SERVICE

Modified Endowment Contract (MEC) Process Enhancements

Great news! To continue to improve our customer experience, we are enhancing our MEC process. Beginning 1/1/25, customers can provide authorization to allow Prudential to automatically return any excess premium payments that would cause their contract to become a MEC. Before this change, excess premiums could make the policy a MEC, often without the customer's knowledge. The change will help avoid the associated unintentional negative tax consequences.

Benefits of the change

Specifically, this enhancement will eliminate:

- Excess premium remaining in the customer's policy that accidentally causes Irrevocable MEC Status
- Letters to the policyowner and their financial professional each time an excess payment is received that requires them to take action to remove the funds and the resulting MEC status

What is changing?

For Vantage* policies, effective 1/1/25, customers can consent to automatically return any excess premium payments that might unintentionally cause their contract to become a MEC by completing a form or calling into the TAMRA Customer Service Office.

Note: If the consent is not on file, the existing process will be followed: the policyowner and their financial professional will get a letter advising that the policy is in MEC status and that, to remove the MEC status, they must complete and return the letter. If the form is not returned, another letter is mailed 45 days later. If we do not receive a response your policy will permanently remain a MEC.

How is a MEC taxed?

Pre-death distributions from a MEC are subject to less favorable tax treatment than distributions from a contract that is not a MEC. Distributions include but are not limited to:

- Loans
- Surrenders
- Pledges
- Ownership changes
- Collateral assignments
- Withdrawals
- Dividends taken in cash or left to accumulate

Distributions made within two years before the policy becomes a MEC, which may have been considered tax free, may be included in gross income in the year the policy becomes a MEC. Such distributions will be treated as taxable income to the extent there is a gain in the contract. There is a gain in the contract whenever the cash value exceeds the cost basis for the policy. In addition, a 10% additional tax may apply to taxable income received before age 59½.

To learn more about MECs and how these contracts are taxed, review the FAQ.
Visit https://prudential.scene7.com/is/content/prudential/1011724_MECFlyer

Questions?
Please contact the TAMRA Customer Service Office at 800-344-5208.

* The following products are administered on the Vantage Platform: UL, ULII, UL Protector, UL Plus, PruLife Essential UL, UL Minimum Premium, PruLife Indexed UL, Founders Plus, Current Assumption UL, VUL, VULII, VUL PAS, MPVUL, Custom Premier II, FlexGuard Life, VUL Protector, PSIII, PruLife Survivorship Index UL, SVUL Protector, SUL Protector, SUL Plus, SVUL, and SVUL II.

Life insurance is issued by The Prudential Insurance Company of America, Newark, NJ, and its affiliates.

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