



Universal Life chargeback changes FAQ

Situational summary

What's changing?

We're updating how chargebacks work on Universal Life (UL) policies as of March 21, 2026. The goal is to reduce chargeback risk for advisors and make the process fairer and more predictable.

Why the change?

Current rules sometimes penalized advisors even when annual targets were met. UL is designed for payment flexibility, so we're aligning chargeback handling with that intent and industry standards.

Who is impacted?

- Advisors selling UL policies.
- Clients who use PAD or make irregular payments in the first two years.

What's new?

- Year 1 chargebacks are time-based – assessed at month 12 if premiums are below planned or annual target.
- No chargebacks if planned premiums are paid – meeting annual targets in both years eliminates risk.
- PAD pauses allowed – no immediate chargeback if PAD stops mid-year and policy stays active.
- Commissions on excess premiums paid as earned – after annual target is reached, reducing chargeback risk while maintaining total annual compensation.

What's the impact?

- Advisors gain more flexibility and transparency.
- Chargeback risk is reduced without changing total annual commission.



Possible inquiries and approved responses

1. Why is Equitable changing the UL chargeback logic?

To improve the advisor experience by making chargebacks more predictable and transparent. UL is designed for payment flexibility, but previous rules assumed levelized payments and triggered chargebacks when clients paid infrequently or paused PAD. These updates also align with industry practice.

2. When will the new chargeback logic take effect?

The updates were implemented in our systems on March 21, 2026.

3. What happens if a client stops a PAD mid-year?

No immediate chargeback will apply as long as the policy doesn't lapse. We know sometimes clients need to take a month off. There will no longer be a chargeback when a client disables their PAD. Instead, there will be a check at the end of policy years 1 and 2 to ensure that they are on track to meet their planned premium amounts. Chargebacks will only apply if they have fallen short by the end of the year.

4. Will these changes apply to all UL policies?

Yes, the updates apply to all inforce and pending UL policies in new business.

5. What happens with overfunding above expected first year premiums of a UL policy?

Commissions at target premium will continue to be advanced as-is. Commissions on excess premiums – any premiums above target – are paid out only after annual target premium has been reached. There are no changes to commission rates or total compensation, only to the timing of paying out commission on excess premiums.

6. What happens if a policy lapses or is surrendered in the first year?

Chargebacks would still apply at the time of policy lapse or surrender.



7. What if a rider on the policy is canceled in the first year?

A chargeback would still apply at the time the rider is canceled.

8. If the policy isn't lapsing, why is there a chargeback?

It comes down to fairness for both clients and advisors. Picture this: two policies with the same face amount and the same total premium paid. One client pays monthly, spreading the cost evenly. The other pays the entire amount upfront in the first month. Without a chargeback adjustment, the advisor for the upfront payment would earn a much higher commission, even though both policies represent the same value. The chargeback ensures commissions are balanced so advisors are compensated fairly, regardless of how the client chooses to fund the policy.