

Sales to US Nationals – US National Declaration

Summary

1. There is no law to prohibit an insurer from issuing life insurance policies to US Nationals outside of USA or outside any territories governed by US laws. While it is not illegal, these policies do not qualify for US tax deduction.
2. The declaration (refer to the declaration form) is a disclaimer to protect the insurer and more importantly its distributors, from the potential liability of such policyholders claiming they did not know that such policies do not qualify for US tax deduction.
3. In order to qualify for US tax deduction, the insurance policy must meet the definitions in Section 7702 and Section 817 of Title 26 of the US Internal Revenue Code and the insurer must file tax returns to US Internal Revenue. An insurance policy not meeting the definitions does not make it an illegal or unenforceable policy.
4. AVIVA's Customer Services will check to ensure that the form is submitted together with the application before 'issuing' the contract.

Frequently Asked Questions

1. What is the definition of 'US Nationals'?

It is defined as every person born or naturalized in the United States who is subject to its jurisdiction.

2. Does the definition include Green Card holders who are not resident in the United States?

No, it does not include Green Card holders who are not resident in the United States.

3. Why is the form required?

US Nationals are subject to US tax no matter where they reside and will have US tax consequences from the non-qualification of the AVIVA products as "life insurance policies" for US tax purposes at the time of the purchase. The form is to ensure that the customer is aware of this.

4. Is there a restriction on the type of insurance policies that a US National can purchase?

The US Nationals can buy any type of life insurance as long as they sign the form. Customer Services will check to ensure the form is submitted before 'issuing' the contract.

5. Why do AVIVA life policies not qualify for tax deduction?

US Internal Revenue Code has extensive definitions to classify for tax deduction. Due to the complexity and unfamiliarity with the US tax law that may change from time to time, we are adopting the more straightforward and prudent approach of the declaration form.

6. Is this practice unique to AVIVA?

No, this practice is appropriate for sales of life insurance policies to US Nationals across all sales channels. The insurer has the onus to alert the applicant of the tax consequence.

7. When is AVIVA implementing this form?

AVIVA plans to implement the form with effect from 1 October 2004.

8. What are the consequences for customers in the event that they return to residency in the US?

In the event that the customers return to the US, AVIVA will still fulfill the obligations in accordance with the contract provisions for the respective policies.

The customers can exercise their rights to the policy except for the conditions listed in the declaration form:

- While they can convert the plan to paid-up, they will not be able to select to reinstate the paid-up.
- They can continue to service their regular premiums, but will not be able to increase the regular premium contribution amounts and
- They will not be able to make additional single premiums investments.

Reference: US National Declaration Form