Available Acceleration Amount: Up to 75% of the eligible amount. Maximum \$1 million.

Restrictions: One claim maximum.

Maximum Lifetime Acceleration Amount: 75% of the eligible amount with a maximum of \$1 million benefit across all policies.

Residual Death Benefit: The advanced payment plus a \$150 administrative fee plus accrued interest (maximum 8%) is treated as a lien against death benefit proceeds; the balance of the death benefit (less the lien) is paid to the beneficiary upon the insured's death.

After the Care4Life rider is exercised, the death benefit will be reduced by the lien. In New York and Pennsylvania, **there is no residual death benefit therefore this may cause the policy to eventually be paid in full.** In other approved states, a residual death benefit of at least 10% of the eligible amount up to \$100,000, reduced by any loans and partial surrenders, will be paid as a death benefit upon the death of the insured. Any surrender of paid-up additions or election of paid-up status will cause the residual death benefit to be re-determined.

Elimination and Waiting Periods: No elimination period for critical and terminal illness. Chronic illness requires an elimination period of 90 days for a chronic illness. In New York, benefits will be paid retroactively for the 90 day elimination period. No waiting period for critical, chronic or terminal illness.

Restrictions: Not available on facultative cases, for foreign nationals, on policies rated above Table B or on policies with temporary or permanent flat extras. If the Care4Life Acceleration Rider is not available, policies will receive the Accelerated Benefit Rider for Terminal Illness if it is approved in the state.

Issue Ages: Up to age 85

Minimum Face Amount: \$25,000

Cost: None (except one-time \$150 fee when accelerated benefit is processed)

Note: Cost of insurance and monthly charges continue after an accelerated benefit has been paid. Base policy and riders must be kept in force. No policy changes allowed after an accelerated benefit is paid.

Available After Issue: No

Rider Termination: Terminate at age 110, if there is no lien on the policy. If there is a lien on the policy it will continue until time of death. In New York, the Chronic Illness Acceleration rider terminates upon election of the extended term settlement option but the Critical Illness Acceleration and the Terminal Illness Acceleration riders may continue on the policy if the extended term option is elected, the term period is at least one year and the face amount is at least \$25,000.

Discounts: Not applicable.

(Form ICC16 DBAR WL 8-16 and state variations)

Children's Insurance

Design: provides \$25,000 of coverage for the insured's children. The policy owner can convert this coverage to permanent insurance with a comparable risk class and without evidence of insurability. On the child's 25th birthday (or no later than 31 days after), the rider coverage can be converted to up to \$125,000 of permanent insurance.

Limitations: Children must be named on the application, born after the date of the application or adopted after the date of the application and before the child's 18th birthday. This rider does not insure children younger than 15 days or older than 25.

Issue Ages: 18 – 55 (base insured) 15 days to 18 years (children)

Cost: \$144. All of the insured's children fitting the description above are included on one rider.

Available After Issue: Yes, with evidence of insurability for covered children.

Discounts: None

Reinstatement: Allowed within five years of lapse with evidence of insurability and payment of all overdue premiums and interest.

Rider Termination: The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options) for any reason other than the death of the primary insured or on the anniversary nearest the insured's 70th birthday; or the date written notice is received requesting termination of this rider. If the insured dies, the rider remains in force until the youngest child covered by the rider reaches age 25 unless the death of the insured occurs by suicide within two years of the rider issue date.

(Forms ICC16 CIRWLT 10-16 and state variations)

Flexible Paid-Up Rider

Design: Provides additional death benefit protection and quickly builds the policy's cash value by allowing clients to choose when they want to purchase paid-up insurance. After year one, clients can pay more or less than their scheduled premium and even skip premiums if necessary.

Limitations: In year one, the total Flex Paid-Up rider premium received cannot be more than 10 times the base policy annualized premium.

Minimum Flexible Paid-Up Rider Premium: 70% of Flexible Paid-Up rider scheduled premium

Maximum Flexible Paid-Up Rider Premium: 10 times the standard base premium plus the policy fee (year one). After year one, four times the standard base premium plus the policy fee. Premium received in the first year cannot exceed \$500,000 without prior approval. The maximum Flexible Paid-Up rider premium is 120% of Flexible Paid-Up rider scheduled premium.

Unscheduled Flexible Paid-Up Rider Premiums: May skip scheduled Flexible Paid-Up rider premium two times in any three-year period. May make unscheduled Flexible Paid-Up rider premiums at any time as long as the total annual premium for Flexible Paid-Up rider does not exceed 120% of Flexible Paid-Up rider scheduled premium. If less than 70% of the Flexible Paid-Up rider scheduled premium is paid for three consecutive years, the Flexible Paid-Up rider scheduled premium is adjusted to the largest amount paid in the last three years.

