



June 26, 2019
AD19-0626
For Financial Professional Use Only

Audience: Financial Professionals
Re: 2017 CSO Transition for Life Insurance Products
From: Life Product Development, New Business, and Underwriting

What's New:

In 2015, the NAIC adopted the 2017 Commissioners Standard Ordinary (CSO) to replace the 2001 CSO effective January 1, 2020. Life insurance companies will be required to use only the 2017 CSO for new business purposes.

The resulting removal of certain 2001 CSO products from the new business portfolio was announced earlier this year in AD19-0131. Information on the removal of Incentive Life Optimizer, Incentive Life Legacy, BrightLife® Term Series, COIL and Survivorship Incentive Life will be included in the upcoming communications announcing the new versions of these products.

To be compliant with the NAIC, applications for any 2001 CSO products must be submitted, underwritten, issued and paid for sufficiently prior to December 27, 2019. Therefore, ***all outstanding delivery requirements must be received by Life Operations by December 27, 2019.*** This date, prior to the year-end, is based upon the way the calendar and New Year's holiday fall.

If all underwriting requirements are received by Life Operations prior to December 2, 2019, barring any unforeseen requirements, we do not anticipate any issues with meeting the December 27 requirement. Our case managers will work closely with you to ensure that outstanding cases are completed in time to meet this deadline.

Here are some best practices that we suggest for the remainder of 2019:

1. It is advisable to review illustrations for both the 2001 CSO and the 2017 CSO version of products when possible, on both a current and a guaranteed basis. One product series may offer an advantage over the other.
2. Accumulation-oriented products which use the 2001 CSO will generally have higher premium funding limits compared with those that will use the 2017 CSO. Prospective clients who may be considering purchasing a policy with the intent to maximize or accelerate the policy's funding may want to consider purchasing a product based on the 2001 CSO before year's end.
3. Late-in-year applications: Consider selling the new 2017 CSO product version when the case is complex. Additional time may be needed to obtain requirements, therefore the policy may not be in force by December 27. This includes term conversion applications.

For More Info:

- See the following pages.
- If you have questions, contact the Life Sales Desk at (800) 924-6669, option 2.

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Overview

Q: What is the 2017 CSO?

A: Stated simply, the 2017 Commissioners Standard Ordinary (2017 CSO) mortality table is the new industry mortality table that must be used beginning January 1, 2020. Generally, mortality tables are primarily used to establish maximum Cost of Insurance (COI) rates, minimum cash surrender values, reserves and the maximum level of funding permissible within a policy under Internal Revenue Code (IRC) rules. The 2017 CSO mortality tables replace the 2001 CSO mortality tables.

Q: When do the 2017 CSO Mortality Tables take effect?

A: Effective January 1, 2020, in all jurisdictions, any life insurance product that is issued must be based on the 2017 CSO to comply with state insurance laws and federal income tax rules. The 2017 CSO is required in all jurisdictions and is applicable to all companies for any life insurance product. Consequently, any 2001 CSO policies must be issued and in force by December 27, 2019 to meet the definition of life insurance under both state insurance laws and federal income tax laws.

Q: Are there any differences in policy values between 2001 CSO and 2017 CSO products?

A: Yes. Products issued on the 2017 CSO provide the benefit of generally lower guaranteed maximum COI rates. This may be advantageous for death benefit focused products. However, this will also have generally lower maximum premium limits allowable under IRC Section 7702 (Definition of Life Insurance) and 7702A (modified endowment contract or "MEC" status).

As a result, accumulation-oriented products, which use the 2001 CSO, will generally have higher premium funding limits compared with those that will use the 2017 CSO. Prospective clients who may be considering purchasing a policy with the intent to maximize or accelerate the policy's funding may want to purchase a product based on the 2001 CSO before year end to avail themselves of the generally lower Cash Value Accumulation Test (CVAT) death benefit corridor factors, and/or the generally higher Guideline Single Premium (GSP), Guideline Level Annual Premium (GLAP) and 7-Pay premium limits.

However, it is advisable to review illustrations for both the 2001 CSO and the 2017 CSO products, on both a current and a guaranteed basis, before making any such decision.

Q: Which new business products are impacted by this development?

A: Beginning January 1, 2020, in all jurisdictions, applications for any 2001 CSO products will not be accepted, nor will any pending cases be issued, or reissues processed (other than to correct administrative errors).

