



### Enhanced Procedures for 1035 Exchanges

The process for life applications qualifying under Internal Revenue Code Section 1035 has been enhanced. For 1035 applications submitted on or after June 1, 2010, the new process provides several enhancements.

- Policies can be bound sooner.
- Policies will be issued once, based on the exact 1035 funds received.
- Applicants can still pay initial premium with Application to start coverage (subject to conditional receipt limits).

### Overview of 1035 Exchanges

Section 1035 of the Internal Revenue Code allows for the tax-deferred exchanges of life insurance policies and annuity contracts. The gain or loss from the original policy may be carried over to the new policy issued by the same company or another company. To qualify, the surrender proceeds from the original policy must be transferred directly to the new company at the time the new policy is issued. If the proceeds pass through the policyholder, the tax advantage may be lost. It is the established position of Transamerica that the process for executing tax-free 1035 exchanges is via an absolute assignment.

### The Enhanced Process

For 1035 applications submitted on or after June 1, 2010, the new process requires submission of the revised **Absolute Assignment To Effect Internal Revenue Code Section 1035 Exchange and Rollover Form** (TOU761008T rev. 2/10).

#### ***If approved as applied:***

- New Business will process the 1035 request to the other carrier as soon as a case is approved as applied for. Coverage is bound at the time the other carrier accepts the surrender of its policy. Once the 1035 money is received, the exact amount and effective date of the policy will be emailed to the general agency. The general agency will then be required to provide a revised illustration, based on the exact 1035 money received and the effective date of the new policy. When the revised illustration is received, the policy will be issued.\*

#### ***If approved other than as applied:***

- New Business will email the Amendment and Self-Health Statement (if applicable) when the underwriting decision is made. Upon receipt of the signed document(s), New Business will initiate the 1035 process and coverage will again be bound when the other carrier accepts the surrender of its policy.
- Once the 1035 money is received, the exact amount and effective date of the policy will be emailed to the general agency. The general agency will then be required to provide a revised illustration, based on the exact 1035 money received and the effective date of the new policy. When the revised illustration is received, the policy will be issued.\*

*\* Policies may be issued sooner, upon underwriting approval, at the specific request of the agency and payment of the initial premium with other funds.*

*Handwritten mark or signature.*



## Reminders and Helpful Tips

Following are some reminders to help expedite 1035 applications.

- If the sale involves the 1035 exchange of multiple policies, the application should identify all the policies being exchanged. If multiple carriers are involved, an assignment form is required for each carrier.
- The replacement question on the application should be marked "yes" and complete replacement forms, according to the insured/owner's state regulations, should be attached.
- Use TransACT® to view updates regarding all 1035 requirements and status updates related to the process of receiving the 1035 funds from the other carrier.
- The Notice of Replacement form must be dated on or before the signature date of the authorization page of the application. Always provide the existing company's name and policy number for the policy that is going to be replaced.
- The Replacement Transactions Sales Material Certification Statement (TOC 478) should be signed. Only the applicable line should be signed by the producer, indicating whether or not sales material was used at the time of the presentation.
- Questions pertaining to replacements on the "Report by Agency Office" section of the application must be completed.
- A life insurance policy issued in exchange for a Modified Endowment Contract (MEC) is automatically a MEC.
- If a trust owns the policy to be exchanged, list the full name of the trust (including trust date) on the "Ownership" line of the form. The Trustee needs to sign in "trustee" capacity. If there is more than one trustee, one trustee can sign on behalf of the trust IF the verification of Trust Agreement (VTA) indicates that the Trustees can act individually. If the VTA indicates they must act jointly, all Trustees must sign.

### Contact Us

If you have questions please contact New Business at 800-295-3990.



Transamerica Financial Life Insurance Company

an AEGON company



Transamerica Life Insurance Company
Home Office: 4333 Edgewood Road NE
Cedar Rapids, IA 52499

Absolute Assignment To
Effect Internal Revenue
Code Section 1035 Exchange
and Rollover

Issuer: \_\_\_\_\_ Owner of Contract: \_\_\_\_\_

Insured: \_\_\_\_\_

Kind of Contract: \_\_\_\_\_

Contract No. \_\_\_\_\_ This Contract is [ ] enclosed OR [ ] lost or misplaced

The undersigned hereby assign(s) and transfer(s) to Transamerica Life Insurance Company ("Company") all right, title and interest of every nature and character in and to the Contract described above ("Contract") in an exchange for a life insurance policy ("Policy") that the undersigned intend(s) to qualify under section 1035. This assignment shall become effective once the Policy has been approved for issue, and if approved other than as applied for, once accepted in writing by the undersigned.