Cost: Each payment is subject to an expense charge. Current charge up to 150% annual base policy premium is 5%. Current charge above 150% annual base policy premium is 8%. Charges are guaranteed at time of issue. Maximum charge allowed is 10%.

Issue Ages: 0-95 (not available on policies rated above Table D)

Minimum Base Policy Face: \$25,000

Maximum Scheduled Insurance: Four times base standard premium plus policy fee (subject to underwriting approval).

Available after Issue: No

Discounts Available: None

Rider Termination: This rider will terminate at the earliest of when any premium for the policy is due and unpaid beyond the end of the premium's grace period, when the policy terminates or lapses (including exercising extended term or reduced paid-up options), on the expiration date shown on the policy schedule for this rider; or when premiums for this rider are not paid for the number of years shown on the policy schedule as being able to be skipped or reduced plus one.

(Form ICC16 FPURWL 10-16 and state variations)

Guaranteed Insurability Rider

Allows policyholder to increase the face amount of the policy as shown on the policy schedule on scheduled option dates without submitting proof of insurability. In general, the option dates are on the policy anniversaries nearest the insured's 22nd, 25th, 28th, 31st, 34th, 37th and 40th birthdays. The option period for an option date begins 60 days before and ends 31 days after that date. Policy owner may advance the next option date (and that option date will not be offered) in the event of marriage, birth of a child or legal adoption of a child under age 18.

Minimum Face Increase: \$25,000

Maximum Face Increase: \$50,000

Issue Ages: Up to age 37 (not available on rated policies)

Cost: Based on the age of the insured on birthday nearest the policy date.

Reinstatement: Allowed within five years of lapse with evidence of insurability and payment of all overdue premiums and interest.

Available after Issue: Yes

Discounts Available: Employee

Rider Termination: The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options) if the face amount of the policy is reduced to less than \$25,000; at the end of the option period for the last regular option date; or the date written notice is received requesting termination of this rider.

(Form ICC16 GIRWL 10-16 and state variations)

Level Term Rider

Design: Allows policy owner to purchase additional coverage for the base insured for 10, 15, 20, or 30 years at term insurance rates, which are lower than whole life base coverage.

Minimum Face Amount of Additional Term Coverage: \$100,000 if purchased at issue; \$50,000 in force policies with decreases

Maximum Face Amount of Additional Term Coverage: \$99,999,999. No restrictions on the ratio of term rider coverage and base insurance coverage.

Minimum Issue Age: 18. Age nearest birthday for all states.

Maximum Issue Age: Varies as shown below.

Level Term Period	Preferred Plus Nontobacco		Preferred Nontobacco		Select Nontobacco		Standard Nontobacco		Preferred Tobacco		Standard Tobacco	
	M	F	M	F	M	F	M	F	M	F	M	F
10-Year	75	75	75	75	75	75	80	80	75	75	80	80
15-Year	75	75	75	75	75	75	74	75	74	73	74	75
20-Year	68	70	68	70	68	70	68	69	67	68	66	68
30-Year	50	50	50	50	50	50	50	50	50	50	49	50

Cost: Level premiums for initial term followed by annual renewable term scale. There is no policy fee.

Convertible: May be converted without evidence of insurability to any permanent plan of insurance made available by us for such purpose at the time of conversion in the same risk class and for an amount not greater than provided by this rider, but not less than the minimum amount at which the desired policy form is regularly issued. The policy schedule page will list the conversion period for this rider.

Renewable: To age 100

Available After Issue: No

Discounts: Employee

Reinstatement: Allowed within five years of lapse with evidence of insurability and payment of all overdue premiums and interest.

Termination of Rider: The rider will terminate when the policy terminates or lapses (including exercising extended term or reduced paid-up options), when this rider is converted to a new policy, on the expiration date shown on the policy schedule for this rider; or the date written notice is received requesting termination of this rider.

(Form ICC16 LTRWL 10-16 and state variations)

Waiver of Premium

Design: waives the premium on the base policy and all riders except the flexible paid-up insurance rider, after the insured is totally disabled for six months. For disabilities that occur before age 60, premium will be waived during the entire disability. For disabilities that occur on or after age 60, but before age 65, premium will be paid while the disability continues but only up to the policy anniversary nearest the insured's 65th birthday.

Issue Ages: Up to age 55

Written Notice and Proof of Claim: Notice and proof of the insured's total disability must be provided during the life of the insured, within one year after disability begins and while the insured is totally disabled. Proof of continuance of total disability must be provided as reasonably required.