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AD19-0131 announced the discontinuance of Secure Now Term, BrightLife® Protect Survivorship, BrightLife® Grow Survivorship and ISWL in 2019. Also, in 2019, there will be 2017 CSO replacement products for individual and survivorship Variable Universal Life (VUL), Corporate Owned Incentive Life (COIL), 10, 15- and 20-year level term, annual renewable term and one-year term.

BrightLife® Grow S159 and IUL Protect 160 are based on the 2017 CSO. These products are not subject to these requirements.

See the New Business section below for procedures for application submission, policy issue and delivery.

Q: How are existing 2001 CSO policies impacted by this development?

A: There will be no changes to the policy values of existing 2001 CSO policies. However, certain policy changes may not be available beginning January 1, 2020. Further details will be included in a communication to be released in the coming months.

Q: Where can I find more information regarding the transition from the 2001 CSO to the 2017 CSO?

A: All 2017 CSO-related material, such as field communications and marketing materials, will be available shortly under the Product Page, in the Overview Section, on the [Life Resources Page](#).

New Business

Application Submission, Underwriting, and Policy Issue

Q: What is the process for submitting 2001 CSO products prior to year-end?

A: To be compliant with the NAIC, applications for any 2001 CSO products must be submitted, underwritten, issued and paid for sufficiently prior to December 27. The following dates are guidelines to help provide enough time to complete underwriting and process the policy, barring no unforeseen requirements. Please seek clarification from your case manager on individual cases and any additional requirements.

December 2, 2019:	Underwriting requirements received by Life Operations
December 13, 2019:	Underwriting Approval checkpoint
December 27, 2019:	Outstanding delivery requirements received by Life Operations

Q: What happens if a 2001 CSO policy isn't issued by year-end?

A: Any 2001 CSO policies that are pending issue after December 27, 2019 in states where the 2017 CSO successor products are approved will be issued as a 2017 CSO product, subject to underwriting approval and receipt of the necessary requirements including, but not limited to, a signed policy amendment, a prospectus (if applicable) and a conforming illustration for the 2017 CSO product.

If a 2017 CSO product is not available in the state where the application was taken, the 2001 CSO application will be declined on January 2, 2020. If a replacement is involved then new state replacement forms, 1035 forms, if applicable, are also required. Regular commission recovery rules apply.

Q: What happens if the policy isn't issued by year-end and is subject to New York's Regulation 60?

A: 2001 CSO policies that are pending issue after December 27, 2019 will be issued as a 2017 CSO product, subject to receipt of the necessary requirements including, but not limited to, an application for the 2017 CSO product, new Regulation 60 paperwork, a prospectus (if applicable) and a conforming illustration for the new policy.

Q: Do policies that are subject to New York's Regulation 60 have to meet the same application and delivery timeframes as other policies?

A: Yes. You need to take that into account when submitting applications that are subject to New York's Regulation 60. Section 1035 exchanges subject to New York's Regulation 60 for any 2001 CSO product should be monitored closely, since the timely receipt of the required paperwork and policy proceeds is beyond the company's control.

Q: If settlement can't be submitted with the application, does the policy still have to be issued and paid for by year-end?

A: Yes. Applications where settlement cannot be taken, or, the Temporary Insurance Agreement (TIA) cannot be issued, are subject to same timeframes described above. If you are submitting an application where the coverage being applied for is in excess of AXA Equitable's limits or where a TIA cannot be issued, you must submit the application as soon as possible to allow sufficient time for the policy to be underwritten, issued and paid by the deadline of December 27, 2019. You will need to closely monitor the pre- and post-issue requirements on these cases to ensure that they are being received on a timely basis.

Q: If a TIA was issued, does the policy have to be issued and paid by year-end?

A: Yes. If a TIA was issued the policy has to be issued and paid by the deadline of December 27, 2019.

Q: What are AXA Equitable's limits?

A: Though subject to change, the limits permit you to accept settlement for face amounts up to \$2 million for individual life and/or survivorship products. As a reminder, payment cannot be accepted on applications where the amount being applied for exceeds these limits or in instances where a TIA cannot be issued.

Q: Do I have to submit the Minimum Initial Premium (MIP) for a 2001 CSO policy if the initial payment is coming from an external 1035 exchange? What happens if the 1035 proceeds are received after December 27, 2019?

A: For policies where MIP can be taken, it is imperative to submit the payment with the application, as AXA Equitable cannot control when it will receive 1035 proceeds from the other carrier and the 2001 CSO policy must be in force by December 27, 2019.

