Lincoln Treasury Indexed UL

Frequently Asked Questions

QUESTION	ANSWER	CONTRACT LANGUAGE
Product Positioning:		
Why did Lincoln develop *Lincoln Treasury Indexed UL*?	Traditional GUL products lock in prices at issue based on the interest rate environment. Due to the current high cost, consumers that are optimistic that rates will improve are looking for more affordable guaranteed death benefit premiums. *Lincoln Treasury Indexed UL* offers clients an affordable baseline guaranteed death benefit amount and duration, with the opportunity to extend the guarantee using earned credits based on a common, transparent and readily available Index – the 10 Year Treasury. *Lincoln Treasury Indexed UL* will enhance our "pivot" product portfolio for under age 65 level pay guarantee sales.	
Target Market:		
Who is the target market for *Lincoln Treasury Indexed UL*?	Those who want affordable guaranteed death benefit protection with a level premium payment design and a flexible guaranteed coverage period that gets better when the 10 Year Treasury exceeds a minimum level. Typically, ages 35-65 will see the largest improvement from a moderate index improvement. This product was NOT designed for single-pay, short pay or large premium dump-ins.	
Product Design:		
Why is *Lincoln Treasury Indexed UL* on an IUL chassis?	The product has characteristics similar to traditional IUL products, most notably credits based on an external index. Due to its innovative design, using an IUL chassis builds on applicable regulations and industry practice that already exists for IUL.	
What is the Index and how is it used within *Lincoln Treasury Indexed UL*?	The Index is the 10 Year Constant Maturity Treasury Note nominal yield. *Lincoln Treasury Indexed UL* uses an Average Annual Index to determine new earned credits, defined as the daily average of the Index calculated for a 12-month period that ends 60 days prior to each policy anniversary. This includes the first policy anniversary, where the 12-month period begins 60 days before the Policy Date.	**Index** The 10 Year Constant Maturity Treasury Note nominal yield, as published by the Federal Reserve Board. If the Index is discontinued, or if We are unable to use it for reasons beyond Our control, We will substitute a suitable successor Index of Our choosing. If this occurs, We will provide you with written notification of this change. **Average Annual Index** The daily average of the Index calculated for a period that ends 60 days prior to the policy anniversary and begins 12 months prior to the ending date, using only values on days the Index is published. The Average Annual Index will be a percentage rounded to 2 decimal points.

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Index Feature:		
What is the "baseline" guarantee?	Like GUL, many aspects of the policy are guaranteed, including the lapse protection feature provided under the Coverage Protection Guarantee (CPG), the policy cost of insurance, administrative charges and policy value minimum credited interest. The CPG provides an alternate Coverage Protection Value (CPV) that, if positive, will ensure that the coverage will continue even if the cash value is insufficient to cover charges. *Lincoln Treasury Indexed UL* provides the opportunity for improved guarantees based on the Index, which allows earned credits to be applied as premiums used in the calculation of the CPV and therefore can impact the length of the CPG. The baseline guarantee is shown in the illustration's Guaranteed Values which is calculated using only the guaranteed components of the policy, CPG and Treasury Index feature.	**CPG Rider** Note that the length of time the Coverage Protection Guarantee can keep Your policy in force may vary based on the following factors: • Changes in premium frequency, timing or amount. As an example, if Your initial planned premium payments will satisfy the Coverage Protection Guarantee Test (CPG Test) to the Insured's Attained Age 85, but You later decide You would like the CPG Test, as defined in the Coverage Protection Guarantee Provision below, to be satisfied to the Insured's Attained Age 100, you may request information on the amount of the increase in the planned premium that would be required to achieve this modified objective. • If the policy to which this Rider is attached includes "Earned Credit Provisions", any Total Earned Credits applied as premium, the amount of Total Earned Credits, or changes in Your Total Earned Credit Election. • Policy changes such as loans, increases or decreases in Specified Amount and the addition or removal of Riders. **Earned Credit Provisions and the Coverage Protection Guarantee Rider** If the policy to which this Rider is attached includes "Earned Credit Provisions", only Total Earned Credits applied to the policy as premium will affect the Coverage Protection Value. Premium payments will be subject to the Coverage Protection Guarantee Net Premium Factor. No other Total Earned Credit Election will affect the Coverage Protection Value.

