



1035 Exchanges for Life Insurance

PRODUCER GUIDE

What is a 1035 Exchange?

Section 1035 of the Internal Revenue Code (IRC) allows the **tax-free transfer** of existing contracts, including life insurance policies and annuity contracts, for another of like kind. The taxpayer's cost basis in the original contract is transferred to the new contract.

For a transaction to qualify as a 1035 Exchange, the "old" contract must actually be exchanged for a "new" contract as one continuous transaction. It is not sufficient for the policyholder to receive a check and apply the proceeds to the purchase of a new contract. The exchange must take place between the two insurance companies.

Follow the tips in this guide for the smoothest and most efficient processing of your 1035 Exchange application.

Which exchanges are eligible under Section 1035?

- A life insurance contract exchanged for another life insurance, endowment or annuity contract
- An endowment contract exchanged for an annuity contract or for another endowment contract that provides for regular payments to begin no later than they would have begun under the old contract, or
- An annuity contract exchanged for another annuity contract.

Note: The information in this guide only applies to the 1035 Exchange process for AIG's Life Insurance business. There are separate requirements and forms for AIG's Annuity business.

What's not eligible for a 1035 exchange?

- Spouse A exchanges a policy insuring only his life for a policy which insures the lives of both Spouse A and Spouse B.
- Spouse A exchanges two life insurance policies, one of which insures Spouse A and the other of which insures Spouse B for a policy insuring the lives of both Spouse A and Spouse B.
- Spouse A and Spouse B jointly exchange separate policies, each of which insures the life of one spouse for a single, jointly-owned policy which insures the lives of both Spouse A and Spouse B.

Where to submit



- **Application Part A**
- **Absolute Assignment Form**
- **Original Paperwork/Contract**
- **1035 Exchange Checks From Exchanging Carrier**



Submit these items to:

American General Life
2727A Allen Pkwy, Mail Stop 6H1 (1035)
Houston, TX 77019

Use this address for both regular and overnight mail.

*Send these items
to your usual
address or lockbox
for New Business
applications.*



- **Unsigned Illustration or Quote**
- **Delivery Requirements**
- **Initial Premium Checks**



Requesting a 1035 Exchange

To request a 1035 Exchange for a new life insurance policy, fill out the **Absolute Assignment Form** and submit it with your **Application Part A**. You can find the form on Forms Depot, or click the link below.

- **American General Life version - AGLC0010-2011** Use in all states except New York.
- **US Life version - 00850001-1021** Use in New York State only.

See the Where to Submit section above for mailing address.

Tips for completing the absolute assignment form

Please ensure all fillable sections are completed on the form. Please note the following:

AIG **Absolute Assignment**

American General Life Insurance Company (the "Company")
To Effect Section 1035 Exchange and Rollover of a Life Insurance Policy or Annuity Contract

Policy/Contract No. **2** Cash Value
Owner Insured
Insurer

1 Contract Statement:
3 ☐ **CONTRACT INCLUDED** If contract is not lost, please submit with this form.
☐ **CERTIFICATE OF LOST CONTRACT**
I certify that the above numbered contract has been lost or destroyed and to the best of my knowledge and belief, is not in anyone's possession.
4 I hereby assign and transfer from Insurer to (new company) (the "Company") all rights, title and interest of every nature and transfer to character in and to the Policy/Contract described above ("the Policy") in an exchange intended to qualify under Section 1035 of the Internal Revenue Code.
I understand that if the Company underwrites, approves my application for, and issues to me a new life insurance policy or annuity contract which I accept on the life of the same insured/annuitant in the Policy, then the Company intends to surrender the Policy for its cash value.
I understand that as of the date of surrender of the Policy by the Company, the Policy will no longer provide any coverage.
I understand that upon receipt of the surrender value by the Company, the proceeds will be applied as an additional premium for the new life insurance policy or annuity contract. The first premium must be paid no later than when the new policy or contract is delivered. The Policy assigned shall not be considered a premium until the cash surrender value is actually received by the Company. There will be no policy or contract in effect unless the first premium is paid while all statements and answers in all parts of my application remain correct.
I understand that by executing this assignment, I irrevocably waive all rights, claims and demands under the Policy.
I represent and agree that the Company is furnishing this form and is participating in this transaction at my specific request and as an accommodation to me. I represent and agree that the Company has made no representations concerning my tax treatment under Internal Revenue Code Section 1035 or otherwise.
The Company assumes no responsibility or liability for the undersigned's tax treatment under Internal Revenue Code Section 1035 or otherwise.
I represent and warrant that no person, firm or corporation has a legal or equitable interest in the Policy, except the undersigned, and that no proceedings of either a legal or equitable nature have been instituted or are pending against undersigned.
I understand that the first premium must be paid no later than the time the Policy or contract applied for is delivered and that the cash value of the assigned Policy shall not be considered part of the premium until the cash surrender value is actually received by the Company. I further understand that no policy or contract comes into force as a result of this assignment.

