FOR LIFE

Product Reference Guide

Lincoln Treasury Indexed UL

This information was compiled by Product & Distribution Support. For questions contact Annie Raasch annie.raasch@lfg.com.

You're In Charge[SM]

LCN: 201302-2077562
Last Update 02/13

Lincoln Treasury Indexed UL
Product Reference Guide
Table of Contents

Product Overview

Lincoln Treasury Indexed UL provides flexible low-cost guaranteed life insurance protection through the Coverage Protection Guarantee (CPG) with the opportunity for improved guarantees through Earned Credits which are based on the 10 Year Constant Maturity Treasury Note nominal yield (Index), as published by the Federal Reserve Board. The CPG provides an alternate Coverage Protection Value that, if positive, will ensure that the coverage will continue even if the cash surrender value is insufficient to cover charges. The Treasury Indexed feature allows Earned Credits to be applied as premiums used in the calculation of the Coverage Protection Value and can therefore impact the length of the CPG.

Traditional Guaranteed UL 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.

The target market includes those who want affordable guaranteed death benefit protection with a level premium payment design paid to maturity 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.

What Is Guaranteed

- A baseline death benefit amount and duration regardless of the 10-year Treasury yield.
- New earned credits guaranteed at a minimum of 4% in policy years 1-5.
- The opportunity to earn more credits after policy year 5, if the 10-year Treasury yield averages 2% or more.
- Vested annual earned credits that accumulate every year. Once earned, they cannot be lost.
- The earned credit factors schedule determined at policy issue according to underwriting class, issue age and gender.
- All policy fees and expenses.
- 2% earned interest on the policy value.

What is Not Guaranteed

- The actual performance of the 10-year Treasury yield.

Key Features

Coverage Protection Guarantee (CPG)

The Coverage Protection Guarantee is provided through a rider which is included along with the base policy automatically at issue. The CPG gives the guarantee the same flexibility as the underlying base policy, so you can change scheduled premiums, take loans and make policy changes. Note that doing any of these would most likely shorten the guarantee period, but any policy changes that decrease charges or an increase in premiums will most likely lengthen the guarantee period. The illustration system may be used to determine the premium needed to maintain the Coverage Protection Guarantee for the desired time period.

Regardless of issue age, the CPG is available until the insured's Age 121. As long as the CPG value minus debt is enough to cover the current CPG monthly deduction, the policy will not lapse even if the cash surrender value is insufficient to cover the monthly deductions.

The Coverage Protection Value is made up of three Coverage Protection Accounts, (CPA). If the total of the Coverage Protection Accounts is greater than or equal to the total policy loan balance, then the Coverage Protection Guarantee is in effect. Premiums are allocated to each CPA based on certain rules. For a more detailed look at the calculation of the Coverage Protection Value, please see a specimen contract.

The CPG is permanently lost if the policy lapses for longer than 90 days (N/A in TX and VA). Terminating the CPG may require greater premium amounts to keep the policy in force. The CPG also includes a Premium Relief Feature. See details below.

Premium Relief Feature

The Premium Relief Feature grants what amounts to an approximate 30-day "grace period" for scheduled premiums. For CPG purposes only, if the premium is received mid-policy month, it will be considered paid as of the beginning of the month for purposes of calculating the Coverage Protection Value. How long the "grace period" is depends on the number of days the month in question has. Here are a few examples:

If the client's monthiversary (MAV) day is 12, and the most recent MAV was 5/12/12, the client would have until 6/11/12 in order to pay a premium and have it be included in the CPG calculation as of 5/12. There are 31 days in this period, so the client's "grace period" is 31 days. For a MAV in February, the client would have until March 11 to get their premium in. Since February is a shorter month, the client has only 28 days between 2/12 and 3/11 to get their premium in. So, that is why we refer to an "approximate 30 days" since the number of varies between 28, 30 and 31.

1035 Forgiveness Feature

There is no 1035 forgiveness on this product, since it is not designed for single-pays or large premium dump-ins. If a 1035 payment was included in the original illustration and the money comes in a different month than illustrated, a revised illustration will be required.

Catch-Up Feature

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 policy owner 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.

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 a minimum, the previous year's Total Earned Credit applied as premiums.

Baseline Guarantee

Like Guaranteed UL, 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 Treasury Indexed feature includes a schedule of Earned Credit Factors which is guaranteed at issue and will not change unless you request a change in Underwriting Class. You will receive a minimum guaranteed new Earned Credit in policy years 1-5. Once new annual 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 you may make.

