



## New York Life Advanced Markets Network Retail Life, Third Party Distribution (TPD)

To: Distribution Partners  
From: Scott Long, CLU, ChFC, CVP, Head of Advanced Markets Network, TPD  
Date: 10/25/2021  
Subject: Introduction of the AD121 Whole Life Product Suite

### Summary

We are excited to announce the introduction of New York Life's AD121 Whole Life product suite. The new product suite will be available in all jurisdictions with an application Part I date of **November 6, 2021** or later. AD121 Whole Life, Custom Whole Life, Custom Survivorship Whole Life, and Option to Purchase Paid-Up Additions Rider have been re-priced to reflect the current interest rate environment and to be compliant with updates made to Internal Revenue Code Section 7702 and nonforfeiture law. AD121 products are available to be Illustrated in NYLIS.

### Overview of Product Changes

On December 27, 2020 the Consolidated Appropriations Act (CAA) was signed into law. The CAA impacts the interest rates used in Internal Revenue Code (IRC) Section 7702 and Section 7702A. These interest rates are used in the calculation of Definition of Life Insurance ("DOLI") testing and Modified Endowment Contract ("MEC") premiums. Whereas our current AD117 & AD119 Whole Life products in market use a 4% guaranteed cash value interest rate, AD121 Whole Life (WL), Custom Whole Life (CWL), Custom Survivorship Whole Life (CSWL), and the Option to Purchase Paid Up Additions (OPP) rider were re-priced using a 3% rate ensuring its continued compliance beyond 2021. As a result of this re-price, the following changes can be expected with AD121 products:

- Modest premium increases at most issue ages on AD121 WL with more material premium increases across AD121 CWL and CSWL. Further details are outlined in each product section below.
- Increased early duration guaranteed cash values across AD121 products. Long-term, non-guaranteed cash value performance varies by product. Further details are outlined in each product section below.
- Higher Modified Endowment Contract (MEC) limits allowing increased optionality and flexibility with case designs.
- Variable Loan Interest Rate (VLIR) will have a minimum rate of 4.0% on AD121 products compared to 5.0% on in-market versions of the products. The current VLIR at the launch of these products will be 4.0% to reflect the current low interest rate environment. The lower VLIR at the time of product introduction will positively impact illustrated Supplemental Life Insurance for Retirement Planning (SLIRP) distributions, accelerations from the Living Benefits Rider (LBR), and annual distributions on the Chronic Care Rider (Chronic Illness Rider in California).

- OPP expense charge is lowered to 5% (currently 12%) for all Standard or better risk classes. OPP annual limits will return to 10x Annual Standard Base Premium (ASBP) for AD121 CWL 5-19 pay and CSWL 10-pay.

In addition to the above changes stemming from the re-price, the following product changes are being updated with this product release:

- AD121 WL policy fees will increase for policies with face amounts below \$250,000.
- Children’s Insurance rider will be discontinued on all AD121 Whole Life products.
- Yearly Convertible Term Rider (YCTr) and Level Premium Convertible Term Rider (LCT5r) will be made available on AD121 CWL.
- Minor changes to premium modal factors were made to improve the customer experience and ensure a rational relationship across premium modes.
- The maximum amount of Dividend Option Term (DOT) rider allowable on AD121 WL will be the lesser of 10x the base policy face amount or \$25M.

### Whole Life Product Changes

AD121 New York Life Whole Life (WL), our traditional pay-to-age 100 whole life product, was re-priced to improve the protection-first value proposition for the majority of adults by providing improved cash value and death benefit performance while minimizing premium increases. Premiums for ages 45 and below will increase approximately 5% compared to AD117 WL. For ages greater than 45, premium increases will grade down to 0% by age 50 and older. For most adults, the improvements to cash value accumulation will result in Premium Offset Proposals (POP) occurring approximately 1-3 years sooner based on the current dividend scale.

