New Look for Fixed Indexed Annuity Illustrations

Enhancements have been made to the fixed indexed annuity illustrations available from the ForeSight Annuity Illustration Platform. The enhancements introduced July 23, 2012 with Release 5.6 include:

- **Four new scenarios** – The values are now displayed in four new scenarios:
  - “Selected Period”: Illustrate either the previous 20 or 30 years.
  - “Favorable Period”: Show a specific 10-year period with favorable S&P 500® Index values to demonstrate how the selected indexed accounts would have performed under that scenario.
  - “0% Credited”: Show 20 or 30 years where all indexed accounts are assumed to have had no returns. For Lincoln OptiChoice® NY, the 0% represents the guaranteed minimum rate.
  - “Unfavorable Period”: Show a specific 10-year period where the S&P 500® Index values reflected an overall decline and how the selected indexed account would have performed.

- **Optional pages** – Detailed pages showing indexed account performance; Account Value, Interest Credited, S&P 500® Index Annual Change, Additional Premiums and Withdrawals are displayed. These pages vary by product and indexed account selections.

- **Lincoln Lifetime Income® Edge** – There is no longer a separate report for the rider; if elected, in states where available, values for Lincoln Lifetime Income® Edge will appear with each scenario.
  - The Lifetime Benefit Percent (Income Factor) and Lifetime Benefit Amount (LBA) will be shown along with the nursing home benefit.
  - Also, Lifetime Benefit Amount (LBA) Income Withdrawals can now be illustrated. Once selected, LBA Income Withdrawals will occur through the end of the illustration (see the next article for more information).
  - An edit was added to the data entry screen for the minimum issue age of 35 for a Secondary Covered Life.

Continued on next page
Fixed Indexed Annuity Illustration Enhancements, Continued

- **Reduction in the number of pages** – In addition to making the indexed account detail pages optional, the text pages have been consolidated into the following sections for the product:
  - General information
  - Assumptions used in the illustration
  - Key terms
  - If the rider is elected, the rider overview page with assumptions and key terms

- **Guaranteed Minimum Cash Surrender Value (GMCSV) calculation extended** – The GMCSV values will be illustrated throughout the illustration (20 or 30 years or maturity), rather than ending at the same time as the surrender charge period. The calculation for the GMCSV is now based upon the GMCSV and Guaranteed Minimum Non Surrender Value (GMNSV) interest rates.

- **Lincoln OptiChoice™ NY** – Text change: the value for one of the components of the Performance Triggered Indexed Account will now display as “Base Indexed Rate” where applicable.

Other Illustration Release Items

Also included in the *ForeSight* Annuity Illustration Platform Release 5.6: Lincoln Long-Term Care™ fixed annuity illustrations including the Optional Inflation Protection Benefit can now be run in states where approved (currently Indiana, with the 3 + 3 LTC Benefit Duration only).

**Lincoln Lifetime Income™ Edge Illustrations: Lifetime Benefit Amount Income Withdrawals Now Available**

The latest *ForeSight* Annuity Illustration Platform release added the ability to illustrate Lifetime Benefit Amount (LBA) Income Withdrawals if *Lincoln Lifetime Income™ Edge* is elected. The annuity illustration system is available from producer websites, or contact the Annuity Sales Desk for a customized illustration.

To create a custom fixed indexed annuity illustration with *Lincoln Lifetime Income™ Edge* Income Withdrawals (available beginning at age 50):

- Select “New Illustration” after entering the *ForeSight* Annuity Illustration Platform. For “Illustration,” select *Lincoln Lifetime Income™ Edge*. Choose the product to be illustrated.

- On the Cash Flow screen, under Withdrawals, choose “Lifetime Benefit Amount”

- Enter the age or year to start the withdrawal in the “From-Through” field. In this example, Income Withdrawals will begin at age 70 and continue through the end of the illustration.

Refer to the sample illustration on the next page for highlights of this enhancement.
Lincoln Lifetime Income™ Edge Illustration: Lifetime Benefit Income Withdrawals

Lincoln OptiChoice™ 7 Indexed Annuity
Fixed Indexed Selected Period Overview

The tables in this illustration are hypothetical and may not be used to project or predict future performance.

Client Age 50, $100,000 Premium; Withdrawals start at age 70.

