LIFE UNDERWRITING & NEW BUSINESS

Update to Policy Split process

Updates to policy split initiating process for external 1035 Exchanges

Effective August 24, 2026, Lincoln will **update the Policy Split process** to reinforce exchange processing requirements. Before initiating an external 1035 exchange, Lincoln must know whether the exchange proceeds will fund a single policy or be allocated across multiple policies. This information must be provided to the surrendering carrier as part of the exchange request.

What This Means for Financial Professionals

New process

Financial Professionals must determine **before Lincoln initiates the 1035 exchange** whether the proceeds will fund:

  - One policy, or
  - Multiple policies.

- If multiple policies will receive the proceeds, **all receiving policy numbers must be identified prior to initiating the 1035, allowing this information to be disclosed to the surrendering carrier***.

Why is this important?

This change is not just an operational preference, it is a tax and compliance requirement.

If Lincoln does not notify the surrendering carrier in advance that the proceeds will be allocated across multiple policies, the transaction may not be processed in accordance with Section 1035 regulations. In the event of an audit, the surrendering carrier could determine that the exchange was not handled correctly, potentially resulting in an unintended taxable event for the client.

Split instructions must be identified and communicated upfront to help ensure compliance with 1035 exchange requirements and to protect clients from potential tax consequences.

Contact your dedicated Lincoln Underwriting and New Business team with questions

* Please note, there are some carriers that will not allow policy splits.