Definition of Total Disability: The insured is considered to be totally disabled if: During the first 24 months of total disability, the insured is unable to perform any of the substantial and material duties of his or her occupation for wage or profit, due to sickness or accidental bodily injury. Being a homemaker or student is considered engaging in work for wage or profit; and, After the first 24 months of total disability, the insured is unable to perform any of the substantial and material duties of his or her occupation for wage or profit, or any other occupation for which he or she becomes reasonably suited by education, training or experience, due to sickness or accidental bodily injury. Being a homemaker or student is considered engaging in work for wage or profit.

Total disability is also the total and permanent loss, by the insured, of the sight of both eyes; hearing of both ears; speech; the use of both hands; the use of both feet; or the use of one hand and one foot.

Discounts Available: Employee

Available After Issue: Yes

Rider Terminates: Upon policy termination (including exercising extended term or reduced paid-up options) or on the first monthly date after the policy owner gives written notice or at age 65 of the insured.

Cost: Based on the insured's attained age, sex and underwriting classification. Premiums must be paid in full until the claim for waiver of premium is approved.

Note: As used in this rider, "age 60" and "age 65" means the annual date that is nearest the insured's 60th and 65th birthdays, respectively.

(Form ICC16 WPRWL 10-16 and state variations)

issuing business

Applications

Jet Issue

- Cases issued and paid in approximately four days (received in good order).
- No exams or labs.
- Required for ages 18 – 45 with \$100,000 to \$200,000 face amounts.
- EZ APP Teleunderwriting required.
- Preferred Nontobacco, Standard Nontobacco and Standard Tobacco underwriting classes only
- Level Term and Guaranteed Insurability riders not available.

EZ Application

- Ages 18 – 70 and up to \$3 million face amount eligible
- Uses teleunderwriting. Order at examone.com. Not available for juveniles.
- Mini exam includes blood, urine, height, weight, blood pressure and pulse.

Complete “Application for Insurance Instructions Page” (UN2550 Cover EZJI) completely and send it with application to speed up the process of ordering medical records (if needed).

Full, Traditional Application

- Complete application and any additional necessary forms
- Submit via secure messaging, eApply, fax or mail
- Order medical requirements as indicated in Life Underwriting Guidelines (LI 1170)

eApply

- Enter and submit application information online
- Improves accuracy and issue time
- Preferred method for submitting new business
- iPad, iPhone and android compatible. Access through Producer Workbench.
- Clients can apply and sign for coverage from virtually anywhere.

Illustrations

All applications must be accompanied by an illustration signed by the client. The signed illustration must reflect values consistent with those in the policy for which the client has applied. When a signed illustration agreeing to the policy applied for is not available, an unsigned illustration must be submitted with the Policy Illustration Certification UN 0008 (not available in MI and NY). This certification does not replace a signed sales illustration. At time of policy delivery, the client must sign an illustration consistent with the policy being delivered. The signed illustration must then be returned to the company within 30 days to complete the underwriting process and to avoid commission being withheld or reversed. This requirement also applies in the case of rated policies. Illustrations should be prepared using the same premium mode as the policy.

Underwriting

To qualify for Preferred or Select underwriting classes, the proposed insured must not only be a standard risk, but must also meet additional selection criteria for improved mortality. Some factors may cause a policy to be rated.

The underwriter will send an email to the agency advising of the final underwriting class approval. If the case is approved other than applied for, the underwriter will provide this information in the email along with a final date when the acceptance of offer must be received. You will be informed when a policy is approved with a rating and the policy will not be issued until you approve it. You are uniquely equipped, through contact with the prospective owner, to redesign the presentation in light of the rating.

Please see the Individual Policy Underwriting Guide (form LI 1333) for more complete underwriting information and note the following underwriting programs that might be right for your clients.

The **TOP Offer Program** allows your clients with one impairment outside a particular guideline to improve one rate class.

The **Wellness Program** gives clients who follow a healthy lifestyle the opportunity to improve their underwriting classification. Applicants with one ratable impairment but show a favorable lifestyle can receive up to a two table credit.

Risk Amendments

Used when there is no risk to the company until the amendment is signed. For example, risk amendments are needed for rated policies and benefit amounts different from that shown on the application. Commissions may be restricted until the amendment is signed and received in the company. To facilitate this process, please return the amendment through the Secure Messaging System, fax or mail.

Non risk Amendments

Used for such things as clarification of beneficiary or date of birth. Commissions will be paid on non-risk amendments. However, it is important to have the amendment: (1) signed at the time of delivery and (2) promptly returned to the company. Remember, signing the amendment completes the contract.