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.

Treasury Indexed Feature

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 Coverage Protection Value (CPV) and therefore can impact the length of the CPG.

Annual Earned Credit

Lincoln Treasury Indexed UL uses an Average Annual Index to determine new credits, defined as the daily average of the Index calculated for a 12-month period that ends 60 days prior to each policy anniversary. The Earned Credits are determined using the Table of Earned Credit Factors per $1000 of Specified Amount. The schedule of Earned Credit Factors 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. The chart below shows how the Earned Credit is determined in different policy years:

Policy Year	
1	There is a guaranteed new Earned Credit using an Average Annual Index of 4%.
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.
6+	The Average Annual Index must equal or exceed 2% to receive a new Earned Credit for that policy year.
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. The policy owner is 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.

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.

Total Earned Credit

Total Earned Credit is defined as the sum total of all Earned Credits determined in prior policy years, including any Earned Credit for the current policy year. The Total Earned Credit will be calculated on the first day of each policy year and will be paid into the Policy Value on that policy anniversary.

For example:

Policy Year	Earned Credit	Total Earned Credit Paid
1	$10.00	$10.00
2	$10.00	$20.00
3	$10.00	$30.00
4	$10.00	$40.00

In the first policy year, the Total Earned Credit will be withdrawn from the Policy Value and automatically applied as premium the same day as the initial premium is applied to the policy.

Any Total Earned Credits paid *after* the first policy year will be processed on the same day that they are credited. The policy owner must choose from the Earned Credit Elections listed below.

Earned Credit Elections

Beginning in year 2, all Total Earned Credits will be credited first to the Policy Value then they may be received or applied based on the following options:

Option		**Effect on Guarantee**
Premium	The premium will be withdrawn and applied and simultaneously applied as premium. The premium load will apply.	Total Earned Credits will be used in the calculation of the Coverage Protection Value and can therefore impact the Coverage Protection Guarantee. Credits may be used to: • Extend the guarantee, or • Reduce the out of pocket premium
Withdraw	The Total Earned Credit will be withdrawn and sent to the policy owner as a payment. No withdrawal fees or charges apply and there is no impact to the face amount.	No portion of the Total Earned Credit will be credited to the Coverage Protection Guarantee Value. Will not extend guarantees.
Policy Value	The Total Earned Credit will remain in the Policy Value.	No portion of the Total Earned Credit will be credited to the Coverage Protection Guarantee Value. Will not extend guarantees.

Changing Earned Credit Elections

The policy owner may change the Earned Credit Election as often as they like, but the request must be received by Lincoln no later than 30 days prior to the policy anniversary.

Partial Surrenders/Withdrawals

Withdrawals are not allowed on this product. *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.

Loans

The policy owner may take a maximum loan of 100% of the cash surrender value at any time including beyond attained age 121.

Loan interest rate charged	6% up to age 121; 4% thereafter
Credited interest rate	4% guaranteed

Available Riders/Endorsements

Accelerated Benefits Rider (With Critical Illness Coverage):
The Accelerated Benefits Rider with Critical Illness Coverage pays a portion of the death benefit if one or more of the following occurs:

1. the insured is diagnosed with a specified illness or condition;
2. the insured is permanently confined to a nursing home; or
3. the insured is diagnosed as terminally ill (life expectancy of 6 months or less).

This benefit will be treated as a lien against the policy and as such, will accrue interest. In order to exercise the benefit, there must be sufficient surrender value to cover costs for five years.

Issue Ages:	Same as for base policy
Issue Amount:	Same as for base policy. Minimum policy amount is $100,000; ($50,000 for GI).
Maximum Benefit Amount:	• 50% for terminal illness • 40% for nursing home confinement • lesser of 5% or $25,000 for critical illness The maximum benefit available is $250,000.

This rider cannot be added after issue. It is available if the base policy is rated Table D or better. There is no charge for this rider but there is a $300 charge at the time of claim, which is deducted from the benefit payable.

Accelerated Benefits Rider:
The Accelerated Benefits Rider pays a portion of the death benefit if one of the following occurs:

1. the insured is permanently confined to a nursing home; or
2. the insured is diagnosed as terminally ill.

This benefit will be treated as a lien against the policy and as such, will accrue interest. In order to exercise the benefit, there must be sufficient surrender value to cover costs for five years.

