



THE BALTIMORE LIFE INSURANCE COMPANY

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Modified Endowment Contract Information

I understand that as defined in the Internal Revenue Code Section 7702A, the life insurance policy for which I have applied, or which has been issued, is a Modified Endowment Contract.

The Federal Government created a class of life insurance policies known as Modified Endowment Contracts under the Technical and Miscellaneous Revenue Act of 1988 (TAMRA). These are life insurance policies under which the gross premiums paid at any time during the first seven years - or during the seven years after a material change - exceed the sum of the annual net level premiums under the seven-pay test defined in the law.

Death benefits on life insurance policies are not subject to income tax, but in some cases may be subject to estate taxes.

When a policy becomes a Modified Endowment Contract, there is a change in the tax treatment of any distribution made during the life of the policy. The kinds of distributions that may be subject to income tax include dividends paid in cash or withdrawn, any loan, partial withdrawals, policy surrender, or any assignment or pledge.

When a taxable distribution is made, only the amount of the distribution that represents any gain in the contract is included in your taxable income.

Taxable distributions are subject to a two-part tax—*income tax* on the amount of the gain and an *additional 10%* penalty unless the taxpayer is disabled, over the age of 59½, or the benefit is paid as a life annuity.

Before making any decision concerning the tax status of your policy, you should consult your attorney or accountant.

Name of Applicant and/or Policyholder (Print)

Policy Number

Signature of Applicant and/or Policyholder

Date

Name of Agent (Print)

Agent Number

Signature of Agent

Date

A copy of this form must be provided to the applicant and a copy must be submitted to the home office with the application.