

How does a 1035 Exchange work?

Many of NGL's customers fund a funeral policy with money from another policy. It's fairly common and called a 1035 Exchange. Basically, a 1035 Exchange is a way to transfer money directly from one insurance policy to another without creating tax consequences for the policyowner.



NGL's Process:

1. You decide you're going to prefund your funeral expenses and are going to do it with funds from another life insurance policy.
2. An NGL agent fills out an application for an NGL life insurance policy and an assignment for the NGL Funeral Expense Trust or NGL Estate Planning Trust, both of which are signed by you.
3. To allow the money from another insurance policy to be transferred to NGL, you complete a 1035 Absolute Assignment of Policy form (#2337), and Replacement Form(s). These forms instruct the other insurance company to release funds to NGL for the new policy. *NOTE: The Owner and the Insured of both policies must be the same. If you are the Owner of the first policy, you must be the Owner of the new policy. You cannot transfer money to buy a policy for your spouse or any other family member.*
4. Once the application, assignment and replacement forms are received by NGL, we send a request for the funds to the original company. The original company then has up to six months to release any funds that have been requested. To make sure the process stays on track, NGL sends a reminder after three weeks, and then every two weeks after that to make sure the original company is processing the request in a timely fashion.
5. Once the other insurance company sends the funds to NGL, the policy is issued with an effective date as of the date when the funds are received. The policy is mailed once the processing is completed. *NOTE: Should a death occur prior to the funds being received by NGL, the 1035 Exchange will still occur but the policy will be processed as a not-taken and premiums equal to the amount of the exchange value will be returned to the Estate of the Insured.*

For more information please contact NGL at 800.988.0826.



Two East Gilman Street · Madison WI 53703
800.988.0826 · www.nglic.com