If the MIP is not paid and the proceeds are received after December 27, 2019, AXA Equitable will issue a 2017 CSO policy, subject to receipt of an application amendment, new replacement paperwork, a prospectus (if applicable) and a conforming illustration for the new policy. As a reminder, the MIP will not be refunded upon receipt of the proceeds from the other carrier.

Q: What if an external 1035 exchange involves a carryover loan and the proceeds aren't received from the other carrier until 2020?

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A: The policy cannot be issued until the 1035 exchange funds are received, even if the MIP is paid. If the funds are not received from the other carrier by December 20, 2019, AXA Equitable will issue a 2017 CSO policy, subject to receipt of an application amendment, new replacement paperwork, a prospectus (if applicable) and a conforming illustration for the new policy.

As a reminder, under the company's current administrative rules, there are limits on the maximum loan value that may be transferred to the new policy. Any portion of the carryover loan not supported by the policy's cash value will be taxable to the extent of the gain in the policy.

Q: Where can I find out more about 1035 exchanges involving life insurance policies sold by AXA Equitable (or its affiliates)?

A: See [AD06-007](#) for details regarding AXA Equitable's procedures for 1035 exchanges.

Q: Can I get a 2001 CSO policy if it is issued in 2020 and backdated to 2019?

A: No, an application for a 2001 CSO policy cannot be issued in 2020 and backdated to 2019 to get a 2001 CSO product. Applications for 2017 CSO policies issued in 2020 can be backdated to 2019 to save age.

Q: I have a 2001 CSO Term policy, how does that affect my conversion application?

A: There is no impact. Term conversions are contractual changes (that is, pursuant to the terms of the policy) so a conversion from a prior CSO term policy to a 2017 CSO permanent policy can be submitted after December 31, 2019.

If, however, you are considering a conversion to a 2001 CSO permanent policy, the new policy must be issued and paid for by December 27.

Q: How can I monitor my new business requirements?

A: FPs can monitor their case status for pending new business requirements at www.us.axa.com.

Reissues

Q: When is the last day for submitting a request to reissue a 2001 CSO policy?

A: The request and all requirements to reissue a 2001 CSO policy must be received at Life Operations by November 15, 2019. The delivery requirements, including but not limited to the full minimum initial premium and any application amendments, must be received at Life Operations by December 13, 2019.

Q: Can I request a reissue of 2001 CSO policy to correct an issue error after December 31, 2019 if the policy is still in the delivery period?

A: Yes. Life Operations can reissue the policy in this instance. Examples of issue errors include administrative errors, such as a misspelled name or to correct an item that was specified on the application but not included with the policy.

Post Issue and Policy Delivery

Q: How can I monitor my post-issue and policy delivery requirements to be sure they are submitted by December 13, 2019?

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A: You can monitor case status for pending delivery requirements at www.us.axa.com, by accessing the new business activities application to create a list of your issued policies and reviewing the Policy Summary Document that shows the necessary delivery requirements for each policy. For questions on specific cases, you can contact the Life Operations new business call center at 1-800-888-9763. Weekly status message will be sent to the FP.

Q: Does a policy that is issued as applied for and which had full settlement have to be delivered by year-end?

A: No. A policy that is issued as applied for and where the full MIP has been received by Life Operations can be delivered in 2020 within the normal delivery period.

Q: When is the last day for submitting delivery requirements on a 2001 CSO policy that was not issued as applied for or did not have MIP?

A: December 13, 2019 is the date that all delivery requirements including, but not limited to, the full minimum initial premium, any application amendments and the delivery receipt having been received at Life Operations. Any cases that have not been placed in force by December 27, 2019 will be automatically cancelled on January 2, 2020. The client will need to re-apply for a new policy on the 2017 CSO.

Q: Can the delivery period be extended beyond year-end to accommodate policies that are issued without MIP or not issued as applied for?

A: No, the delivery period cannot be extended beyond December 27, 2019, because the policy would not qualify as life insurance under state or federal tax laws using the 2001 CSO Tables if not in force by December 27, 2019. All delivery requirements must be received at Life Operations by December 13, 2019, or the applicant will have to re-apply for a product based on the 2017 CSO.

Q: What if a 2001 CSO policy is issued in December in a jurisdiction with a 30-day free-look provision?

A: A 2001 CSO policy can be "free-looked" after December 27, 2019 in accordance with the terms of the policy.