QUESTION	ANSWER	CONTRACT LANGUAGE

What components of the Treasury Index feature are guaranteed?	• The policy includes a schedule of Earned Credit Factors which is guaranteed at issue and will not change unless the client requests a change in underwriting class.
	• If the Average Annual Index exceeds a minimum level, a new Earned Credit will be determined by multiplying the applicable Earned Credit Factor by the number of thousands of Specified Amount in effect on the policy anniversary.
	  ○ Policy year 1: There is a guaranteed new Earned Credit using an Average Annual Index of 4%.
	  ○ Policy years 2-5: There is a minimum guaranteed new Earned Credit using an Average Annual Index of 4%. If the Average Annual Index exceeds this level, a larger Earned Credit Factor will apply.
	  ○ Policy years 6+: The Average Annual Index must equal or exceed 2% to receive a new Earned Credit for that policy year.
	  ○ In all years: The Earned Credit Factors have a guaranteed maximum at an Average Annual Index of 8%.
	• Once new Earned Credits are determined, they are guaranteed to accumulate every year going forward as a Total Earned Credit. You are guaranteed to receive a Total Earned Credit at a minimum equal to the previous year's Total Earned Credit, subject to any policy changes made by the policy owner.
		Indexed Earned Credit Feature This policy provides Earned Credits as described in the "Earned Credit Provisions". Refer to the "Earned Credit Provisions" for a detailed description of the credits. Earned Credit Factors are based on an external financial Index as well as the Insured's Age, sex, and Rate Class. You will receive a guaranteed Earned Credit for the first 5 policy years. Your Earned Credit is calculated by multiplying the applicable Earned Credit Factor by the number of thousands of Specified Amount in effect. If the Index exceeds a minimum level, a larger Earned Credit will be determined by using a higher factor in the Earned Credit calculation.

What components of the Treasury Index feature are <u>not</u> guaranteed?	The actual performance of the Index is not guaranteed. However, the schedule of Earned Credit Factors which corresponds to the performance of the Index is guaranteed.	
Why is there a minimum earned credit in policy years 1-5?	Due to the short-term economic uncertainty, the policy provides for a minimum earned credit in policy years 1-5.	
What is an Earned Credit Factor?	A guaranteed schedule of factors based on the Insured's age, sex and underwriting class that correspond to 25 basis point ranges of Index performance, beginning at 2.00% and capping off at 8.00%. This schedule is included in the policy and illustration.	This policy provides for Earned Credits which are determined using the Table of Earned Credit Factors Per $1000 of Specified Amount, as shown on the Policy Specifications. The Table A Earned Credit Factors are based on the Insured's Age, sex, and Rate Class and establish the minimum guaranteed level of the factors. The Table B Earned Credit Factors are established on the same basis as the Table A Earned Credit Factors and provide for the use of higher factors, depending on the performance of an outside financial Index – as defined below. Earned Credits accumulate each policy year as described in the "Total Earned Credits" definition below.

