

IRC 7702 Tax Limit Changes New Business Announcement

The Consolidated Appropriations Act of 2021 (CAA) is legislation that was signed into law on December 27, 2020. The CAA affects the interest rates used for Definition of Life Insurance testing under §7702 of the Internal Revenue Code of 1986, as amended (Code), and Modified Endowment Contract (MEC) testing under §7702A of the Code. These industry-wide changes affect all life insurance carriers and went into effect on newly issued policies beginning January 1, 2021.

Business Impact and Options

Prudential has been working diligently on updating our systems to reflect changed tax limits to comply with the recent changes to IRC §7702 under the Consolidated Appropriations Act (CAA). Our illustration systems were updated 4/19/21. This [FAQ](#) includes important information on the CAA, what the changes mean to clients, and what opportunities these changes present.

While the changes the IRS made to IRC 7702 generally have a neutral or positive impact on policy performance and case design flexibility, we have heard some concerns about the impact to certain in-force policies issued between January 1, 2021, and April 18, 2021. To accommodate these situations, we introduced a [backdating option](#) for the small set of policies we believe may be impacted. **Please note that the deadline for submitting a request to backdate a policy is June 10, 2021.**

Communicating the Tax Limit Changes with Customers

As a part of our reconciliation process, impacted customers* with a policy effective date in 2021 will receive a letter explaining the new tax limits later this summer. Clients with policies issued with the cash value accumulation test (CVAT) will also receive updated contract data pages. The servicing producer on the policy will be notified of all customer communications. To help prepare you for future conversations, please see the following sample client letters below. Please note that the version of the letter that the client receives will vary based on life insurance test and time of illustration (this determines what values the customer has seen).

[CVAT Customers with a Pre-4/19 Illustration that did not reflect new 7702 values](#)

[CVAT Customers with an Illustration that did reflect updated IRC 7702 values](#)

[Guideline Premium Test Customers with a Pre-4/19 Illustration](#)

For questions on placed business, please call our contact center at 800-778-2255. For assistance with illustrations or new opportunities, please contact the national sales desk at 800-800-2738 option 1 or your Prudential representative.

Thank you for your business!

*Please note that the process mentioned above, and the consumer letter, do not apply to Private Placement Life Insurance business. For questions specific to PPLI, please contact your wholesaling team.

Life insurance is issued by Pruco Life Insurance Company (except in NY), and Pruco Life Insurance Company of New Jersey (in NY). Both are Prudential Financial companies located in Newark, NJ

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