Issue Ages:	Same as for base policy
Issue Amount:	Same as for base policy. Minimum policy amount is $50,000.
Maximum Benefit Amount:	50% for terminal illness 40% for nursing home confinement The maximum benefit available is $250,000.

This rider can be added after issue. There is no charge for this rider but there is a $300 charge at the time of claim, which is deducted from the benefit payable.

Accidental Death Benefit Rider:
The Accidental Death Benefit Rider, available at an additional cost, can help offset financial burden by offering an additional amount, up to $250,000, in the case of an accidental death. The rider will only offer the additional amount if the accident occurs before the insured's Attained Age 70.

Minimum Issue Age:	0
Maximum Issue Age:	65
Minimum Issue Amount:	$1,000
Maximum Issue Amount:	Twice the face amount of base policy up to $250,000.
Target Premium:	12 x the first month rider Cost of Insurance

The rider may be added after issue. The rider benefit amount may be increased or decreased after issue subject to the limits listed above. Rates are based on attained age and are deducted monthly from the accumulated value of the base policy. The rider is commissionable.

Children's Term Rider:
The Children's Term Rider, available at an additional cost, provides level term insurance for each child of the insured. The child would remain insured until the earlier of the policy anniversary nearest the child's 25^{th} birthday or until the insured reaches age 65. The term rider may be converted to an available permanent policy of up to $5000 per unit, but not less than the minimum on the new plan, up to the child's 25^{th} birthday. If the insured dies, the rider coverage becomes a fully-paid up policy with an account value.

Issue Ages:	Base policy insured: 18-50 Each child: 0 (15 days old)-17
Minimum of one unit:	$1000
Maximum of one unit per $5000 of base policy	Up to 10 units or $50,000
Target Premium:	$6.00 per unit

The rider may be added to the policy after issue as long as the child has not yet reached 17 years of age and the parent is between the ages of 18 and 50. The rider is commissionable.

Disability Waiver of Monthly Deductions Benefit Rider:
The Disability Waiver of Monthly Deductions Benefit Rider, available at an additional cost, waives the cost of insurance, monthly expense charges and rider charges if the insured becomes disabled, satisfies the six-month elimination period and remains totally disabled.

Total Disability is defined as:
1) The inability of the insured, because of bodily injury or disease, to engage in an occupation or business:
a) During the first 24 months of total disability, “occupation or business” means the insured’s regular occupation or business at the time the disability began.
b) After the first 24 months of total disability, “occupation or business” means any occupation or business for which the insured is or becomes reasonably suited by education, training or experience.
2) The total loss of sight of both eyes, or the use of both hands, the use of both feet, or the use of one hand and one foot.

Issue Ages:	0-60
Maximum Issue Amount:	Based on maximum $5,000,000 base specified amount **Supplemental Term Insurance Rider on Primary Insured**. If an increase to the base brings it higher than $5,000,000, the rider is no longer allowed.
Benefit: For disabilities commencing after age 5 but before age 56:	Benefits will continue as long as the insured remains disabled.
For disabilities commencing between ages 56-64:	Benefits will continue for 15 years, as long as the insured remains disabled.
Target Premium:	Rider target calculation is a percentage of the target premium for the base and other riders.

This rider may be added after issue with underwriting. The rider terminates at the earlier of age 65 or termination of the base policy. Rates are at attained age and are annually increasing. The rider is not available if the base policy is rated higher than Table D. Rates are based on attained age and are increasing. A policy may not have both the Waiver of Monthly Deduction and the Waiver of Specified Premium Rider. The rider is commissionable.

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 Rider:
The Disability Waiver of Specified Premium Rider, available at an additional cost, will deposit the monthly specified premium into the policy if the insured becomes totally disabled, satisfies a six-month elimination period and remains totally disabled. The monthly specified premiums that were not deposited during the elimination period will be deposited once the elimination period is satisfied.

Total Disability is defined as:
1) The inability of the insured, because of bodily injury or disease, to engage in an occupation or business:
c) During the first 24 months of total disability, “occupation or business” means the insured’s regular occupation or business at the time the disability began.
d) After the first 24 months of total disability, “occupation or business” means any occupation or business for which the insured is or becomes reasonably suited by education, training or experience.
2) The total loss of sight of both eyes, or the use of both hands, the use of both feet, or the use of one hand and one foot.