Policy Delivery

You should deliver the policy to your client as soon as possible after you receive it. A delivery receipt is included with each policy. It must be completed and returned to the company. The delivery receipt establishes the date on which the free-look period begins. If the proposed insured's insurability changes after the date of the application, even if the premium has been collected and a conditional receipt has been given, the policy should not be delivered. Hold the policy and immediately contact the underwriter.

client communication and rights

Annual Report

Shortly after each policy anniversary an annual report will be sent to the policy owner. It will show the current cash value of the policy, the premium and the death benefit for the base policy and riders; the dividend, death benefit and cash value of any paid-up additions purchased with dividends; and the amount of any loans.

Free Look Period

There is a 20-day review period once the policy is received. If the policy is a replacement of an existing policy the review period is 30 days. If the client is not satisfied and sends the policy back, the policy is void from the beginning. Premiums paid minus partial withdrawals will be refunded within 10 days after the policy is returned.

Suitability Guidelines

You must have reasonable grounds for believing that this product is suitable for your client based on the facts disclosed by your client about the client's investments, other insurance products, financial situation and needs. You shall make reasonable efforts to obtain information concerning: (1) the client's financial status, (2) the client's tax status, (3) the client's investment objectives and (4) such other information used or considered to be reasonable by an agent in making recommendations to the client.

Incontestability

Except for accidental death and disability benefits, the policy is incontestable after it has been in force, while the insured is alive, for two years from the issue date.

Suicide

If the insured commits suicide (while sane or insane) during the first two full years from the issue date, no death benefit payment will be made. Premiums paid, less any policy debt, loan interest and any partial withdrawals, will be returned. The definition of suicide may vary by state.

Misstatement of Age and Gender

If the insured's age or gender has been misstated, policy benefits and values will be adjusted to those that the most recent premium paid would have purchased at the correct age or gender.

Income Tax Considerations

Death Benefit Proceeds

Generally, life insurance death proceeds are free of federal income tax.

Surrenders

When a policy is surrendered, the gain (usually the difference between the cash value and premiums as reduced by dividends) is subject to income tax. When the policy values are annuitized, the gain is spread over the annuity period.

When values are removed from an in force policy through surrenders of paid-up insurance, surrenders of dividend additions, reductions in the face amount of the base policy etc., such distributions may be subject to income tax to the extent of the gain. The rules for determining any applicable tax are complex and depend on how long the policy has been in-force. The principal exception to these statements occurs if a policy dividend is paid annually in cash.

Certain sales illustrations call for surrenders of policy values at various times. In some cases, some portion of the surrender is subject to tax. While this possibility usually is a minor consideration in these illustrations, it should not be ignored. A policy owner should be advised to seek competent legal or tax counsel.

Dividends

Dividends paid out annually are not subject to income tax until they exceed the premiums paid.

Policy Loans

Generally, money received from policy loans is not subject to income taxes unless the policy is a modified endowment contract.

Modified Endowment Contract

A modified endowment contract (MEC) is a life insurance policy which fails the seven-pay premium test. A policy fails the seven-pay test if, at any time during the first seven years, the amount paid into the policy exceeds the sum of the seven-pay annual premiums. If the policy as illustrated is a modified endowment contract (MEC) within the first seven years, a signed Policyholder Acknowledgment form UN3495D or UN3495D NY is required to be signed and dated by the policy owner prior to issue. The test period starts at issue and lasts seven years; a new test period starts whenever the life policy incurs a material change. Once a policy becomes a MEC it will always remain a MEC.

Under a MEC, distributions (including policy loans) are included in taxable income up to the amount of gain in the contract. Any gain is deemed to be distributed before the investment in the contract. Gain is the difference between the cash surrender value before reduction by any surrender charge and the policy owner's investment in the contract. Investment in the contract basically equals the premiums paid less any prior distribution received tax-free.

In addition, there is a 10% IRS tax penalty applied to the amount of any pre-death distribution from a MEC that is includable in gross income. There are three exceptions to this additional tax: 1) The taxpayer is at least age 59½; 2) the taxpayer has become disabled or 3) the distribution is part of a series of substantially equal periodic payments, such as an annuity, over the lifetime of the taxpayer.

The information presented here is not intended as tax or other legal advice. For application of this information to your client's specific situation, your client should consult an attorney.



Ameritas Life Insurance Corp.
Ameritas Life Insurance Corp. of New York

Withdrawals and loans will reduce available death benefit and policy value. Withdrawals beyond basis may be taxable income. Excessive and unpaid loans will reduce death benefits and policy value and may cause the policy to lapse. If a policy lapses, unpaid loans are treated as distributions for tax purposes.

Guarantees are based on the claims paying ability of the issuing insurance company.

In approved states, Ameritas Value Plus Whole Life (form 3017) is issued by Ameritas Life Insurance Corp. In New York, Ameritas Value Plus Whole Life (form 5017) is issued by Ameritas Life Insurance Corp. of New York. Product and riders may vary and may not be available in all states.

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