"Selected Period" – from 1/1/1992 to 1/1/2012

<table>
<thead>
<tr>
<th>Beginning of Year</th>
<th>Accumulation Value</th>
<th>Income Base</th>
<th>Income Benefit</th>
<th>Nursing Home Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$130,000</td>
<td>$100,000</td>
<td>$5,000</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
<td>$130,701</td>
<td>$105,200</td>
<td>$5,250</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>$130,200</td>
<td>$110,200</td>
<td>$5,500</td>
<td>N/A</td>
</tr>
<tr>
<td>4</td>
<td>$129,200</td>
<td>$115,200</td>
<td>$5,750</td>
<td>N/A</td>
</tr>
<tr>
<td>5</td>
<td>$121,661</td>
<td>$121,661</td>
<td>$6,078</td>
<td>N/A</td>
</tr>
<tr>
<td>6</td>
<td>$1</td>
<td>$127,628</td>
<td>6.00%</td>
<td>$7,668</td>
</tr>
<tr>
<td>7</td>
<td>$1</td>
<td>$134,010</td>
<td>6.00%</td>
<td>$8,041</td>
</tr>
<tr>
<td>8</td>
<td>$1</td>
<td>$141,100</td>
<td>6.00%</td>
<td>$8,434</td>
</tr>
<tr>
<td>9</td>
<td>$1</td>
<td>$147,440</td>
<td>6.00%</td>
<td>$8,865</td>
</tr>
<tr>
<td>10</td>
<td>$105,000</td>
<td>$150,133</td>
<td>6.00%</td>
<td>$9,308</td>
</tr>
</tbody>
</table>

---

The illustration can be used to project the Lifetime Benefit Amount available in each of the years shown.

The Lifetime Benefit Amount reflects the impact of the 5% annual compounding enhancement during the Enhancement Period (earlier of 15 years or age 85) on the Income Base, the different factors for each age group, and the benefit of waiting to take any withdrawals.

Lincoln Lifetime Income™ Edge is an optional rider (available at an additional cost) with Lincoln fixed indexed annuities. Not available in New York or Washington. Values are hypothetical and are included to demonstrate the benefits of this rider. Report output condensed to highlight rider features. Refer to a complete product and rider illustration for information.

Important: Complete/Confirm/Update Beneficiary Information for Proper Handling of Claims

The changing regulatory environment could result in contract death benefits being turned over to the states if a beneficiary cannot be identified or located. This occurs through a process called "escheatment" whereby the death benefit proceeds are considered abandoned after a certain period of time and turned over to the state. It is important to provide complete contact information for each annuitant, owner, and beneficiary. The tips below will make the handling of claims and in-force contract changes more efficient:

- Include the date of birth and Social Security number, or Tax ID if appropriate, for each annuitant, owner, and beneficiary. This aids in confirming identity and will allow for a quicker, smoother customer experience in the event of a death claim or when a contract change is requested.
- Include the full address and phone number for each annuitant, owner, and beneficiary; this allows for an efficient means of communication should the need arise.
- Make certain that all addresses and telephone numbers for any party to the contract are kept updated with Lincoln.

Following these guidelines will help Lincoln carry out the client’s desired outcome for their annuity.
Enhancements Made to the Fixed Indexed Annuity Reallocation Notice and Annual Statement

Beginning in June, 2012, Lincoln introduced enhancements to the fixed indexed annuity Reallocation Notice and Annual Statement. The following are highlights of the enhancements:

- The Joint Owner name has been added to the Reallocation Notice for all products when applicable - this will serve as a reminder regarding the ownership and signature requirements (the Joint Owner will need to sign the Reallocation Notice if a reallocation is requested).
- The contract number will now appear on the second page of the Reallocation Notice by the signature line when a second page is generated. - it was previously only on the bottom of the page, and was sometimes cut off when the Reallocation Notice was signed and faxed back to Lincoln.
- Values previously located on the first page of the Annual Statement were moved to the back to improve readability.
  - The new statement separates the values that only apply if the contract is surrendered, such as:
    - Market Value Adjustment
    - Surrender Charge, and
    - Cash Surrender Value.

A sample Reallocation Notice and Annual Statement illustrating these enhancements is available from producer websites. 

Click Here to view the annotated client statement.

August Forms Update – Coming Soon

The following forms (and state variations where applicable) will be updated with the upcoming Summer 2012 (SU12) forms release, scheduled for August 13, 2012. Be sure to check the Lincoln Forms Tool for the most current version of the form.

<table>
<thead>
<tr>
<th>Form Number</th>
<th>Description</th>
<th>Revision Date/Release</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>AN07091</td>
<td>Fixed Annuity Suitability</td>
<td>07/12 (SU12)</td>
<td>The Disclosure and Comparison of Contracts form, as well as some additional questions, will be incorporated into the Suitability Form.</td>
</tr>
<tr>
<td>AN07091NJ</td>
<td>Fixed Annuity Suitability - New Jersey</td>
<td>07/12 (SU12)</td>
<td></td>
</tr>
<tr>
<td>AN10242</td>
<td>Disclosure And Comparison of Contracts</td>
<td>No longer available</td>
<td></td>
</tr>
<tr>
<td>AN10181-31</td>
<td>Lincoln Long-Term Care Fixed Annuity Disclosure with LTC Benefits Rider and MVA with Inflation - Indiana</td>
<td>04/12 (SU12)</td>
<td>Created Indiana-specific Form</td>
</tr>
<tr>
<td>33503NV(f)</td>
<td>Important Notice Regarding Replacement</td>
<td>04/12 (SU12)</td>
<td>Updated product name information</td>
</tr>
<tr>
<td>AN07264</td>
<td>Lincoln SmartIncome Annuity Supplement</td>
<td>05/12 (SU12)</td>
<td>Removed ‘brokerage account’ option</td>
</tr>
<tr>
<td>BJ-05541</td>
<td>Immediate Annuity: Exception Request Questionnaire</td>
<td>05/12 (SU12)</td>
<td>Updated product name information</td>
</tr>
</tbody>
</table>
Suitability Information
This article addresses several topics regarding Lincoln’s suitability review process, and includes information on:

- Suitability Reviews - Benefit for the Consumer and the Producer
- Florida Suitability Form Information
- Suitability Form Changes

Suitability Reviews – Benefit for the Consumer and the Producer
Traditional fixed and fixed indexed annuities are designed for clients looking for a long-term savings vehicle and who have enough assets to cover living expenses and unexpected emergencies in retirement, such as medical expenses.

Unsuitable sales, targeting the senior market, have garnered a lot of bad press and attention from the public, the media, the industry, and insurance regulators. Lincoln has policies and procedures in place to help insulate the producer from any claims of an unsuitable sale:

- **Suitability Review** – No contract will be issued without a suitability review (the review is either conducted by the selling firm, as stated in their selling agreement with Lincoln, or by Lincoln). Lincoln developed and maintains the Fixed Annuity Suitability Form (AN07091) to help collect the information needed during the suitability review process. This form is updated regularly for new areas of concern and procedures as well as updated or new regulations.

Some of the key areas covered during a suitability review as they relate to a product’s features and limitations are as follows:

- Client goals and objectives
- Source of funds for the annuity purchase
- Time horizon and risk tolerance

- **Training Material and Additional Resources** – Lincoln has developed suitability guidelines for the producer and provides educational material for the consumer.

  - **Agent Guide**: Suitability guidelines designed to identify and encourage appropriate sales and replacements of fixed annuity products. The Agent Guide provides the roles and responsibilities involved in an annuity sale, including information as to who might be a good candidate for a fixed annuity. [Click Here](#) to view and download the Agent’s Guide to Suitability.

  - **Buyer’s Guide**: The National Association of Insurance Commissioners (NAIC) created the Buyer’s Guide to Fixed Deferred Annuities with an Appendix addressing Fixed Indexed Annuities. Many states currently require the producer to provide the Buyer’s Guide to the client at the point of sale or immediately thereafter. For a list of states and their Buyer’s Guide delivery provisions, [Click Here](#).

The Buyer’s Guide is an educational resource designed to help the client understand annuities. The Buyer’s Guide can be downloaded from the Lincoln Forms Tool. This guide is a good resource to use with clients even if your particular state does not require it.

  - **Fixed Annuities**: [Click Here](#) to view the nationwide version of the Buyer’s Guide to Fixed Deferred Annuities (Form AN07324 and state variations).

  - **Fixed Indexed Annuities**: [Click Here](#) to view the nationwide version of the Buyer’s Guide with Appendix I for Fixed Indexed Annuities (AN06532 and state variations).

Lincoln is committed to ethical businesses practices, including suitability, and continual reviews and revisions of its processes and materials to help provide value to the consumer and the producer.
Florida Suitability Form Information

**Reminder:** The Florida Annuity Suitability Questionnaire (AN07091FL) is required with all fixed, fixed indexed and immediate income annuities for Florida business in these two situations:

- The applicant is *age 65 and over* (this applies even if the selling firm is responsible for conducting their own suitability reviews).
- The suitability review is conducted by Lincoln (all Florida applications must be accompanied by the Florida Annuity Suitability Questionnaire).

If you are replacing existing insurance/annuities, three additional forms are required:

- Florida Disclosure and Comparison of Annuity Contracts Form 33503FL(f).
- Appropriateness Verification Statement Form 33555.
- Notice to Applicant Regarding Replacement of Life Insurance [or Annuities] Form 33503FL External Replacements (Replacing a non-Lincoln contract) OR Policy Disclosure Form & Instructions Form 33503FL(b) Internal Replacements (Replacing a Lincoln contract).

Note: Due to Florida state regulations, signed suitability and replacement forms are only valid for 10-calendar days from the date the client signed the forms. If these forms are not received by Lincoln within the 10-calendar days, the application will be considered not in good order (NIGO).

Upcoming Suitability Form Changes (Form AN07091)

It is important to use the newest version of the Fixed Annuity Suitability Form (applies if Lincoln conducts the suitability review).