Issue Ages:	18-60
Minimum Issue Amount (based on specified monthly premium):	$25
Maximum Issue Amount:	The lesser of 1. $3000 or 2. 1/12 the 7702 guideline level premium for the contract.
Amount of Deposit: For disabilities commencing after age 5 but before age 56:	The monthly specified premium will be deposited into the policy as long as the insured remains disabled.
For disabilities commencing on or after age 56:	The monthly specified premium will be deposited into the policy al long as the insured remains disabled, up to a maximum period of 15 years.
Target Premium:	12 x first month rider Cost of Insurance

The rider may be added after issue with underwriting. Increases are allowed after issue subject to additional underwriting. The rider is not available if the base policy is rated higher than Table D. Rates are based on attained age and are increasing. A policy may not have both the Waiver of Monthly Deduction and the Waiver of Specified Premium Rider. The rider is commissionable.

Total Earned Credits will continue to be credited even if the insured is totally disabled as defined in the rider.

Guaranteed Insurability Rider:
The Guaranteed Insurability Rider, available at an additional cost, allows the insured to purchase additional amounts of insurance during option periods, without medical evidence of insurability. The rider must be elected when the policy is purchased. The coverage will expire at the insured's age 40.

Issue Ages:	0-38
Minimum Issue Amount:	$10,000
Maximum Issue Amount:	$50,000 but not more than twice the specified amount for issue ages 0-30, or more than the specified amount for issue ages over 30
Regular Option Dates (occurring after policy issue):	Policy anniversary nearest the insured's 25th, 28th, 31st, 34th, 37th and 40th birthdays
Alternate Option Dates (occurring after policy issue):	If there is at least one uncancelled regular option date remaining, alternate option date is within 90 days of the following: • First marriage of the insured • Birth or adoption of a child The exercise of an alternate option date cancels the option on the next regular option date.
Target Premium:	12 times the first month rider Cost of Insurance

The rider may not be added after issue, nor may the benefit be increased or decreased. It is not available if the base policy has a table rating or an Aviation Exclusion Rider. The cost of the rider is deducted monthly from the accumulated value of the base policy. Rates are level and are on an issue age basis. The rider is commissionable.

Minimum Death Benefit Endorsement:
The Minimum Death Benefit Endorsement, included automatically with every policy, ensures that the policy will still qualify as life insurance even if a loan has otherwise reduced the death benefit to zero. As long as the policy is still in force, the death benefit will be increased so that it is never less than $5,000. This does increase the net amount at risk, and so the client would be paying cost of insurance charges on that amount. This endorsement does not protect the policy from lapse.

Spouse Term Rider:
The Spouse Term Rider, available at an additional cost, provides level term insurance on the spouse of the insured until the spouse's 95th birthday. The rider may be converted to any eligible permanent policy at the earlier of the spouse reaching age 70 or the death of the base insured.

Spouse Issue Ages:	16-70
Minimum Issue Amount:	$25,000
Maximum Issue Amount:	Amount of base policy
Target Premiums:	Available in a target table

Increases and decreases will be allowed after the rider has been in-force for 12 months. The rider has separate current COIs which vary by attained age, gender and tobacco status. The guaranteed rider rates are equal to the base policy guaranteed rates. This rider is commissionable. Preferred classes are not available for this rider.

Lincoln Treasury Indexed UL Product Specifications

Policy Form Number:	UL5072 CPG Rider: J-5882
Data Pages:	F5162-A
Issue Ages/Underwriting Classes: Full Underwriting:	Preferred Plus: 20-80 Preferred Non-tobacco: 20-80 Standard Non-tobacco: 20-85 Preferred Tobacco: 20-80 Standard Tobacco: 15-85
Minimum Specified Amount:	$100,000
Maximum Specified Amount:	Subject to underwriting guidelines
Increases in Specified Amount:	Allowed to the earlier of year 20 or age 85.
Death Benefit Option:	Option I – greater of: • Specified Amount • Policy Value x Corridor • Debt plus $5000
Policy Premium Load:	All Yrs: 12% of all premiums, current and guaranteed Earned Credits when used as premium will be subject to premium load
Monthly Administrative Charges:	• Per Policy Expense Charge: $4/month in all years • 2.0% times the Load Basis Amount* * Load Basis Amount is generated by a separate set of per 1000 rates that are multiplied by the face amount. The Load Basis Amount appears on the policy data pages.
Guaranteed Cost of Insurance Charges:	Based on 2001 CSO Tables to attained age 121.
Current Cost of Insurance Charges:	N/A
Surrender Charges:	Surrender Charge Period: 19 years Per $1000 Charge No Partial Surrenders
Surrender Charges on Increases:	New Surrender Charge Period: 19 years 50% of new issue Surrender Charge
Surrender Charges for Face Amount Decreases:	Per $1000 charge times the number of 1000's in the decrease during the surrender period.
Index:	10-Year Constant Maturity Treasury Note nominal yield. Daily average for a 12 month period that ends 60 days prior to the policy anniversary, rounded down to the nearest 0.25%.

