



The Lincoln Leader

Life Insurance

Credited Interest Rate Change – January 1, 2012

Reprinted from the Lincoln Leader - Issue 24 – December 5

Effective January 1, 2012, the life insurance affiliates of Lincoln Financial Group and other blocks of business administered by Lincoln Financial Group will be reducing credited interest rates on universal life and other interest sensitive life insurance products, including fixed account interest rates on variable universal life products, to product guaranteed rates. The fixed account rate for Indexed Universal Life policies has been lowered to 3%. Nonguaranteed persistency, durational and asset based bonuses will also be reduced. For products that are currently available for sale, the rate reductions apply to both inforce policies and new issues.

This rate action is the result of an interest rate environment that has continued to impose significant pressure on the earned rate of the assets supporting our life policies. It is important that we make this adjustment at this time. This rate change is in line with actions other competitors have taken. We understand the challenges this presents during the year-end sales season, but feel this is the prudent action to proactively respond to the continued low interest rate environment.

Credited interest rate changes on the fixed universal life policies and the fixed account rate on variable universal life policies and indexed universal life policies will take effect as of January 1, 2012. Credited interest rate changes on inforce whole life policies will take effect at the next policy anniversary on or after January 1, 2012.

This will NOT impact:

- Caps and spreads on our indexed universal life products
- Any product with current interest rates currently at contractual guarantees
- The performance of guaranteed no-lapse premiums available on many of our products

The *Lincoln DesignIt*SM illustration system will be updated as of December 19, 2011. All other inforce platforms will be updated before the end of the year.

New business will not be requesting updated illustrations during year-end if a final was already submitted. However, as of January 1, 2012 we will need illustrations showing the new interest rate.

A spreadsheet for Lincoln showing the interest rates for currently sold products is available on the Lincoln website. [Click here](#) to view the online version of the chart. [Click here](#) to view the memo version of this announcement

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State Approvals

[Click here to view the current product availability charts](#)

Contact Information for the GI / SI Business

In an earlier article we provided new guidelines for Guaranteed and Simplified Issue business. Based on a number of inquiries and interest we are including the contact information for the GISI business. See chart below.

Function	Name	Area	Email	Phone
Pre Sale and Marketing/Sales information	Jeff Mahanes	Multi Life Sales/Marketing	Jeff.mahanes@LFD.com	336-691-3817
Underwriting Information	Peter Krukiel	GISI Underwriting	Peter.krukiel@LFG.com	603-226-5531
GISI Underwriting/New Business Management	Diane Leonard	Senior Underwriting Director	Diane.leonard@LFG.com	336-691-3789
GISI Underwriting/New Business Management	Ron Bruffey	Underwriting Account Executive	Ron.bruffey@LFG.com	336-691-3921

2012 MDRT Certification Forms (based on 2011 commission or premium)

The time to start submitting your 2012 MDRT Certification forms is nearly upon us. Here's how certification information will be communicated:

- If you are a current MDRT member and list Lincoln as your company affiliation, Lincoln will submit the limited/unlimited commission and/or premium information electronically to MDRT the first week of February. You do not need to submit this information yourself. We will provide you with the amounts we send to MDRT for your records.
 - If you are not a member of MDRT, or have never listed Lincoln Financial Group as your affiliated company, you can be part of this automated process by submitting your application and dues to MDRT by January 16, 2012. You must list Lincoln Financial Group as your affiliated company to be included in this process.
- If you do not wish to list Lincoln Financial Group as your affiliated company send a request for certification to LFGMDRTcertification@lfg.com. Complete the top portion of the MDRT Certification form, including the last 4 digits of your SSN. **Please include the name and Tax Identification Number if commissions are paid to your corporation.**

INCOME METHOD: You can qualify for MDRT in 2012 based on your 2011 income. Here's how it works:

- You must have a minimum of \$152,000 in annual gross income from eligible insurance and financial products.
- Of that \$152,000, \$44,500 is required to come from new business generated during 2011; another \$44,500 must be derived from income associated with the Unlimited Credit products.