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What is an Earned Credit?	**Annual Earned Credit** An Annual Earned Credit is an amount determined for each policy year based on the Average Annual Index (the daily average of the Index calculated for a 12 month period that ends 60 days prior to the policy anniversary). If the Average Annual Index exceeds a minimum level, a new Annual Earned Credit will be determined by multiplying the applicable Earned Credit Factor by the number of thousands of Specified Amount in effect on the policy anniversary. <u>Example:</u> Specified Amount = $1,000,000 Number of Thousands: $1,000,000 divided by 1000 = 1000 Average Annual Index = 3.92% Earned Credit Factor for the range of 3.75% - 3.99% = 0.5861 **Annual Earned Credit = 1000 multiplied by 0.5861 = $586.10** **Total Earned Credit** Once Annual Earned Credit amounts are determined, they are guaranteed to accumulate every year going forward as a Total Earned Credit. The Total Earned Credit amount equals the previous year's Total Earned Credit Amount plus the current year's new Annual Earned Credit. You are guaranteed to receive a Total Earned Credit each year at a minimum equal to the previous year's Total Earned Credit, subject to any policy changes made by the policy owner (e.g. changes in face amount). <u>Example:</u> Total Earned Credit as of Prior Year = $3,455.50 Annual Earned Credit Current Year = $586.10 **Total Earned Credit Current Year = $3,455.50 + $586.10 = $4,041.60**	**Earned Credit** An amount determined on the first day of each policy year (using the Average Annual Index calculated 60 days prior to the policy anniversary), as described below: For policy year 1, the Table A Earned Credit Factor as shown on the policy specifications page, multiplied by the number of thousands of Specified Amount on the Policy Date. For policy years 2-5, the Earned Credit will be the greater of a) or b) where: a) is equal to the Table A Earned Credit Factor for the current policy year, as shown on the policy specifications page, multiplied by the number of thousands of Specified Amount in effect; and b) is equal to the applicable Average Annual Index's corresponding Table B Earned Credit Factor for the current policy year, as shown on the policy specifications page, multiplied by the number of thousands of Specified Amount in effect. For policy years 6 and thereafter until the Insured's Attained Age 121, the Earned Credit will be the greater of a) or b) where: a) is zero; and b) is equal to the applicable Average Annual Index's corresponding Table B earned Credit Factor for the current policy year, as shown on the policy specifications page, multiplied by the number of thousands of Specified Amount in effect. **Total Earned Credit** The sum total of all Earned Credits determined in prior policy years, including any Earned Credit for the current policy year. For example, if an Earned Credit of $10.00 is determined in policy year 1, and an Earned Credit of $10.00 is determined in policy year 2, a Total Earned Credit of $20.00 will be paid in policy year 2.
Are the credits cumulative?	Yes. Once new Earned Credits are determined, they are guaranteed to accumulate every year going forward as a Total Earned Credit. You are guaranteed to receive a Total Earned Credit at a minimum equal to the previous year's Total Earned Credit, subject to any policy changes made by the policy owner.	**Total Earned Credit** The sum total of all Earned Credits determined in prior policy years, including any Earned Credit for the current policy year. For example, if an Earned Credit of $10.00 is determined in policy year 1, and an Earned Credit of $10.00 is determined in policy year 2, a Total Earned Credit of $20.00 will be paid in policy year 2.
How can Lincoln afford to vest credits?	With Lincoln Treasury Indexed UL, the amount of credits paid by Lincoln are dependent on the performance of the Treasury over time. When Treasury performance improves and triggers additional credits, Lincoln also has the opportunity to earn a higher return on premium paid over time, and is able to pass that back to the policy owners over time in the form of vested credits. This is one of the reasons that Lincoln is able to be so competitive on level pay premiums.	

