

1035 Exchange Guide as of 9/7/06

AIG/American General

Once an application has been approved, and all of the 1035 paperwork has been received, we need to know if the agent would like an immediate issue, or a delayed issue.

- *Immediate issue* - Policy is issued w/o 1035 money. AGL Must have an illustration, which does NOT reflect 1035 pour in (can be signed on delivery) prior to issue. 1035 process is started. The policy is put in force after the delivery requirements are received. The 1035 \$\$ is dumped in later after it is received.
- *Delayed issue* - This is if the agent wants to wait until after all of the 1035 \$\$ is received to issue. The 1035 process is started. After the 1035 \$\$ is received, an illustration and other delivery requirements are received, the policy is then put in-force.

Loans Accepted? Yes, AIG does accept loans. However, it must be indicated on the illustration or 1035 paperwork before they start processing the 1035. The amount of the loan cannot be more than 50% of the cash value, which will be received from that one case. For example, if the case has \$15,000 in cash value, the loan cannot be more than \$7500.

AXA/Equitable

- The 1035 process is initiated once MONY has underwriting approval
- They will not issue the policy until 1035 monies are received unless the minimum premium requirement is remitted with the application - there is no choice in this matter
- Backdating policies is not allowed on 1035's
- A conforming illustration is required when the app is submitted.

Note: They do not contact the replacing company when the app is received to ensure that they have all the requirements they will need

Loans Accepted? Yes. Only the loan amount, not to exceed that amount.

Banner

- Original policy from the replacing company required
- LU-1017 (absolute assignment form) required
- Replacement form and an illustration to match the total premium outlay from the replacing company required
- The case will not be in-force until the funds are received from the replacing company.

Note: If the policy is issued as other then applied Banner does not send the 1035 paperwork to the other carrier until the client accepts Banner policy

Loans Accepted? No. The cash value of the policy would need to be used to pay off any outstanding loan and only the remaining balance would be transferred.

Genworth

- If the policy is approved as applied for and all 1035 forms and state mandated forms (HIV, Replacements, etc.) are in, Genworth will request funds at the time of approval
- If not approved as applied for, the same required forms as noted above, as well as a SIGNED illustration (owner and proposed insured) reflecting the new rate. **A signed waiver cannot be accepted in lieu of a signed illustration.**
- Once funds are received, the policy will be issued
- The policy effective date will be the date of they initiate the surrender, except when:
 - A TIA was issued
 - Policy backdating is requested

Loans Accepted? No. Genworth is doing some work to hopefully offer that (at least on a few of our UL products) within the next few months. You may have noticed the new exchange agreement already provides an option for indicating a loan. Once this option is in place, there is no set max loan / CSV %. As long as the policy will issue with the incoming loan and CSV, we will allow it.

ING Companies

- The initial letter is generally sent to the other company when ING receives the application, this lets them know they may be replaced
- The actual 1035 process is started after the underwriter approves the case
- The agent can choose whether to issue the policy prior to the 1035 money coming in, if you choose this option, you are not able to reissue for the correct 1035 amount

Note: Acceptance letter may be sent depending on the product and state.

Loans Accepted? Yes, but it depends on the product. Check with your marketing rep.

Jefferson Pilot

- JP will start the 1035 process once the case has been issued and all issue requirements are received
- The policy needs to be issued prior to starting the exchange to determine if there will be requirements needed
- The requirements needed will be identified when the policy is issued
- Replacing companies require their own surrender form to complete a 1035

Note: There are exceptions to these, for example if the policy is a single premium, or at the agent request, JP will initiate the exchange and issue the policy when the money comes in.

Loans Accepted? Yes, however prior to initiating the exchanges we must insure that the loan will fit on the policy. In cases where the size of the loan compared to the value of the policy is very large, there may also be limitations by product on what would be acceptable. Check with your marketing rep.

John Hancock

- John Hancock starts the 1035 exchange once the policy is approved by all departments (replacement, titles and underwriting)
- Single premium 1035 exchanges, they have to have the money in the home office before issuing the policy
- All policies with 1035 premium plus modal premium can be issued as soon as the policies are approved.

Note: Some clients prefer to wait for 1035 funds and then their policies will be issued with the exact premium received.

Loans Accepted? Yes. The illustration software is programmed to accommodate and will let you know what loan amount or percentage of cash value will be accepted

Lincoln Life/FPPL

- Coverage does not formally begin until Lincoln's policy is in force, either with cash for an initial premium or through the application of 1035 proceeds.
- Until the existing/replaced policy has been surrendered at Lincoln's request, coverage is in force under that policy.
- During the time when surrender proceeds are en route to Lincoln, coverage is not necessarily available under either policy. The replaced policy has been terminated, and there are no absolute guarantees that Lincoln will put its new policy in force. If the applicant is concerned about a gap in coverage, we should recommend that they pay initial premium out of pocket to prevent any problems.
- They offer 2 options: issue with cash prior to the 1035 receipt and no issue until all 1035 proceeds are received.
- If the 1035 money is different than what was illustrated Lincoln will ask for an updated illustration reflecting the actual amount.

Loans Accepted? Yes. The information needs to be run in an illustration to determine if it will fit on the new policy.

Lincoln Benefit

- After the case has been approved (as applied) LBL requests the funds.
- If it hasn't been approved as applied for then LBL will need signed amendment back (they send w/out the policy) before they will request the money.
- If the policy was approved as applied or better and they have the modal premium, then LBL will issue the policy prior to requesting 1035 money. If no money, then LBL automatically waits until the 1035 funds arrive.

Loans Accepted? Yes. There's not a set percentage it depends on the cash value. The cash value would need to be enough to carry the policy. The only way to find out would be to run an illustration.