Under this model, income is defined by MDRT as first-year, trail and renewal commissions, as well as fees for product placement, asset management fees and fees for advice. Other production-based compensation, such as salaries and production-based bonuses, would also be eligible for credit. Verification of income will be your responsibility. Check the MDRT website at www.mdr.org for more details.

IMPORTANT THINGS TO REMEMBER:

- Applications and membership dues will need to be submitted to MDRT postmarked by March 1, 2012. Any applications postmarked after the March 1st deadline will be subject to additional late fees.
- Lincoln Financial Group can only certify commissions that have been paid directly to you. Commissions paid on your behalf to another entity will need to be certified by that entity.
- Questions related to certification can now be emailed to: LFGMDRTCertification@lfg.com.
- MDRT dues for 2012 are as follows:
 - \$550 Membership Dues
 - \$600 Court of the Table
 - \$1,100 Top of the Table

Watch for more details in early January. Please contact Don France at 260-455-6574 or at Don.France@lfg.com with any questions.

Variable Universal Life/IRS - System Changes

Reprinted from the Lincoln Leader - Issue 20 - October 25

Additional Updates to Life Portraits Plus Illustration System for Jefferson Pilot Legacy VUL Ensemble products which are effective December 19, 2011. Updates in Red below.

An integral part of policy administration is the accurate interpretation of IRS regulations. Lincoln performs routine audits of the implementation of IRS Regulations, including Section 7702 of the Internal Revenue Code – Life Insurance Qualification Tests (GPT/CVAT) and Section 7702A – Modified Endowment Contract (MEC) testing, across all life business, to ensure consistency among our illustration software and administrative platforms.

Through these proactive audits, Lincoln has determined that there is an opportunity to follow a more prudent administration of these IRS regulations as business is issued on and/or converted to the new policy administrative system.

These refinements will initially impact new business and re-calculations of in-force policies. Initial changes are listed below. There is a flow chart on the next page, showing a sample scenario of these updates.

What's Changing	Products Affected	Illustration Effective Date	New Business Illustration Impacts	Inforce Illustrations Impacts
<p>Any Death Benefit Option (DBO) change will be recognized as a material change to the contract and start a new 7-pay test period. If premiums continue after the switch, the policy could be a MEC.</p> <p>Note: This rule does not apply for DBO1 to DBO3</p>	<p>Currently Sold:</p> <ul style="list-style-type: none"> - Lincoln AssetEdge® VUL 2009 - Lincoln AssetEdge® Exec VUL 2009 - American Legacy AssetEdgeSM VUL 2009 - Lincoln VUL^{ONE} 2010 - Lincoln SVUL^{ONE} 2007 - Lincoln PreservationEdge® SVUL - American Legacy PreservationEdgeSM SVUL - LifeReserve UL, LifeReserve IUL (2009), and <p>Previously Sold:</p> <ul style="list-style-type: none"> - Lincoln AssetEdge® VUL 2008 - Lincoln AssetEdge® Exec VUL 2008 - American Legacy AssetEdgeSM VUL 2008 - Lincoln VUL^{CV}-IV, VUL^{CV}-III, VUL^{CV}-II, VUL^{FLEX}, VUL^{CV} - Lincoln SVUL-IV, SVUL-III, SVUL-II - Lincoln VUL^{DB}-IV, VUL^{DB}-II, VUL^{DB} - Lincoln VUL^{ONE}, VUL^{ONE} 2005, VUL^{ONE} 2007, - Lincoln SVUL^{ONE} - VUL-1, SVUL-1 - LifeElements IUL - Jefferson Pilot Legacy VUL Ensemble products <p>Note: Product impact based on death benefit options offered and changes allowed within the policy language</p>	<p>Lincoln DesignItSM : 11/14/2011</p> <p>Lincoln Inforce Platform: 10/17/2011</p> <p>Life Portraits Plus: 12/19/2011</p>	<p>If a case is being illustrated for the first time after 11/14, a death benefit option change will be recognized as a material change.</p> <p>If a case was illustrated before 11/14 and is being rerun after 11/14 with the same parameters, the policy could now be a MEC, where previously it was not.</p> <p>Key points to mention:</p> <ul style="list-style-type: none"> • May notice an increased amount of MEC illustrations then before if the death benefit option change occurs during the premium paying years. • Effective 11/14, the “Max CV / 2-to-1 switch” solve will not allow the switch year to occur until premiums stop to help avoid the illustration becoming a MEC. • If manually setting the switch year, consider using a switch year after premiums stop. 	<p>Originally sold illustrations showing DBO2 to 1 switch with ongoing premiums after the switch year could now be a MEC, where previously they were not.</p> <p>Key points to mention:</p> <ul style="list-style-type: none"> • Death benefit option changes are not automated and must be requested manually. • As part of good business practice, before initiating a DBO change, client should receive an inforce illustration to ensure the proposed change meets their current objectives. This will alert them to potential MEC issues. • If manually setting the switch year, consider using a switch year after premiums stop. • If a premium payment will cause the policy to MEC, normal Customer Service client notification procedures will be followed before the payment is applied.