Male – Age 45 – Best Class \$1,000,000 Face	Non-Guaranteed <sup>1</sup>			
	Premium	20 Yr CV IRR	30 Yr CV IRR	A85 DB IRR
AD121	\$21,180	2.92%	3.69%	4.69%
	 +5%	 +47bps	 +43bps	 +28bps
AD117	\$20,180	2.45%	3.26%	4.41%

<sup>1</sup>All non-guaranteed values for NYL’s AD117 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

### Custom Whole Life Product Changes

AD121 New York Life Custom Whole Life, our whole life product that allows for premium pay periods between 5 years and paid up at age 75, will see more material premium increases compared to AD117 CWL:

	CWL 10-Pay	CWL 20-Pay
<b>Insureds &lt;A40</b>	+25-40%	+5%
<b>Insureds A40+</b>	+15-25%	+5%

The largest premium increases (upwards of 40%) exist at our shortest pay options (premium paying period of less than 20 years) for our youngest adult ages (under age 40). Longer pay options (premium paying period of 20 or more years) will see only modest premium increases of 5%.

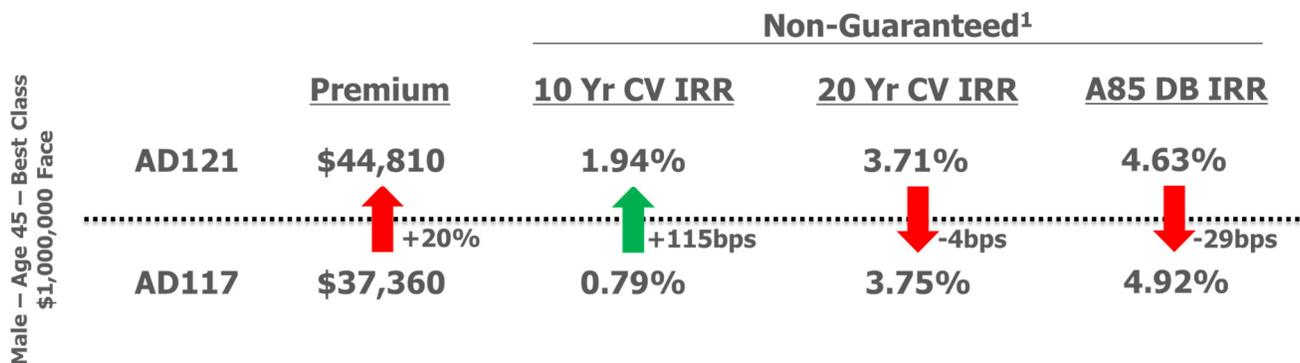
Cash value returns increase significantly in the early durations of the product, driven mainly by improved guaranteed cash values. Long-term cash value performance remains strong, generally maintaining or slightly lagging levels seen on AD117 CWL. On a specified premium basis, illustrated SLIRP distributions will see increases of approximately 1-5% compared to AD117 CWL, due in large part to the lower VLIR of 4% in the current low interest rate environment.

Due to higher purchase rates of Paid-Up Additional Insurance (PUAs), long-term death benefit returns generally decrease from their AD117 CWL levels, however AD121 CWL will continue to provide compelling long-term value.

### CWL (Premium Paying Period of less than 20 years):

AD121 CWL short-pay products will see the largest premium increase relative to AD117 CWL reflecting the low interest rate environment and significantly improved early guaranteed cash values. Despite the premium increases, CWL 10-pay will maintain non-MEC status for all non-smokers adults with face amounts of \$100,000 or greater due to increased MEC funding limits. Furthermore, non-MEC status will extend to juveniles and some of the better sub-standard risk classes at face amounts of \$100,000 or more.

#### CWL 10-Pay (Specified Face):



<sup>1</sup>All non-guaranteed values for NYL's AD117 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

#### CWL 10-Pay (Specified Premium/SLIRP):

Male – Age 45 – Best Class \$25,000 Annual Premium	Non-Guaranteed <sup>1</sup>			
	Face Amount	10 Yr CV IRR	20 Yr CV IRR	SLIRP <sup>2</sup>
AD121	\$556,922	1.90%	3.70%	\$33,666
	 -17%	 +113bps	 -5bps	 +2%
AD117	\$668,277	0.77%	3.75%	\$33,012

<sup>1</sup>All non-guaranteed values for NYL's AD117 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

<sup>2</sup>20-year distributions beginning at age 66

### CWL (Premium Paying Period of 20 or more years):

CWL longer-pay products will see premium increases of approximately 5% versus AD117. Policy performance in the short-term will improve relative to AD117 driven largely by higher guarantees. Long-term cash value performance will generally lag levels seen on AD117, however AD121 will continue to provide an attractive, compelling value proposition.

