



Life and *MoneyGuard*® Product Transition to PBR and 2017 CSO Compliant Products

Frequently Asked Questions

Question	Answer												
What is Principle-Based Reserving (PBR)?	PBR is a new reserving methodology, established by the National Association of Insurance Commissioners (NAIC), that shifts the reserving calculation from a standard formula across the industry to a new method aligned to the actual risk that carriers assume on specific products or features.												
What is the 2017 Commissioner Standard Ordinary (CSO) mortality table?	The 2017 CSO table sets the mortality standard for calculating minimum cash value, statutory reserves, maximum cost of insurance rates, and the death benefit required for a policy to be considered life insurance.												
Is Lincoln required to implement the new regulations?	Yes. Industry-wide, all life insurance products sold, issued, or placed on or after January 1, 2020 must be compliant with PBR and 2017 CSO Mortality Table regulations.												
How can you determine if a Lincoln product is PBR and 2017 CSO compliant?	<p>PBR and 2017 CSO compliant products will be announced using our normal market launch process in the Lincoln Leader. In addition, we will clearly identify PBR and 2017 CSO compliant products with indicators on external facing tools:</p> <table border="1"> <tbody> <tr> <td></td> <td>Marketing and Reference materials:</td> <td>On client and advisor product specific material near the disclosures with “PBR/CSO compliant” description</td> </tr> <tr> <td>**PBR**</td> <td>DesignItSM Illustration Software:</td> <td>On the product templates, product drop down lists, product name banner and NB Data page</td> </tr> <tr> <td>PBR</td> <td>Lincoln Producer Websites:</td> <td>“Product Name – PBR” In product drop down list</td> </tr> <tr> <td></td> <td>State Availability Grids:</td> <td>Next to product name with “PBR/CSO compliant” description in legend</td> </tr> </tbody> </table>		Marketing and Reference materials:	On client and advisor product specific material near the disclosures with “PBR/CSO compliant” description	**PBR**	DesignItSM Illustration Software:	On the product templates, product drop down lists, product name banner and NB Data page	PBR	Lincoln Producer Websites:	“Product Name – PBR” In product drop down list		State Availability Grids:	Next to product name with “PBR/CSO compliant” description in legend
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What are the transition rules?	<p><i>Some products may have earlier transition end dates. Please see individual product launch announcements in the Lincoln Leader for more product-specific detail.</i></p> <ul style="list-style-type: none"> Formal applications for non-compliant products must be received in good order in Lincoln’s home office no later than Friday, 11/1/2019*. Non-compliant products must be placed in-force with premium no later than 12/31/2019. No exceptions. <p>*Subject to ICC/State approval.</p>												
Will there be any exceptions to the 12/31/2019 premium placement deadline?	No exceptions can be made to the 12/31/2019 placement deadline as it is critical to meet IRS guidelines and protect the client’s life insurance tax status.												

Will there be any state availability gaps that effect product offerings?	<p>We have partnered with State Filing to maximize Interstate Compact filings and prioritize challenging states. However, given our broad product portfolio and backlogs within the State Insurance Departments due to this industry-wide effort there may be limited impacts to product availability.</p> <p>As it relates to NY, we are planning to have a product presence there but are still evaluating their late approach to PBR.</p>
What if a non-compliant product is not placed in-force with premium by the 12/31/19 deadline?	<p>Lincoln will be unable to finalize the sale of any non-compliant products after 12/31/2019.</p> <p>New PBR and 2017 CSO compliant products will be available, but it will be important to review which product is most suitable on a case by case basis and meet any applicable deadlines.</p>
Will backdating a policy effective date prior to 12/31/19 be allowed to qualify for a non-compliant product?	<p>No. On or after 1/1/2020, backdating cannot be used to qualify for a non-compliant product. No exceptions.</p>
Will backdating a policy effective date prior to 12/31/19 be allowed to save age?	<p>If a policy is being issued or placed on or after 1/1/2020, a new PBR and 2017 CSO compliant product MUST be used. Clients can backdate a compliant product prior to 12/31/19 to save age.</p>
What if a non-compliant product is being funded by external 1035 proceeds that won't arrive by 12/31/19?	<p>If a non-compliant product is in the client's best interest, where applicable, out-of-pocket premium may be used to secure the old product and place the policy in-force on or before 12/31/19.</p> <p>Please note: The policy may become a Modified Endowment Contract (MEC) once 1035 proceeds are received.</p> <p>For example: an initial illustration indicating no out-of-pocket premium and an estimate of the 1035 rollover amount will be used to calculate the TAMRA seven-pay premium based on those assumptions. However, when the assumptions change, and out-of-pocket premium is used to put the policy in-force, and actual 1035 proceeds are received, the TAMRA seven-pay premium is recalculated and could be reduced below the dollar amount used to put the policy in-force, therefore creating a MEC.</p> <ul style="list-style-type: none"> • Lincoln will be unable to refund the initial \$200 premium because the timing of that payment secures the non-compliant product. • Reissues and/or Rewrites will not be allowed on the non-compliant product.
How should I inform my client about the process and any potential risks?	<p>Communicate the timing and potential risks of selecting a non-compliant product.</p> <ul style="list-style-type: none"> • Lincoln has created and implemented a client disclosure form that can be used to educate and support these discussions with your clients. <p>Beginning 5/13/19, the client disclosure can be found within all new and revised sales illustrations for non-compliant products. The form can also be found in the required forms section of the application package for non-compliant products on Lincoln Producer websites. <i><u>Form #LF11922 – Important Product Information About Your Lincoln Life Insurance Purchase.</u></i></p>
What can I do to avoid potential delays?	<ul style="list-style-type: none"> • Send in formal applications for non-compliant products as soon as possible. <ul style="list-style-type: none"> ○ Cases that are funded by 1035 Exchanges, are trust owned, or have outstanding Attending Physician Statements (APS) will need the most time to process. ○ For 1035 Exchanges, Tele-App, and Premium Finance cases, we suggest application submissions by 10/01/2019. • Submit outstanding requirements as quickly as possible. <ul style="list-style-type: none"> ○ To help ensure policy placement, we suggest all premium(s) and delivery requirements be received in good order by 12/27/2019. • Click here to view the Life IGO Best Practices

<p>Can I secure a non-compliant product by submitting a Temporary Insurance Agreement (TIA)?</p>	<p>No, a TIA is a separate agreement. The TIA provides only a limited amount of life insurance protection for a limited period of time in connection with a formal submission, subject to the terms of the TIA.</p>
<p>Will policy change requests on in-force policies using the 2001 CSO mortality table require a rewrite to the new 2017 CSO compliant product?</p>	<p>In-force policy changes that are allowed by contractual right will not require a rewrite, such as Death benefit option changes, face amount changes, and underwriting class changes. Non-contractual policy change requests will not be allowed, such as rider or benefit additions.</p>
<p>Can a term policy still be converted into a face increase on an existing permanent contract that uses the 2001 CSO mortality table?</p>	<p>No, not after 12/31/2019. Term policies can be converted into face increases on in-force policies for the same insured when the in-force product meets the product availability guidelines <u>and is still available for new sales</u>. All term conversions into face increases on in-force policies using the 2001 CSO mortality table will need to be completed by 12/31/2019 because they will no longer be available for new sales beginning 1/1/2020.</p>

Policies are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN and is offered through broker/dealers with an effective selling agreement. The Lincoln National Life Insurance Company is not authorized, nor does it solicit business in the state of New York. **Contractual obligations are backed by the claims-paying ability of The Lincoln National Life Insurance Company.**

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

Products, riders and features are subject to state availability. Limitations and exclusions may apply.

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