

# 1035 Exchanges

*Transferring money from an existing policy to a new policy without tax consequences.*

1035 is a section of the United States Tax Code that allows a policyowner to directly transfer money from one policy (life insurance, annuity or endowment policy) to another without tax consequences. As long as the transfer or exchange from the existing carrier to NGL is direct, it is not considered a taxable event. Any gains in the existing policy will transfer to the new policy. They will not be subject to tax penalty unless the new policy is surrendered. If the policyowner takes possession of the money, even briefly, the funds will be subject to any applicable taxes.

## What Qualifies as a 1035 Exchange?

- The Insured and Owner must be the same on the new policy as on the existing or former policy.
- An annuity can be exchanged to only another annuity. Please see NGL Specific Guidelines below regarding annuities assigned to a trust.
- An endowment or annuity cannot qualify for an exchange into a life insurance policy.
- Some policies are not assignable under their current contract provisions, which means they cannot be 1035 exchanged under any circumstance.

## Important Information Regarding 1035 Exchanges:

- Insurance companies have up to six months to make a transfer of funds. A typical timeframe for NGL to receive the funds from the other carrier is 30 to 60 days.
- Not every company allows for a partial 1035 Exchange. Please check with the current carrier to see if they allow a partial exchange before proceeding.
- The new NGL policy is issued when the funds are received from the current carrier(s).
- A family or joint policy may not be eligible for a 1035 Exchange. Please consult with the current carrier to determine if the family or joint coverage can be waived.

## NGL Specific Guidelines:

- This Insured starts a new two-year contestability period with a new NGL policy unless a guaranteed issue policy is written.
- Excess proceeds cannot be refunded.
- If an Insured dies prior to the funds being received by NGL, the 1035 exchange will still be processed because the application was signed prior to the Insured's death. NGL will process the policy as a not-taken and return the premium equal to the amount of the exchange value received to the Estate of the Insured.
- NGL does not allow exchanges from an existing NGL policy.
- 1035 Exchange requests cannot be faxed to NGL as original documentation is required.
- Neither the NGL Estate Planning or NGL Funeral Expense Trust can be used with an annuity.

## How to Complete a 1035 Exchange

To complete a 1035 Exchange, you will need the 1035 Absolute Assignment of Policy form (2337), along with the state specific replacement form(s). All required forms are available on [www.mynglic.com](http://www.mynglic.com).

### 1035 Exchange Check List

1.  Application (2735FE, may be state specific) and assignment to the NGL Funeral Expense Trust (2591-FET) or NGL Estate Planning Trust (2591-EPT) completed and signed by your client.
2.  State required replacement form(s) are completed and signed by your client.  
*(Please note: Some states require multiple replacement forms.)*
3.  A 1035 Absolute Assignment of Policy form (2337) is completed and signed by your client.
4.  Other (POA papers, etc.)
5.  Send all original documents to NGL.



**For more information, please contact  
NGL's Agent Support Team at 800.988.0826.**