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How are Earned Credits applied to the policy?	At issue and on each policy anniversary, Total Earned Credits are first credited to the Policy Value. At issue, the first policy year Total Earned Credit will be withdrawn and applied as premium the same day as the initial premium. For policy years 2 and following, the policy owner must elect to use the Total Earned Credit in one of three ways: **Earned Credit Election Options:** • **Premium** – withdraw from the policy value and simultaneously apply as a premium payment. The premium load will apply. Total Earned Credits are then used in the calculation of the Coverage Protection Value. • **Withdraw** –Withdraw from the policy value and then pay to the policy owner. No withdrawal fees or charges apply and there is no impact to the face amount. No portion of Total Earned Credits will be credited to the Coverage Protection Value. • **Policy Value** – Remain in the Policy Value. No portion of Total Earned Credits will be credited to the Coverage Protection Value.	**Total Earned Credit** The first policy year's total Earned Credit will be withdrawn from the Policy Value and will be applied as premium the same day the initial premium is applied to this policy. If this policy is cancelled and returned, in accordance with the "Right to Cancel Policy" provision, we will not refund any Total Earned Credit applied as premium. **Total Earned Credit Elections** All Total Earned Credits will be credited first to the Policy Value. Total Earned Credits may then be received or applied to this policy in the following options: 1. Premium – The Total Earned Credit will be withdrawn from the Policy Value and applied as a premium payment. Premium payments will be subject to the Net Premium Factor. 2. Withdraw – The Total Earned Credit will be withdrawn from the Policy Value and paid to You by check or other method made available by Us. 3. Policy Value – The Total Earned Credit will be credited to the Policy Value and will not be withdrawn. As there are no withdrawals allowed other than the withdrawal of a Total Earned Credit at the time the Total Earned Credit is paid, when this option is elected loans or surrendering the policy will allow You to access the Cash Surrender Value, if any. Refer to the "Surrender and Surrender Value" provision and "Policy Loans Provision".
Why would I choose each Earned Credit Election option?	**Premium** – Select this option if you want to impact (lengthen) the guarantee. **Withdraw** – Select this option for access to cash. This option provides liquidity in the policy but does not impact the Coverage Guarantee Period. It will not lengthen the guarantee. **Policy Value** – This option allows money to remain in the policy value and earn policy value interest. However, since this product was not designed to accumulate cash value, you should carefully review the illustration to evaluate the impact.	**Earned Credit Provisions and the Coverage Protection Guarantee Rider** If the policy to which this Rider is attached includes "Earned Credit Provisions", only Total Earned Credits applied to the policy as premium will affect the Coverage Protection Value. Premium payments will be subject to the Coverage Protection Guarantee Net Premium Factor. No other Total Earned Credit Election will affect the Coverage Protection Value.
Can I change my election and if so, how often?	Yes. There is no limit on how often you change your election, but the Earned Credit Election must be received by Lincoln no later than 30 days prior to the policy anniversary.	The first policy year's Total Earned Credit will be withdrawn and paid as a premium payment. In policy years 2 and thereafter, You must make a Total Earned Credit Election as either 1., 2. or 3. noted above. You may change Your Total Earned Credit Election for policy years 2 and thereafter. Total Earned Credit Election changes must be received by Us no later than 30 days prior to a policy anniversary.
If the Average Annual Index exceeds 4% in policy years 1-5, can I earn a larger credit?	In policy year 1, you receive an earned credit based on the Average Annual Index of 4%. In policy years 2-5, The Average Annual Index of 4% is the minimum. If the actual performance exceeds this level, you will earn a larger credit up to an Average Annual Index cap of 8%.	

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Is the 2.00% minimum Average Annual Index needed to earn a new Annual Earned Credit in years 6+ a "guaranteed" floor"?	No. Unlike policy years 1-5, there is no guaranteed minimum new Annual Earned Credit in years 6+. The Average Annual Index must equal or exceed 2.00% to earn a new credit in years 6+. If the Average Annual Index is less than 2% in a given year, no new Annual Earned Credit is paid. However, the prior year's "vested" Total Earned Credit will continue to be paid.	
In years 6+, why do I only earn a credit if the Average Annual Index is equal or greater than 2.00%?	The minimum rate was determined based on the 10 Year Treasury yield during the time of product development which was less than 2.00%. This product was designed assuming rates would rise above current levels.	
Why do the Earned Credit Factors have a guaranteed cap at an Average Annual Index of 8%?	This was primarily a pricing consideration that balanced out of pocket premium and earned credit premium.	
What if my earned credit is more than enough to guarantee my policy for lifetime?	If the policy has already been guaranteed for lifetime with no further premiums (including earned credit premiums) required, the policy owner can elect the Withdraw Option and take the earned credits as cash. If the policy has already been guaranteed for lifetime with no further out of pocket premiums required, and the Total Earned Credit Premium exceeds the premium amount needed, the policy owner can elect to split the Total Earned Credit as a partial premium payment and withdraw the excess earned credits as cash.	
What impact do the Earned Credits have on the Disability Waiver of Specified Premium Benefit Rider or the Disability Waiver of Monthly Deduction Rider?	Total Earned Credits will continue to be credited even if the insured is totally disabled as defined in the rider.	Disability Waiver of Specified Premium Benefit Rider or Disability Waiver of Monthly Deduction Rider: If the Insured is on total disability as provided by the Rider, Total Earned Credits will be credited.

