

Important Impacts to Life Insurance Tax Limits: The Consolidated Appropriations Act of 2021

As you may know, on December 27, 2020, the Consolidated Appropriations Act of 2021 (CAA) was signed into law. The CAA impacts the interest rates used for Definition of Life Insurance (DOLI) testing under Section 7702 of the Internal Revenue Code of 1986, as amended (Code) and Modified Endowment Contract (MEC) testing under Section 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.

In many cases, the changes should be advantageous.

Our teams are working diligently on a plan to incorporate these changes in the least disruptive way possible. ***It is important to note that, although our illustration system and contracts have not yet been updated, any business sold today will comply with the new law.***

Important Information on Next Steps

Illustration System Notification

On February 1, 2021, we will be adding a producer-only message about these changes to our illustrations system. The message will direct financial professionals to a disclosure document found on PruXpress (and linked below) that they can provide to their clients to ensure they are aware that the illustration does not yet reflect this change in law.

Notifying Customers

Customers who have purchased a permanent life insurance policy effective on or after January 1, 2021, or who are in the process of purchasing a policy today, can expect their policies to ultimately reflect the new DOLI and MEC limits. Policyholders who specifically purchased policies using CVAT will receive updated contract data pages in the coming months.

Once these values are made available in the illustration system, we are aware that you may want to act on these changes depending on the intent of the policy. We are working toward a process for providing revised illustrations.

Discussing New Business

Moving forward, you are encouraged to use our solutions with clients as you normally would. Additionally, we ask that you make customers aware of the change in law. You can do so by sharing the following [document](#).

As we get closer to updating our systems with the new limits you can expect to hear from us with additional information.

Thank you for your business!

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