FOR LIFE

Lincoln Financial Group℠

Product Reference Guide

Lincoln LifeGuarantee® SUL (2013)

Insurance & Retirement Solutions
Collaboration that connects Strategy with Execution
Product Implementation & Distribution Support

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LCN: 201304-2080386 (last update 5/13)

Lincoln LifeGuarantee® SUL (2013)
Product Reference Guide
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Product Objective

Lincoln LifeGuarantee® SUL (2013) is a survivorship universal life product which offers flexible, guaranteed protection for life. *Lincoln LifeGuarantee®* SUL (2013) offers guaranteed death benefit protection on the lives of two insureds payable upon second death, and is best for clients who desire the security of a guaranteed death benefit and are not looking for significant account value accumulation. This product is designed to work optimally with level premium payments paid to the younger insured's age 121.

Key Features

Coverage Protection Guarantee (CPG)

Guaranteed life insurance protection is provided through the Coverage Protection Guarantee (CPG). The CPG provides an "alternate" Coverage Protection Value (CPV) that, if positive, will ensure coverage will continue even if the cash surrender value is insufficient to cover policy charges. Regardless of issue age, the CPG is available until the younger insured's age 121. This rider is included automatically.

The "alternate" Coverage Protection Value is calculated in a similar manner as the actual policy value but utilizing different monthly deduction charges and credited interest rates. All charges and interest rates are fixed and guaranteed not to increase or decrease from what is shown on the policy specifications pages for the initial specified amount. The CPV is a reference value used to determine whether the CPG is in effect. It is not accessible to the policy owner for any purpose.

The length of time the CPG can keep the policy in force may vary based on the following factors:

- Satisfying the Funding Level Test (see below)
- Changes in premium frequency, timing or amount
- Policy changes such as loans, partial surrenders, increases or decreases in Specified Amount and the addition or removal of riders.

The Coverage Protection Guarantee is in effect if the CPG Test is satisfied. The CPG Test is satisfied if the total of the Coverage Protection Accounts equals or exceeds debt. The Coverage Protection Accounts are used <u>only</u> for determining whether the CPG is in effect, and are not used in calculating the actual Policy Value provided under the policy.

If at any time the planned duration of the CPG is shortened or the CPG Test fails, the policy owner may pay additional premiums within the allowable limits established by the IRS Code and Modified Endowment Contract provision of the policy in order to extend the duration or reactivate the CPG, provided the policy has not lapsed for a period longer than the CPG Reinstatement Period.

The Coverage Protection Value is made up of three Coverage Protection Accounts, (CPA I, CPA II and CPA III). Premiums are allocated to each CPA based on the timing of the premiums, the sum total of all CPA's and the comparison of premiums paid over a one-year period against an annual premium threshold. Charges are taken from only one account at a time until that account is exhausted, beginning with CPA III, then CPA II, then CPA I. For a more detailed look at the calculation of the Coverage Protection Value, please see a specimen contract.

Funding Level Test

Beginning in policy month 13, Lincoln will apply a Funding Level Test that if not met, could shorten the CPG period. This test will be applied until the earlier of the younger insured's age 121 or termination of the Test as described in the rider. The Funding Level Test is satisfied if, on each Monthly Anniversary Day, the adjusted sum of premiums paid since the policy date is greater than or equal to the accumulated Monthly Funding Premium. If the paid premium does not meet or exceed the funding level as defined in the Rider for three consecutive months, a Funding Level Charge will be assessed as part of the Coverage Protection Value monthly deduction. Lincoln will continue assessing such a charge until the Funding Level Test is satisfied on a future Monthly Anniversary Day, at which point the charge will stop until the Test is not satisfied again for three consecutive Monthly Anniversary Days.

The projection will reflect whether the planned premium satisfies the test. By establishing and maintaining a premium-paying pattern that satisfies the test, the Funding Level Charge can be avoided. Once the policy is in force, Lincoln will send a notice if the Funding Level Test is not satisfied.