The undersigned further understand(s) and agree(s) to the following:

- 1. The Company intends to surrender the Contract for its surrender value, and the undersigned specifically authorize(s) and approve(s) such surrender.
2. Upon the date of surrender by the Company, the Contract will no longer be in force; and the Company bears no responsibility for the reinstatement of the Contract should the undersigned exercise any right to examine and return the Policy.
3. The Company bears no responsibility for payment of any premiums necessary to keep the Contract in force prior to surrender. If you do not pay such premiums the available surrender proceeds of the Contract may be reduced or eliminated.
4. Notwithstanding the provisions of Part 1 of the application for the Policy, life insurance coverage shall take effect as a result of this assignment, and before delivery of the Policy, at the time (and not before) the following conditions have been met, and the Company may charge for coverage from the date that any such coverage takes effect:
(a) the Policy has been approved for issue and, if approved other than as applied for, accepted in writing by the undersigned, and either
(b) the existing Issuer has accepted the surrender of the Contract but only if the surrender proceeds thereafter received are themselves sufficient to place the Policy in force, or
(c) if, in addition to the assignment of the Contract, premium is paid during the insured's lifetime (either with the application for the Policy or thereafter if permitted by the Company in writing) but only if such premium together with any surrender proceeds thereafter received, are sufficient to place the Policy in force.

Notwithstanding the foregoing: If the Policy is in exchange for a single Contract and that Contract is not surrendered prior to the Insured's death, there will be no coverage hereunder or the Policy and the Company's sole liability will be limited to a return of any premiums paid. If the Policy is to be issued in exchange for more than one Contract (also subject to an "Absolute Assignment To Effect Internal Revenue Code Section 1035 Exchange For Life Insurance" with the Company) and not all Contracts have been surrendered prior to the Insured's death, then assuming all conditions to put coverage in effect have been met with the surrender of one or more Contract or Contracts, the Company's liability for death benefits under the Policy shall be reduced by the amount of the death benefit payable under any Contract not surrendered.

- 5. The undersigned understand(s) and agree(s) that any life coverage that takes effect as a result of this assignment shall be subject to new incontestability and suicide periods. If, before the actual printed Policy is issued and delivered to the undersigned, or within the new incontestability and suicide periods under the Policy, the proposed Insured dies by suicide or intentional self-inflicted injury, while sane or insane, the undersigned understand(s) and agree(s) that the Company's sole liability will be for the amount of premiums paid, if any.
6. The undersigned agree(s) that if payment was made with the application for a Policy in exchange for a Conditional Receipt, any coverage provided under the Conditional Receipt shall terminate when any coverage becomes effective under this assignment.
7. Any interest will only begin to be credited on the later of the Policy Date of any Policy issued in connection with this assignment or the date the surrender proceeds and other cash, if any, sufficient to place the Policy in-force are actually received in the Home Office, and (if applicable) the rate of interest will be the one in effect as of that date.
8. Limited Power of Attorney: The undersigned hereby designate(s) the Company as my/our attorney-in-fact to act in my/our name(s) to do everything required to effectuate this assignment and beneficiary designation, including file this form with the current Issuer, complete any additional forms requested or required by the current Issuer to accomplish the assignment, beneficiary designation and/or surrender of the Contract, and receive payment of the death benefit or surrender proceeds of the Contract.

The undersigned represent(s) and warrant(s) that no person, firm, or corporation has a legal or equitable interest in the Contract, except the undersigned, and that no proceedings of either a legal or equitable nature have been instituted or are pending against the undersigned.

The undersigned represent(s) and agree(s) that the Company is accepting this assignment and is participating in this transaction at the undersigned's specific request and as an accommodation. The Company has made no representations concerning the tax treatment of this transaction under Section 1035 or otherwise. Neither the Company nor its representatives provide tax or legal advice. The undersigned must rely solely on his/her/their own independent tax and legal advisors.

Signed at: City \_\_\_\_\_ State \_\_\_\_\_ Date \_\_\_\_\_

Contract Owner(s) Signature(s): \_\_\_\_\_

Witness to Contract Owner's Signature: \_\_\_\_\_

Irrevocable Beneficiary's (if any) Signature: \_\_\_\_\_

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