<table>
<tr><th>QUESTION</th><th>ANSWER</th><th>CONTRACT LANGUAGE</th></tr>
<tr><td>Why does Guaranteed UL (GUL) cost so much less than Lincoln Treasury Indexed UL assuming no new credits in years 6+?</td><td>There are two reasons for the extra cost associated with Treasury Indexed UL (TIUL):
The flexibility that was built into TIUL that allows the baseline guarantee to extend to any duration. To accommodate this, charges in each year must pay for the cost of the insurance for that year, which also extends the charges out to the maturity date of the product (age 121) vs. age 100 with GUL.
The cost of the “upside potential” that is inherent in TIUL through the earned credits.
Example: For a 55 M SNT:
GUL:
Premium: $15,617
Total outlay for lifetime guarantee: $702,765 (to age 100)
TIUL – no new credits in years 6+:
Out of pocket premium: $19,521
Total out of pocket outlay for lifetime guarantee: $1,288,386 (to age 121)</td><td></td></tr>
<tr><td colspan="3">Other Policy Features:</td></tr>
<tr><td>What is the difference between the guaranteed 2% interest and the minimum Average Annual Index of 2.00% needed to earn an Annual Earned Credit in policy years 6+?</td><td>The guaranteed 2% interest is the “traditional” Policy Value minimum interest rate in all years. It is unrelated to the performance of the Index.</td><td>Policy Value The Policy Value on the Policy Date will be equal to all net premiums paid for this policy as of the Policy Date, minus the monthly deduction for the current policy month. The Policy Value of this policy is then determined on each Monthly Anniversary Day by accumulating with interest the Policy Value for the prior month increased by the net premiums credited and any Total Earned Credits credited to the Policy Value, and decreased by monthly deductions, any Total Earned Credits withdrawn from the Policy Value, and by any surrender charges due to any decrease in Specified Amount since the preceding Monthly Anniversary Day.</td></tr>
<tr><td>Is there a Premium Relief Feature?</td><td>Yes, Any premium received during the current policy month is treated as though it was received at the beginning of the policy month for the purpose of calculating the CPG. Missed premiums beyond the current policy month will, however, impact the guarantee period.</td><td>Treatment of the Effective Date for Coverage Protection Guarantee Net Premium All Coverage Protection Guarantee net premiums received between two Monthly Anniversary Days will be treated as if they had been received as of the prior Monthly Anniversary Day in relation to the actual premium receipt date. This means that the Coverage Protection Guarantee net premium will be treated as having been received before the calculation of the Coverage Protection Guarantee monthly deduction and subsequent interest accreditation. This treatment of the effective date of premiums only applies for the purposes of calculating Coverage Protection Account Values.</td></tr>
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Is there a 1035 forgiveness feature?	No. This product is not designed for single-pay or large premiums dump-ins. If a 1035 payment was included in the original illustration, and if the money comes in a different month than illustrated, a revised illustration will be required.	
Why are "traditional" withdrawals not allowed?	*Lincoln Treasury Indexed UL* was not designed to be a cash value product. Traditional withdrawals would negatively impact the Coverage Protection Guarantee Value and would add complexity to the policy management of the Earned Credits. For liquidity needs, policy loans will be available, along with the ability to select the Withdraw Earned Credit Election option.	
Policy Management:		
What correspondence will go to my client regarding the Index feature?	**Annual Earned Credit Letter** Sixty days prior to each policy anniversary, the policy owner will be sent a letter notifying him/her of the Earned Credit and Total Earned Credit for the current policy year which will be applied at the next policy anniversary. The client should review their scheduled out of pocket planned premium as compared to their illustration assumptions to determine any desired changes to stay on track with their policy goals. If the total of the out of pocket premium plus the Total Earned Credit is less than assumed due to actual Index performance, they may want to pay more than the billed amount so as not to adversely affect their illustrated guarantee. If the illustration was run with the Premium Election, a Premium Design Report will be included to assist in this comparison. **Premium Reminder Notice** Thirty days before the policy anniversary, the policy owner will be sent a Premium Reminder Notice which is based on the planned out of pocket premium. No adjustments will be made to the billed amount based on actual Index performance or Total Earned Credits. **Annual Statement** Total Earned Credits applied during the reporting period will be reflected. However, since the Statement of Account covers the period from the prior policy year's anniversary through the day before the next policy anniversary; the Total Earned Credit shown in the Earned Credit Letter will not be reflected until the following year's statement.	