Disability Waiver of Specified Premium Benefit

If a Disability Waiver of Specified Premium Benefit Rider is attached to the policy, any premium paid to the policy as a benefit of the Disability Waiver of Specified Premium Benefit Rider will be applied as premium for the purposes of determining if the Coverage Protection Guarantee is in effect. This premium will be subject to the Allocation of Accounts provision of the rider.

Disability Waiver of Monthly Deduction Benefit

If a Disability Waiver of Monthly Deduction Rider is attached to the policy and the insured has an approved claim for benefits under the rider, Lincoln will waive any monthly charges for the Coverage Protection Guarantee Rider for the same period that monthly deductions are waived for the policy as a benefit of the rider.

Impact on Accelerated Benefits Rider

If the Accelerated Benefits Rider includes a "Right to Exercise Rider Benefit" provision, Lincoln will consider the Cash Surrender Value of the policy in determining if the Accelerated Benefit Continuation Period is satisfied. When a Coverage Protection Guarantee Rider is attached to the policy and the CPG Test is satisfied, the "Right to Exercise Rider Benefit" provision of the Accelerated Benefits Rider is expanded to include the Coverage Protection Value as a reference value in determining if the Accelerated Benefit Continuation Period is satisfied.

Impact on Guaranteed Policy Split Option Rider

If the Guaranteed Policy Split Option Rider is attached to the policy and the Coverage Protection Guarantee terminates, the Guaranteed Policy Split Option Rider is also terminated.

CPG Premium Timing

The policy owner should pay premiums on or within a month before or after the due date. Premiums more than a month late or in an amount less than planned will shorten the Coverage Protection Guarantee period.

Paying the premium as soon as the client receives their bill (within a month before the due date) will not negatively impact the CPG period. In certain years, the CPG premium load applied to the premium varies. For purposes of calculating the Coverage Protection Value, if the CPG premium load decreases as of the next policy year, we apply the lower CPG premium load to premiums that are received within a month before their due date. This treatment is not a policy provision, but it is a benefit that Lincoln provides. It only affects the CPG. For purposes of calculating the policy value, all premiums are credited as of the date we receive them.

Generally, paying premiums more than a month before their due date will not negatively impact your CPG period as CPG premium loads do not change every year.

NOTE: On *Lincoln LifeGuarantee*® SUL (2013), premiums due at the beginning of year four should not be paid more than a month before the due date.

1035 Forgiveness Feature

1035 premiums can arrive any time during the first year without impacting the length of the CPG. This alleviates the need to rerun projections should the actual timing of 1035 payments vary from original assumptions.

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 Monthly Anniversary Day (MAV) 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.

Catch-Up Feature

If planned premiums are skipped, reduced or paid later than covered by the Premium Relief Feature, or if any other policy changes are made that reduce the Coverage Protection Value, it is possible to pay “catch-up” payments to restore the originally projected CPG guarantee period. These payments may be made at any time. To determine premiums needed to catch-up, ask Lincoln to run a Point-In-Time projection to help determine how much additional premium will need to be paid to catch up. You should expect that the new premium(s) in total will be more than originally planned due to lost interest crediting and the resultant higher net amount at risk (which produces higher charges).

The Coverage Protection Guarantee will be lost permanently if the policy lapses and is reinstated outside the CPG reinstatement period.

Available Riders and Endorsements

Accelerated Benefits Rider (With No First Death or Critical Illness Benefits):

This rider pays a benefit upon occurrence to the survivor of any one or more of two qualifying events:

1. Being permanently confined to a nursing home; or
2. Being diagnosed as terminally ill (life expectancy of 6 months or less).

Issue Ages:	Same as for base policy. Greater than 20 year age difference is allowed.
Maximum Cumulative Benefit Amount:	50% for terminal illness 40% for nursing home confinement Maximum cumulative accelerated benefit is $250,000.