Earned Credits (based on Index):	• Earned Credit Factors – Credits unique to each insured contractually guaranteed in the policy and included in the illustration.
	  o Vary by insured's age, gender, underwriting class and face amount
	  o T-rate average corresponds to a per $1000 factor
	• First 5 years guaranteed at T-rate average of 4%; in years 2-5 can earn excess credits if actual average exceeds 4%
	• Years 6+ can earn credits when average equals or exceeds 2%
	• 8% guaranteed maximum in all years
	• Once annual credit is earned, continue to be paid every year in future
	• Deposited into policy value on each anniversary

Earned Credit Election Options:	At issue, the first policy year Earned Credit will be withdrawn and applied as premium. For policy years 2+, one of the following is selected at issue. Changes must be received no later than 30 days prior to policy anniversary. ***Premium:*** Withdraw and apply as new premium (improves guarantee) ***Withdraw:*** Withdraw as cash (no impact to guarantee) – no withdrawal fees or charges apply, and no impact to face amount. ***Policy Value:*** Leave in policy value (no impact to guarantee)
Policy Management:	• 60 days prior to each policy anniversary, client receives Earned Credit letter notifying them of the Index average of the past 12 months, and the new Earned Credit and Total Earned Credit payable for the upcoming policy anniversary. • Client should review actual results to those assumed in the illustration, to determine if any changes to their planned out of pocket premium are needed to stay on track with their policy goals.
Policy Value Interest Credited Rate:	2% - current equals guaranteed.
Interest Credited on Loan Collateral:	Current and Guaranteed: 4% in all years
Interest Charged on Loans:	6% up to attained age 121 4% thereafter
Extended Maturity:	If the policy is in force and not in the grace period at the anniversary nearest the insured's age 121, the policy will continue in force for the life of the insured. No new premiums will be accepted; the Specified Amount will remain the same; monthly deductions will cease; all riders will terminate except the Guaranteed Minimum Death Benefit Endorsement; loans will continue as before with loan interest accruing and interest credited to loan collateral; loans may continue to be taken after the insured's attained age 121.

Lincoln Treasury Indexed UL Product Specifications

Coverage Protection:	If the total of the Coverage Protection Accounts is greater than or equal to the total policy loan balance, the Coverage Protection Guarantee is in effect. Coverage Protection Guarantee runs to age 121 but the policyholder may elect to have a shorter guarantee period by paying a lesser premium. There is also a Premium Relief Feature which means that if the premium is received mid-policy month, it will be considered paid as of the beginning of the month for purposes of the Coverage Protection Guarantee.
Withdrawals/Partial Surrenders:	N/A
Premium Deposit Fund:	Allows the policyholder to provide in advance for payment of future premiums. Minimum Deposit: $250 Maximum Deposit: 10 times annual premium Guaranteed interest credited on deposit: 1%
Available Riders/Endorsements:	- Accelerated Benefits Rider (with critical illness benefit)[2,3] (J-387) - Accelerated Benefits Rider[2,3] (J-388) - Accidental Death Benefit Rider[1] (BJ-4889) - Children's Term Rider[1] (CTR-5613) - Coverage Protection Guarantee Rider (J-5882) - Disability Waiver of Monthly Deductions Benefit Rider[1] (J-371) - Disability Waiver of Specified Premium Rider[1] (J-372) - Guaranteed Insurability Rider[1] (BJ-4966) - Minimum Death Benefit Endorsement (END-5828) - Spouse Term Rider (STR-5614) [1] There is an additional premium for this rider. [2] There is no charge for this rider until exercised. [3] There is a charge for this at the time it is elected to take effect.
Life Insurance Tax Qualification Test:	Cash Value Accumulation Test (CVAT).
Internal Replacements Allowed:	No reduction in premium load.
Compensation:	• Rolling Target for 2 years. Compensation Chargeback on Requested Specified Amount Decreases: • Policy months 1-6: 100% of impacted commissions • Policy months 7-12: 75% of impacted commissions • Policy months 13-24: 50% of impacted commissions Compensation Chargeback on Decrease due to Full Surrender/Lapse: • Policy months 1-6: 100% of impacted commissions • Policy months 7-12: 50% of impacted commissions Earned Credits applied as Premium are commissionable. Earned Credits under Withdrawal or Policy Value elections are non-commissionable.