Sunsetting Illustration Edge - products moving to Life Portraits Plus

In the December download release of the **Life Portraits Plus** illustration system, users will now have inforce access to 4 products - JPF Select, Legend 100, Legend 200 & Duet 300 – which were previously housed within the **Illustration Edge** inforce system. This change was made because **Illustration Edge** is not compatible with Windows 7. Effective with the December download release of Illustration Edge, users will only have access to the **CLASS** system products (aka Chubb legacy products). Please note coming in January 2012 we will have a Window 7 ready version of the CLASS illustration system with updated print capabilities, including a PDF option.

Lincoln VUL Dollar Cost Averaging Fixed Account Enhanced Interest Rate Program – Ends Soon!

Reprinted from the Lincoln Leader - Issue 18 - October 3

The VUL Dollar Cost Averaging Fixed Account Enhanced Interest Rate Program will be ending soon. This program includes a 10% Fixed Account enhanced current interest rate to help with short-term returns while the client transfers funds into variable investment options using a 12-month Dollar Cost Averaging (DCA) program. This annual effective rate is paid on the declining balance in the Fixed Account so the amount of interest earned will be less. These fixed rates do not reflect performance of the variable investment options selected by the client.

The DCA Fixed Account Enhanced Interest Rate program is available on:

- **New** Lincoln VUL applications signed between **June 1, 2011 and December 31, 2011 – Applications must be received by January 14, 2012.**
- The enhanced program applies to all currently available Lincoln VUL products, except in New York.

For complete details on the program eligibility and how to apply, [click here](#) to view the comprehensive Q&A document. **Reminder:** There is a **minimum DCA transfer amount** based on premiums directed to the Fixed Account during the DCA period, including modal, lump sum and 1035 premiums. Also, large unplanned subsequent payments may require an increased transfer amount. The minimum DCA transfer amount is the greater of \$50 or 5% of premiums for monthly transfers and \$150 or 15% of premiums for quarterly transfers.

Note: Using Dollar Cost Averaging does not assure a profit and does not protect against loss in a declining market. Also, using this method involves continuous investment in securities regardless of fluctuating price levels, so consider the financial ability to continue investment during periods of low price levels.

Reminder: You must be logged into LFAPlanner.com, LincolnFinancialNetwork.com or LFD.com prior to linking to the hot links contained in this document. For some secure documents an additional login screen may be required – please use your normal login ID and Password if this screen is required.

Products and features subject to state availability. Guarantees backed by the financial strength of the insurer. Lincoln Financial Group is the marketing name for The Lincoln National Corporation and its affiliates.

Policies are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are backed by the claims-paying ability of The Lincoln National Life Insurance Company.**

Policies sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY. **The contractual obligations are backed by the claims-paying ability of Lincoln Life & Annuity Company of New York.**

Variable products are sold by prospectus. For more information about the variable products, including fees and charges, refer to the prospectus. Variable products are distributed by Lincoln Financial Distributors and offered through broker dealers with effective selling agreements.

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