#### CWL 20-Pay (Specified Face):

Male – Age 45 – Best Class \$1,000,000 Face	Non-Guaranteed <sup>1</sup>			
	Premium	10 Yr CV IRR	20 Yr CV IRR	A85 DB IRR
AD121	\$29,340	0.22%	3.07%	4.54%
	 +5%	 +20bps	 -18bps	 -38bps
AD117	\$27,950	0.02%	3.25%	4.92%

<sup>1</sup>All non-guaranteed values for NYL's AD117 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

### Custom Survivorship Whole Life Product Changes

AD121 New York Life Custom Survivorship Whole Life (CSWL), offering 10-Pay, 20-Pay and 30-Pay options in addition to the traditional pay-to-age 100 option, will see premium increases that more closely resemble CWL:

	CSWL 10-Pay	CSWL 100
Insureds <A45	+15-40%	+10-30%
Insureds A45+	+5-25%	+1-15%

The largest premium increases (upwards of 40%) exist at the youngest adult ages, outside of the target market for CSWL.

Early duration cash value returns are significantly improved driven by guarantees with long-term cash value returns improving overall relative to AD119. Long-term death benefit returns will generally maintain or slightly lag AD119 levels due mostly to higher purchase rates of PUAs. The combination of improved cash value accumulation and a lower VLIR in the current low interest rate environment provides a significant boost to illustrated distributions in retirement (SLIRP).

CSWL 10-Pay (Specified Face):

Male/Female – Age 55/55 Best Class – \$1,000,000 Face	Premium	Non-Guaranteed <sup>1</sup>		
		10 Yr CV IRR	20 Yr CV IRR	A85 DB IRR
AD121	\$44,800	2.49%	4.29%	5.49%
	 +17%	 +155bps	 +32bps	 -12bps
AD119	\$38,280	0.94%	3.97%	5.61%

<sup>1</sup>All non-guaranteed values for NYL’s AD119 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

CSWL 10-Pay (Specified Premium/SLIRP):

Male/Female – Age 55/55 Best Class – \$35,000 Premium	Face Amount	Non-Guaranteed <sup>1</sup>		
		10 Yr CV IRR	20 Yr CV IRR	SLIRP <sup>2</sup>
AD121	\$780,761	2.47%	4.29%	\$35,428
	 -15%	 +154bps	 +47bps	 +28%
AD119	\$914,092	0.93%	3.82%	\$27,665

<sup>1</sup>All non-guaranteed values for NYL’s AD119 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

<sup>2</sup>20-year distributions beginning at age 66

CSWL Pay-to-Age 100 (Specified Face):

Male/Female – Age 55/55 Best Class – \$1,000,000 Face	Non-Guaranteed <sup>1</sup>			
	Premium	20 Yr CV IRR	30 Yr CV IRR	A85 DB IRR
AD121	\$18,830	3.37%	4.21%	5.83%
AD119	\$16,860	3.00%	3.90%	5.93%

<sup>1</sup>All non-guaranteed values for NYL's AD119 and AD121 products use the 2021 dividend scale. The non-guaranteed elements shown above are subject to change by the insurer and actual results may be more or less favorable.

### Option to Purchase Paid-Up Additions (OPP) Changes

AD121 OPP was repriced using a 3% CV rate aligning with AD121 WL, CWL and CSWL. As a result, long-term cash value performance is improved on this version of the rider. PUA purchase rates have increased for OPP therefore each dollar of OPP will purchase less paid-up additions.

For Standard or better risk class policies, the AD121 OPP expense charge is 5%, down from 12% on AD120 OPP. For substandard classes on AD121 WL and AD121 CWL, the OPP expense charge will also be lower than AD120 levels. For AD121 CSWL, substandard classes will see no change to the OPP expense charge.

