

Revenue Ruling 67-154
Internal Revenue Service
1967-1 C.B. 11

(Also Section 72; 1.72-16.)

Rev. Rul. 67-154

Where an insurer has published one-year term life insurance rates which are lower than those set forth in Revenue Ruling 55-747, C.B. 1955-2, 228, such rates may not be used to compute the one-year term cost of the insurance protection to which an employee is entitled from year to year under a "split dollar" arrangement with his employer or under a trust qualified under section 401(a) of the Internal Revenue Code of 1954 if these rates do not relate to initial issue insurance.

Revenue Ruling 66-110, C.B. 1966-1, 12, amplified.

Advice has been requested as to whether it is proper to substitute an insurer's published one-year term insurance rates for those set forth in Revenue Ruling 55-747, C.B. 1955-2, 228, in determining the cost of insurance under a "split dollar" arrangement or a trust qualified under section 401(a) of the Internal Revenue Code of 1954, where such published rates are applicable only under a dividend option whereby term insurance may be purchased with dividends on existing policies, and are lower than the premium rates charged by the insurer for other individual one-year term life insurance policies.

Revenue Ruling 66-110, C.B. 1966-1, 12, provides that in any case where the current published premium rates per \$1,000 of insurance protection charged by an insurer for individual one-year term life insurance available to all standard risks are lower than those set forth in Revenue Ruling 55-747, such published rates may be used in place of the rates set forth in that Revenue Ruling for determining the cost of insurance in connection with individual policies issued by the same insurer and used for "split dollar" arrangements or held by trusts qualified under section 401(a) of the Code.

In referring to rates that may be substituted for the above purposes, Revenue Ruling 66-110 contemplates gross premium rates charged by an insurer for initial issue insurance, available to all standard risks. Dividend option rates such as those described in the first paragraph of this ruling are not available to all standard risks since an individual seeking to purchase only a basic policy of term insurance could not obtain it at those rates. Accordingly, such rates are not rates of the kind contemplated by Revenue Ruling 66-110, and for the purposes mentioned in that ruling may not be substituted for the rates set forth in Revenue Ruling 55-747.

Revenue Ruling 66-110 is hereby amplified.