Charges, Fees and Deductions on Policy Value

Deductions from Premiums: There is a premium load that is deducted from all premiums. The premium load for *Lincoln Treasury Indexed UL* is 12% in all years, current and guaranteed. Earned Credits, when uses as premium, will be subject to the premium load.

Charges and Fees: In addition, the policy includes several ongoing charges and fees. They are:

- **Monthly Cost of Insurance Charge on per $1000 basis**
- **Monthly Administrative Charges:**
    - **Per Policy Expense Charge:** $4/month ($48 annual) in all years
    - **2% times the Load Basis Amount***

  * Load Basis Amount is generated by a separate set of per 1000 rates that are multiplied by the face amount. The Load Basis Amount appears on the policy data pages.

- **Surrender Charges:** The cash surrender value equals the account value minus the applicable surrender charges and any outstanding loan balance. The surrender charge period is 19 years at issue and will apply on any increases in Specified Amount.

- **Specified Amount Decrease Charge:** There will be a partial surrender charge if there is a decrease in the Specified Amount during the surrender charge period. The charge will be the surrender charge per thousand times the number of thousands of the decrease.

Charges, Fees and Deductions on CPG Value

Please consult the specimen contract for more information on the various charges and credits that go into the Coverage Protection Value.

Premiums

Lincoln Treasury Indexed UL has flexible premiums paid to age 121 as well as an adjustable death benefit that gives the client control over the design of their policy.

Target Premiums

Lincoln Treasury Indexed UL has a target premium that is the maximum premium that will receive the full commission rate. There is a "rolling target" for commissions which means that the initial commission rate is paid on all premiums received in the first 2 policy years until premiums received reach the target premium. External 1035 exchange loans do count toward the Target Premium and are commissionable.

Planned Periodic Out of Pocket Premium
The Planned Periodic Out of Pocket Premium is the amount of premium that the policy owner intends to pay and the Premium Frequency is how often the Planned Periodic Out of Pocket Premium will be paid. Both of these items are selected by the policy owner. Increases, decreases or changes in the frequency of premium payments may be made providing the payment meets guidelines set by the Internal Revenue Service. Additional premiums are any premiums made in addition to the planned premiums and are subject to the maximums imposed by the Internal Revenue Code.

The modes of premium payment allowed are as follows:

Mode:	**Minimum modal premium:**
Annual direct bill or EFT	$200
Semi-Annual direct bill or EFT	$100
Quarterly direct bill or EFT	$50
Monthly Electronic Funds Transfer (EFT)	$15 ($10 if more than one policy is on the same bank draft)

There is no additional charge for modal billing, but be sure the illustration solve that is utilized assumes the appropriate, desired mode since the timing of the premium payments will impact the level of funding required due to the compounding of payments and interest over time.

Minimum Initial Out of Pocket Premium
The minimum initial out of pocket premium is the amount that is needed to place the policy in force. The purpose of this premium is to obtain the amount required to keep the policy in force until the billing commences and more premium is received. This amount is shown on the New Business page of the illustration. The minimum initial premium does not apply to any increases in Specified Amount.

Premium Deposit Fund
The Premium Deposit Fund (PDF) allows the policy owner to provide in advance for payment of future premiums. This will help to avoid the policy from becoming a Modified Endowment Contract due to the 7702A premium limitations.

Minimum Deposit:	$250
Maximum Deposit:	10 times annual premium

Interest is credited to the fund at a declared rate, (1% guaranteed) and is taxable annually. Annual premiums are paid automatically from the Premium Deposit Fund into the policy. Deposits into the PDF are not commissionable but commissions will be paid when the money is transferred into the policy as premium. Loans are not permitted.

Death Benefit Option

Lincoln Treasury Indexed UL offers one death benefit option – level.
Option I: Level - The death benefit will be the greater of:

- Specified Amount
- Policy Value x IRS Corridor or
- Debt plus $5000

Policy Management

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 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 filled 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.