The maximum annual limits for OPP funding are being restored to pre-AD120 OPP limits. AD121 OPP Annual Standard Base Premium (ASBP) limits will mirror AD117. For any underwritten policies the limits on AD121 are:

Year	ASBP Limit
1	10x
2	8x
3	6x
4	4x
5+	2x

For term conversions without underwriting, conversions in year 1 can contribute 10x ASBP and conversions in year 2 can add 8x ASBP. After year 2, an annual maximum of 1x ASBP can be contributed.

Billable OPP will continue having a maximum annual limit of 2x ASBP.

### Other Product/Rider Changes with AD121 Whole Life Suite

Yearly Convertible Term Rider (YCTr) and Level Convertible Term 5 Rider (LCT5r) available on AD121 CWL

AD121 CWL will introduce the YCTr and LCT5r to the product for both base insured and other covered insureds. Both riders will be available for new business and inforce additions. For YCTr the rider insured must be age 18-75 and for LCT5r the rider insured must be 0-75. A minimum of 5 premium paying periods must be remaining to add

YCTr or LCT5r to enforce policies. These riders will terminate when the underlying CWL policy becomes paid up. All conversion rules that apply to Term riders on WL will apply to CWL.

#### Policy Fees

AD121 policy fees will increase \$10 for annual mode on Whole Life policies with face amounts less than \$250,000. Similar increases will also exist at other premium modes. There are no changes to policy fees on CWL or CSWL.

#### Modal Factors

Modal factors for Monthly Billable (“Monthly”) and Monthly Recurring (“Check-O-Matic”) are being aligned on all AD121 Whole Life products. The Quarterly and Monthly modal factor are being reduced immaterially to ensure a rational relationship across modal factors.

	<b>AD117</b>	<b>AD121</b>
<b>Annual</b>	1.000	1.000
<b>Semi-Annual</b>	0.520	0.520
<b>Quarterly</b>	0.265	<b>0.263</b>
<b>Monthly</b>	0.090	<b>0.088</b>
<b>Check-O-Matic</b>	0.088	0.088

#### DOT Maximums on Whole Life

AD121 DOT will be capped at the lesser of 10 times (10x) the base face amount or \$25,000,000 when included with AD121 WL base policies. There are no changes to DOT limits on AD121 CWL and AD121 CSWL at this time (which remain at 5x and 4x the base policy face amount respectively).

#### Children’s Insurance Rider

The Children’s Insurance (CI) rider is being discontinued for all AD121 Whole Life products. At the same time, CI will also be discontinued on all AD118 Term products. In lieu of the CI rider, the LCT5 rider will be available for individual children when the parent is the base insured on any AD121 WL or AD118 Term policy.

#### Single Premium WL for SPPO/RPPO

The Single Premium WL policy issued when a Spouse’s Paid-Up Purchase Option (SPPO) rider or Rider-Insured’s Policy Purchase Option (RPPO) in NY is exercised has also been re-priced to be compliant with updated 7702

regulations. The single premium rates have not changed and are guaranteed in the rider, however the guaranteed cash values have increased. The AD121 Single Premium WL policy will be issued regardless of the rider AD series.

#### YCT /YCTr Update

Due to changes in the nonforfeiture (NFF) rate we were required to make very minor changes to both the YCT policy and YCTr in handful of cells at very late durations (years 35+). There will not be a new AD series.

#### **State Availability**

AD121 WL, CWL, and CSWL base products will be available in all jurisdictions with an application part I date of November 6, 2021 or later.

In California, YCTr, LCT5r, and CIR will not be immediately available on AD121 WL and CWL. An additional communication will be shared when these riders become available.

#### **Year End Procedures**

AD117 WL, CWL and AD119 CSWL and the small subset of YCT/YCTr policies cannot be issued in 2022. As a result, year-end processing deadlines have been established to ensure these policies are issued prior to the year-end deadline. Please reference the 10/5/2021 Network News "7702 Transition and Important Implications for WL, CWL, and CSWL Year-End Processing" for full details.

#### **We're here to help!**

Sales Support

[AMN\\_Sales\\_Support@newyorklife.com](mailto:AMN_Sales_Support@newyorklife.com)

New Business

[AMN\\_NB@newyorklife.com](mailto:AMN_NB@newyorklife.com)

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