QUESTION	ANSWER	CONTRACT LANGUAGE
What happens if actual Index performance is lower than assumed and no additional out of pocket premium is paid beyond the originally scheduled planned premium?	Assuming that the originally planned out of pocket premium is paid as illustrated, the client will always have the baseline guarantee plus any extended guarantee that has resulted from, at minimum, the previous year's Total Earned Credit applied as premiums.	
For non-annual premium modes, if actual Index performance is lower than assumed, how to I determine the additional out of pocket premium and when should it be paid?	Regardless of premium mode, the Total Earned Credit is an annual amount that is credited on each policy anniversary. The Earned Credit Letter and illustration Premium Design Report also provide both credit and premium amounts on an annual basis. While any additional out of pocket premium could be spread out over non-annual premium modes, it is recommended that the client pay the additional annual out of pocket premium with their next premium reminder notice for annual, quarterly and semi-annual modes, and mail a separate payment by the policy anniversary for monthly EFT. This will ensure that this additional premium immediately increases the Coverage Protection Value and may help offset future lower than assumed Index performance or reduce future out of pocket premium.	
If no additional out of pocket premium is paid this year, can the client still pay a catch-up premium in the future?	Yes, catch-up premiums are allowed. However, due to premium timing, the amount needed will be larger than if any adjustments were made on an annual basis. The policyowner should request an inforce projection.	
What if the planned out-of-pocket premium is missed completely, can the client still pay a catch-up premium in the future?	While catch-up premiums are allowed, completely missing a planned premium on a product with minimal cash value will often lead to a lapse pending status. The policyowner must request an inforce projection prior to entering the grace period. Once in the grace period, an inforce projection cannot be generated. The client would first have to pay the amount indicated on their lapse pending letter to get out of grace then request an inforce projection to determine the catch-up premium needed to restore their full guarantee. Due to premium timing, the catch-up amount needed will be larger than if premiums were paid as illustrated. Any Total Earned Credit Premium will continue to be applied, regardless of the out of pocket premium paid by the client.	
Can the planned out of pocket premium or any additional out of pocket premium being paid due to lower than assumed Index performance be paid early?	The Coverage Protection Guarantee (CPG) premium load is level in all years, so paying early will not be impacted by a different premium load. However, you do need to consider CPG premium thresholds that were designed to discourage single-pay or large dump-ins. The way these are structured, premiums can be paid up to a month early with no negative impact. But paying any earlier may cause the premium to bump up against the CPG premium thresholds, resulting in unfavorable impact to the Coverage Protection Value.	

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What happens if actual Index performance is higher than assumed? Can the out of pocket premium be reduced?	You may have any "excess" Total Earned Credit paid as premium towards your guarantee which will increase your Coverage Protection Value. This may help offset future lower than assumed Index performance or reduce future out of pocket premium. You may also request that Lincoln distributes the Total Earned Credit as a partial premium payment and send any remaining amount as a payment to the policy owner.	
What is included in the annual report?	The annual report will include the following: • Premiums paid over past year • Administrative charges, interest credited, cost of insurance, monthly deductions • Any Total Earned Credits • Your Total Earned Credits election • Current death benefit, Policy Values, Debt • Status of any Coverage Protection Guarantee	**Annual Report** We will provide an Annual Report (Statement of Account) to You. This report will show the activity of this policy for the past policy year. It will list premiums paid, administrative charges, interest credited, cost of insurance, monthly deductions, any Total Earned Credits, and Your Total Earned Credit Election. It will show the then current death benefit, Policy Values, Debt, and the then current status of any Coverage Protection Guarantee. This report will also include any other information required under the laws and regulations of the state in which this policy is delivered.
Will the policy owner receive an in force illustration? If so, when?	The policy owner is encouraged to request an in force projection at least once each policy year.	**Monitoring Your Policy's Performance** We will send you an annual notification of the status of Your policy and any Coverage Protection Guarantee, as applicable, on the Annual Report (Statement of Account) for Your policy, which You should review carefully. Begin by verifying that Your Planned Premiums and projected Total Earned Credits will accomplish Your insurance objective. Ask Your life insurance agent to explain anything You do not understand. You may need to adjust Your premiums to achieve Your insurance objectives. You may Request from Us, at any time, an in force projection of future death benefits and Policy Values and the length of time any Coverage Protection Guarantee is projected to remain in effect. We encourage You to Request an in force projection at least once each policy year, subject to the terms of the "Annual Report" provision of this policy. We are available to answer Your questions and assist You in making changes to Your policy.