Life of Southwest

- The 1035 is initiated once the case is approved as applied for. Otherwise LSW will ask the agency if the offer is being accepted before initiating the exchange.
- If the planned periodic premium is less than the minimum monthly premium, the mode is other than check-o-matic, and there is not enough cash money sent in to carry the policy for three months, LSW would hold issue for receipt of the 1035 money. Other than that, they will issue the policy upon approval and apply the 1035 money when it comes in.
- LSW does not re-issue a new policy if the 1035 funds do not match the illustration.

Loans Accepted? Yes, you may carry over loans on LSW Provider, Navitrak, Varitrak and LifeCare products. You may carry over up to 50% of the cash value.

North American

- NA initiates the 1035 process once the file has been approved.
- NA issues the policy with the estimated amount of the 1035 premium but you have the choice of waiting for the 1035 money to come in if you want to.
- If the illustration changes then they would require a new one (they would send out).

Loans Accepted? No.

Principal

- In order to begin a 1035 exchange, Principal must have underwriting approval on the case.
- The replacement must also be satisfied (meaning the correct application and replacement form must be here).
- A signed illustration is required in order to begin the 1035.
- They also need the DD747 (Absolute Assignment Form).
- It is the agent's/client's choice on whether Principal holds issue for the 1035 money or issues without it. The important thing to keep in mind about this, though, is that illustrating 1035 money will cause them to hold issue for the 1035 money. They can't issue a policy showing 1035 money (or any type of dump-in or unscheduled money) if they don't physically have the money there. So if you send them a signed illustration that shows \$10,000 of unscheduled money, they need to hold until they get that \$10,000. Issuing without that \$10,000 will generally cause a premium increase and the policy will not perform as the client expects. If you do not illustrate the 1035 money and the client is okay with whatever premium comes up based on that, they can certainly issue without the 1035 money. Principal does require that the client sign off on any offers before they will begin the 1035 exchange. For example, if the client applies NS/Pfd and they approve the case at NS/Std, they must receive either a signed illustration showing NS/Std or a memo from the client stating they will accept the NS/Std offer. Some companies require that their policy (or a lost policy statement) be submitted. Generally this can come in after we start the exchange, but there are some companies who require it come in with the original 1035 request. Other companies require their own forms be completed in addition (for example, Prudential has their own surrender form that must be completed before they'll start an exchange). They do notify you at initial review of the requirements needed. All of these items must be originals.

Loans Accepted? There is not a certain percentage. The loan does have to be greater than \$500. Other than that they will need the following:

- Does the client want to carry the loan over or Eliminate out of cash value?
 - Please note this would not be necessary if there is no gain on the contract
 - What is the amount of the loan?
 - What is the Net 1035 proceeds?
 - How will the 1st premium be paid? Out of 1035 funds? Or will client be sending check?
 - Was the old contract a MEC?
 - How will they be paying interest? Out of pocket? Let it accumulate?
- Once the above are answered. PFG will run an illustration to see if the loan will carry. They will need all the new policy info as well.

Prudential

- Prudential starts the process once the offer is put out and accepted and all requirements are received.
- Normal process is they issue the policy once the 1035 funds are received.
- They do allow cases to be issued with out the 1035 money but they would have to receive the full modal premium. UL cases that have a cash value accumulation test can be issued with the modal premium. If the UL case is a guideline premium test, then they have to confirm with their 1035 unit that it can be done.
- Prudential requires a signed illustration up front reflecting the 1035 and will not go to the other carrier until they have confirmed the offer is accepted.
- The case will not go in force until all the requirements are received.
- If they issue without the 1035 funds (just the modal premium), 1035 money will be applied after the fact as a dump-in (that can happen anytime after issue).
- Policies will not go active on 1035's until all delivery requirements are received.

Loans Accepted? Yes. However, it has to be approved prior to going out for the 1035 funds. Prudential mirrors the entire loan. Any mirrored loan would need pre-approval to insure the amount of the loan being carried over will be supported by the amount of funds in the policy.

Sun Life

- Sun Life sends out the papers when they have final approval.
- If the policy gets approved not as applied for they will ask our permission before sending out the papers.
- If the policy gets approved as applied for they will send us an e-mail letting us know that they are sending out the papers.
- They will not place policy in force until they receive the 1035 check.
- The policy will be dated the date the 1035 forms are sent out, no exceptions. The client will be covered from this date on.

Note: Sun's preference is not to mail out the policy until they receive the 1035 funds, however, they can issue the policy with the anticipated 1035 amount and when the 1035 check does come in, they check to see if it is more than 10% less than the anticipated amount. If it is, they will reissue the policy and ask for all new delivery requirements and ask for the original policy to be returned.

Loans Accepted? Yes, as long as the loan is not more than 50% of the total 1035.

Transamerica

- Trans does not start the 1035 exchange process until after the policy has been approved and issued. The policy is issued before they initiate the 1035 process, no choice.

Loans Accepted? Transamerica only accepts carry over loans on their VUL cases.

United Of Omaha

- UO does not start the 1035 process until the policy has been approved and offer accepted.
- They do not want to issue the policy before the 1035 funds come in. • The policy can be issued at minimum premium, but they prefer not to because they would require an illustration showing no 1035 funds at minimum premium. Then they would issue a policy when the 1035 funds come in, and would need a new illustration with the correct 1035 amount w/the reissued the policy.
- They need the 1035 paperwork completed in full. This also means lost policy statement or original policy.

Loans Accepted? The other company will need to answer on how this is handled. They may request to have the loan repaid or take the amount out of the cash value. This will need to be answered by them on how they handle.

West Coast

- WCL goes after the 1035 when they issue the policy.
- 1035 forms are not processed until the case is approved and not processed if an amendment is issued saying that the case is approved other than applied (they would require this amendment back before they would proceed).

Loans Accepted? No.