Included in the annual report are:

- Premiums paid over the past year
- Administrative charges, interest credited, cost of insurance, monthly deductions
- Any Total Earned Credits
- The Total Earned Credits election
- Current death benefit, Policy Values, Debt
- Status of any Coverage Protection Guarantee

Tax Consequences

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 that 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 to above zero. It is important to pay the out of pocket premium to maintain the cost basis.

Agent Compensation

There is a rolling target for the first 2 policy years. External 1035 rollover loans are credited toward the target premium and are commissionable. Please refer to your commission schedule for complete compensation details.

Commission Recalls: Commissions will be recalled within the first two policy years for a face amount decrease and within the first year for a lapse/surrender/withdrawal based on the following percentages. When a policy is decreased, the recall pertains to the decreased portion of the policy rather than to the policy as a whole.

Face Decrease		Lapse/Surrender	
Months	**% of First Year Commissions Recalled**	**Months**	**% of First Year Commissions Recalled**
1-6	100%	1-6	100%
7-12	75%	7-12	50%
13-24	50%		

Earned Credits applied as Premium are commissionable.
Earned Credits under Withdrawal or Policy Value elections are non-commissionable.

Compensation of internal replacements may or may not be available, depending on the circumstances of the individual case. See replacement schedules for complete details.

For Agent/Broker Use Only
Not to be used with the general public.

General Information – 7702/7702A

Modified Endowment Contracts (MEC) - 7702A

An additional funding consideration in universal life insurance is Modified Endowment Contract status. If a policy is classified as a MEC under IRS definitions, some of its favorable tax treatment is lost because it is too heavily funded. Generally, distributions from a MEC policy are taxable as income to the extent there is a gain in the contract. However, death benefits still remain non-taxable under a MEC situation. Clients who wish to access some of their cash accumulation should prevent the policy from becoming a MEC. To accomplish this, a client must limit premiums paid into the policy in the first seven years (and seven years following a material change) to the calculated 7-Pay premium which will be specified on their illustration.

Life Insurance Tax Qualification Tests - 7702

DEFRA Type:

Cash Value Accumulation Test (CVAT)

A contract meets the cash value accumulation test if the cash surrender value does not exceed the net single premium which would have to be paid at such time to fund future benefits under the contract. Only CVAT testing is available on this product.

Glossary of Terms

Age	The Insured's age, nearest birthday, on the Policy Date.
Attained Age	The Insured's Age as measured from the Policy Date plus the number of completed policy years.
Average Annual Index	The daily average of the Index calculated for a 12 month period that ends 60 days prior to the policy anniversary, which is used to determine new annual Earned Credits.
Earned Credit	An amount determined on the first day of each policy year using the Average Annual Index.
Earned Credit Election	For policy years 2 and following, your election of how to use the Total Earned Credit in one of three ways: Premium – withdraw and simultaneously apply as a premium, Withdraw – withdraw and send to you as a payment, or Policy Value – remain in the Policy Value.
Index	The 10 year Constant Maturity Treasury Note nominal yield as published by the Federal Reserve board.
Insured	The person whose life is insured under this policy.
Interest Rate	The interest rate used in the calculation of the Policy Value, which is guaranteed at a minimum rate.
Modified Endowment	If the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code, a life insurance policy will become a Modified Endowment Contract (MEC). Taxation under a MEC is similar to taxation under an annuity. Under a MEC, the death benefit payable to the beneficiary is not subject to income tax.
Monthly Anniversary Day	The same day in each calendar month as the Policy Date.
Monthly Deductions	The monthly deduction for a policy month is: • The cost of insurance and the cost of any additional benefits provided by rider for the policy month, plus • The sum of all administrative charges for the policy and any attached riders due for the policy month.
Nonparticipating	No dividends will be paid on this policy.
Owner	The Owner, at issue, is shown on the policy specifications page or in an Amendment, Endorsement, or Rider attached to the policy. While the Insured is alive, the Owner may exercise every right and option and receive every benefit provided by the policy. These rights, however, are subject to the written consent of any Irrevocable Beneficiary.

Policy Date The date Lincoln uses to determine policy anniversaries and monetary values. If a requested Policy Date should fall on the 29th, 30th or 31st of a month, the Policy Date will be the 28th of such month.

Total Earned Credit The sum total of all Earned Credits determined in prior policy years, including any Earned Credit for the current policy year, calculated on the first day of each policy year and paid into the Policy Value on that policy anniversary as more fully described in the "Earned Credit Provisions".