5 Owner Signature (Assignor) Co-Owner / Spouse / Irrevocable Beneficiary (if required)
X X
Signed at (city, state) Signed at (city, state)
Date Date
Witness

6 For American General Home Office use only: Company name
By company representative Address
Title City/State/Zip

AGLC0010-2011 Rev02/15

1 Ownership

- The owner(s) must be the same for the existing policy and for the replacement policy.
- If a trust owns, include the trust's full name, established date, and trustee's name and title in the Owner section.
- To reduce possible processing delays, please contact the existing carrier before completing the Absolute Assignment form to ensure the Insured/Owner information in their system exactly matches the information provided in the form, including middle names, initials, Jr./Sr., etc.

2 Cash value

- Estimated cash value for existing coverage must be provided.

3 Contract section

- Select one of the two contract options provided: **Contract Included** or **Certificate of Lost Contract**.

4 Provide the correct Company name in the blank space as indicated:

- "American General Life" for all states except New York.
- "US Life" only for New York applications.

5 Signature notes

- Please make sure a Witness also signs where noted. The agent may serve as the witness.
- Only wet signatures accepted for external 1035 exchanges.
- Wet and electronic signatures accepted for internal exchanges.

6 Home Office Use Section

Leave this section blank; it will be completed by the home office.

Keep in Mind

- If the existing policy is assigned, it must be released before the exchange is completed or it must carry over to the new policy. The Absolute Assignment Form will need the assignee signature.
- If the client lives in a Community Property state and is married, the spouse must sign as the co-owner. Community Property states are **Arizona, California, Louisiana, Nevada, New Mexico, Texas, Washington** and **Wisconsin**. **Alaska** is an opt-in community property state that gives both parties the option to make their property community property.

What happens after the application

Our New Business and Case Relationship Management teams will stay in touch and guide you through any requirements or additional needs. Here's what to expect after submitting your application.

If approved as applied

- If the new policy is approved as applied for (or better than applied) and no amendments are needed, we will immediately write out for the 1035 funds.
- If the 1035 proceeds differ from the original illustration, you will be advised to submit a revised (unsigned) illustration reflecting the amount of the 1035 proceeds received.
- Upon receipt of the illustration, we will conditionally issue the policy and await the signed illustration, premium, and any other delivery requirements needed to put the case in force.

If approved other than applied

- If the new policy is approved other than applied (or approved as applied but with additional amendments), a 1035 Application Amendment will be posted to the Correspondence section of our producer website. The amendment will reflect:
 - The approved rate class
 - Additional items that need to be amended
 - A statement authorizing us to proceed with the 1035 exchange
- Upon receipt of the signed 1035 Application Amendment, we will write out for the funds.
- Once we receive the 1035 proceeds, you will be notified of the amount received and advised that a new illustration will be needed to reflect the exact amount of the 1035 proceeds.
- Once the unsigned illustration is received, the case will be conditionally issued.
- The case will be placed in force upon receipt of the signed illustration, premium due (if any) and any other forms needed on delivery.

Keep in mind



Some carriers require current-dated Absolute Assignment forms in order to proceed with an exchange. We may request a new form if the exchanging carrier refuses to accept the form we have on file without a current date.



Coverage begins when we write out for the 1035 funds, as long as the exchange amount is adequate to pay the first premium and all other outstanding requirements for the new policy are met.



We will accept premium at any point in the exchange process. If the policy owner prefers that we put the policy in force simultaneously with the 1035 write-out, please contact your Case Relationship Manager for instructions on what is needed.



**Only wet signatures are accepted for external 1035 exchanges.
Wet and electronic signatures are accepted for internal exchanges.**

Internal 1035 exchanges

What's Eligible for an Internal Exchange?

The following replacement scenarios are eligible for an internal exchange:

- Replacement of a Universal Life policy with a new Universal Life product.
- Replacement of a Variable Universal Life (VUL) policy with a new Universal Life product.
- Replacement of a Universal Life policy with a new VUL product.

The following products or scenarios are not eligible for an internal exchange:

- Whole Life policies
- Exchanging a VUL policy to another Variable Life policy
- Annuity policies

Transfer Values and Surrender Charges

For internal 1035 exchanges involving AGL, USL or internal affiliates, the following is used to determine the value being transferred from the original policy to the new policy.

- If there is no surrender charge on the existing policy, the full accumulation value is transferred.
- If the 1st year surrender charge on the new policy is higher than the charge on the existing policy, the charge is waived and the full accumulation value is transferred.
- If the 1st year surrender charge on the new policy is lower than charge on the existing policy, the difference between the two is used as the surrender charge for the 1035 process.



**Questions?
Reach out to your Producer Contact Center.**

Policies issued by American General Life Insurance Company (AGL), Houston, TX except in New York, where issued by The United States Life Insurance Company in the City of New York (US Life). Issuing companies AGL and US Life are responsible for financial obligations of insurance products and are members of American International Group, Inc. (AIG). Guarantees are backed by the claims-paying ability of the issuing insurance company. Products may not be available in all states and product features may vary by state.

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