The Disclosure and Comparison of Contracts Form (AN10242) is required for certain replacement business. Currently, this is a stand-alone form; however, in August, this form will be incorporated into the Suitability Form (Form AN07091 and AN7091NJ), and will become the new Section 12 of that form.

Beginning in August 2012, Section 12 will need to be completed, and a copy of the most recent statement will need to be submitted with the application if any one of these conditions exists:

- If the minimum guaranteed interest rate on the existing annuity contract is greater than the minimum for the proposed contract.
- If the surrender charge or penalty is greater than 3% of the value or greater than $5,000.
- If the current contract has a living benefit and the income base is greater than the account value.
- If the current contract has a death benefit that is different than the account value.

To streamline the review process and prior to the availability of the updated Suitability Form in August, if any one of these conditions exists, you may wish to submit the Disclosure and Comparison of Contracts Form (AN10242) and the most recent statement for the existing contract with the application for the new contract.
State Insurance Licensing and Training Requirements

- **General Annuity / Product-Specific Training Requirements: Update to Nebraska**

  The NAIC Suitability in Annuity Transactions Model Regulation mandates general annuity and product-specific training requirements. States may have modified these requirements or have additional state-specific training requirements. [Click Here](#) to view the updated Lincoln Individual Annuity Products State Insurance Licensing and Training Requirements chart for more information.

  The dates for Nebraska have been updated:

<table>
<thead>
<tr>
<th>STATE</th>
<th>Regulation Effective date</th>
<th>General Annuity Deadline if licensed prior to effective date</th>
<th>General Annuity Deadline if NOT licensed prior to effective date</th>
<th>General Annuity Pre-Sale Hours</th>
<th>Accept another state’s General Annuity course?</th>
<th>Product Specific Deadline</th>
</tr>
</thead>
</table>

Also available is an Annuity Education Q&A for answers to commonly asked questions about the NAIC Annuity Suitability Model Regulation requirements. [Click Here](#) to view the Annuity Education Q&A.

- **Long-Term Care Hybrid Product Training Requirements**

  Certain states require additional training for representatives selling long-term care policies. [Click Here](#) to view the Lincoln Life and Annuity Long-Term Care (LTC) Hybrid Products State Insurance Licensing & Training chart.

  These two charts and the NAIC Annuity Training Q&A are available online from producer sites under the “Conducting Business” tab, and represent Lincoln’s interpretation of the current state law:

  CONDUCTING BUSINESS > CONTRACTING AND APPOINTMENTS > STATE REGULATION INFORMATION

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Check out the recently-updated comparison of annuities offering long-term care (LTC) benefits:

FROM THE FIXED ANNUITY HOME PAGE > COMPETITIVE INTELLIGENCE > CLICK ON THE COMPARISON, or [Click Here](#).

*The chart “Lincoln Long-Term Care℠ Fixed Annuity Compared to Other Linked Benefit Annuities”* provides a side-by-side comparison of Lincoln and four other companies’ LTC benefits. The spreadsheet compares waiting periods, underwriting, payment method (reimbursement or indemnity) and length of coverage and cost, in addition to other features.

The Lincoln Competitive Intelligence Unit has created several side-by-side comparisons of competitor products compared with Lincoln fixed indexed annuities. These comparisons are available on LFD.com or by contacting the Lincoln Annuity Sales Desk, and are intended to provide general information on a competitor’s annuity products and help producers understand product differences. The competitive intelligence material *cannot* be used with clients, and should be viewed as informational only.

When viewing the comparison, keep in mind that products and features are subject to state and firm approvals.
### Reminders
- Enter Lincoln Rep/Agent Number and Marketing Firm Name (if applicable) on all applications.
- Check the “Direct” or “Other” box on the Rep page.
- Be sure to enter complete contact information:
  - Telephone number
  - Email address
  - Fax
- Note the correct business telephone and address.

### Product Availability

**Click here** to view the current product availability chart.

**Click here** to view the current bank product availability chart.

### Looking for an Article?

**Click here** to view the Index of Articles for past issues of the Fixed Annuity Lincoln Leader.

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### Contact Centers (for Agent/Client use)
- **Fixed and Fixed Indexed Annuity:** 888-916-4900
- **Lincoln SmartIncome, Lincoln Insured Income, Lincoln Long-Term Care and annuitization:** 877-534-4636

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### Products and features subject to state availability. Some of these products are only available in select distribution channels. Check your selling agreement for availability.

Lincoln fixed, fixed indexed and immediate annuities 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. The “contract” may be referred to as a “certificate” in certain states. The certificate is a group annuity certificate issued under a group annuity contract issued by The Lincoln National Life Insurance Company to a group annuity trust. **Contractual obligations are backed by the claims-paying ability of The Lincoln National Life Insurance Company.**

Contracts 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.**

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are separately responsible for their own financial and contractual obligations.

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LCN 201207-206966