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Illustrations:		
How do I determine the assumed Treasury rate for year 6+?	Consider the following: • Learn about the 10 Year Treasury Index. Visit the following websites: www.treasurydirect.gov; www.federalreserve.gov/releases/h15/data.htm; www.news.morningstar.com/TreasuryYield/bonds.aspx • Review 10 Year Treasury historical returns. DesignIt illustration software includes the 25-Year Historical Lookback document which is for client use. • Determine the client's long-term outlook for the Treasury rate. To what degree do they believe that the Treasury Index will improve? • Consider whether the client would prefer the lowest level out of pocket premium or might consider a higher premium to reduce the likelihood of paying additional out of pocket premium if actual results are lower than assumed. • Consider running an illustration using the sales templates that vary the assumed Treasury rate – *Gradual Treasury Rate Increase* and *Reverse Historical Treasury Rate.* • Consider running an illustration that varies the Treasury rate and/or include the Alternate Values report with a different assumed rate.	
How did Lincoln choose the default assumed rate of 4.5% and the maximum assumed rate of 5% in the illustration system?	A conservative approach was taken for purposes of determining the default and maximum Average Annual Index that are illustrated for policy years 6 and following. Using a 25-year lookback, each historical Treasury Rate was adjusted to follow the contractual provisions for calculating earned credits. It was assumed that the Treasury rate would be below the minimum 2% for 2013-2014 so that there would be no new annual earned credit for those years. Actual results may be more favorable. • Average Annual Index between the guaranteed minimum 2.00% and 8% maximum, rounded down to the nearest 25 basis points. • Each year's Average Annual Index converted to a new annual earned credit amount and a 25 year arithmetic average of the earned credit amount calculated. • The arithmetic average of the earned credit amount converted back to the Treasury Rate needed to earn that credit amount.	

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What is the purpose of the Alternate Values report?	The Alternate Values will show the impact of different assumed Treasury rate(s) on the guaranteed duration using the Assumed Value assumptions for out of pocket premium and face amount.	
For policy years 1-5, why can't you illustrate a rate higher than the minimum guaranteed 4% Average Annual Index?	Due to the short-term economic uncertainty, a conservative illustration approach was taken for the first 5 years.	
How is the Earned Credit Election illustrated?	The Earned Credit Election is shown on: • Client /policy summary header at the top of each page • Understanding Your Illustration section • Transaction Summary • Indexed Signature Page • New Business Data page	
Why is there a minimum initial monthly premium requirement?	Similar to other UL products, there is an initial minimum monthly premium which is the amount needed to keep the policy in force until billing commences and more premium is received. This is displayed on the New Business Data page.	

QUESTION	ANSWER	CONTRACT LANGUAGE
Tax Consequences:		
Are there any tax consequences related to Earned Credits?	The cost basis is first established based on the out-of-pocket premium paid. Total Earned Credits will have a different impact to the cost basis, depending on the Earned Credit Election. • In all years, Total Earned Credits are first credited to the policy value. This has no impact to the cost basis. • At issue, the first policy year Total Earned Credit is withdrawn from the policy value (reduces cost basis) and then applied as premium (increases cost basis). These successive actions will result in no net change to the cost basis. * • For policy years 2 and following: ○ **Premium**: Total Earned Credit is withdrawn from the policy value (reduces cost basis) and then simultaneously applied as premium (increases cost basis). These successive actions will result in no net change to the cost basis. * ○ **Withdraw**: Total Earned Credit is withdrawn from the policy value (reduces cost basis). The After Tax Outlay report will indicate if the cost basis has been reduced to zero and whether it will be reported as a taxable distribution. ○ **Policy Value**: Total Earned Credit remains in the policy value (no impact to cost basis). * At the point the Total Earned Credit is withdrawn from the policy value and <u>before</u> being applied as premium, if the withdrawal amount is larger than the cost basis, it will be reported as a taxable distribution even if subsequently applying as premium restores the cost basis above zero. It is important to pay the planned out-of-pocket premium to maintain the cost basis.	
Compensation:		
Does this product have a rolling target?	Yes, there is a 2 year rolling target, except in New York.	
Are Total Earned Credits commissionable?	Only if Earned Credits are applied as premiums.	

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