Please note that there is no ABR benefit payable prior to or at the first death.   Once the first death occurs, the surviving insured is then eligible for the rider benefits.

This rider is available 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. The policy must have an account value or Coverage Protection Value which would keep the policy in force with no premiums for 5 years. The benefit creates an interest-bearing lein on the policy, accumulating interest at the policy loan rate for amounts up to the loan value restricted, and the variable policy loan rate for excess amounts. The two versions of the Accelerated Benefits Rider cannot be elected on the same policy.

Accelerated Benefits Rider (With First Death and Critical Illness Benefits):

This rider pays a benefit at the first death of up to 5% of the base policy death benefit, with a maximum of $25,000.

After the first death, the survivor is then eligible for the other rider benefits if any one or more of three qualifying events including:

1. The occurrence of a specified critical illness or condition;
2. Being permanently confined to a nursing home; and
3. Being diagnosed as terminally ill (life expectancy of 6 months or less).

Issue Ages:	Same as for base policy. Cannot be greater than 20 year difference in the ages of the insureds.
Maximum Benefit Amount:	5% for critical illness or $25,000, whichever is less 40% for nursing home confinement 50% for terminal illness Maximum cumulative accelerated benefit is $250,000.

(continued)

Accelerated Benefits Rider (With First Death and Critical Illness Benefits)(continued):

The rider must be elected at issue, may not be added later, and is not commissionable. This rider is available if covered insured is rated Table D or below. 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. The policy must have account value or Coverage Protection Value which would keep the policy inforce without premiums for 5 years. The benefit creates an interest-bearing lein on the policy, accumulating interest at the policy loan rate for amounts up to the loan value restricted, and the variable policy loan rate for excess amounts. The two versions of the Accelerated Benefits Rider cannot be elected on the same policy.

Accelerated Benefits Rider state variations:

Non-critical illness version of rider only: CT, MD, PA, and VT
Neither rider includes nursing home benefits: IL, MD, MA, NY, OK, and TX

Assuming no state or underwriting restrictions, ABR with first death and critical illness will be issued with the policy

Disability Waiver of Monthly Deduction Benefit Rider (WMD):

WMD, available at an additional cost, waives the total monthly deductions for both the policy and the Coverage Protection Guarantee Rider if the covered insured becomes disabled, satisfies the six-month elimination period and remains totally disabled.

Issue Ages:	20-60 The rider is issued individually to either one or both insureds.
Maximum Issue Amount:	$5,000,000. Any subsequent increases that bring the Specified Amount over $5,000,000 will negate the rider.
Coverage Period: For disabilities commencing prior to the covered insured's age 56:	Benefits will continue until the insured recovers or dies.
For disabilities commencing between the covered insured's age 56 and 65:	Benefits will continue for 15 years, provided the covered insured remains disabled.

This rider may be added after issue with underwriting. Rates are at attained age and are annually increasing. The addition of other riders will increase the cost of this rider. This rider is available if covered insured is rated Table D or below. A policy cannot have both Disability Waiver of Specified Premium and WMD.

Disability Waiver of Specified Premium Benefit Rider (WSP):

WSP, available at an additional cost, will deposit the monthly specified premium into BOTH the policy and the Coverage Protection Guarantee if the covered 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.
(continued)

Disability Waiver of Specified Premium Benefit Rider (WSP)(continued):

Issue Ages:	20-60
Minimum Issue Amount (based on specified monthly premium):	$25 per covered insured The rider is issued individually to either one or both insureds.
Combined Maximum Issue Amount:	The lesser of 1. $3000 or 2. 1/12 the DEFRA guideline level premium for the contract.
Coverage Period: For disabilities commencing prior to the covered insured's age 56:	The monthly specified premium will be deposited into the policy as long as the insured remains disabled.
For disabilities commencing between the covered insured's age 56 and 65:	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.
Rider Target:	12 x first month cost of insurance

This rider is commissionable. This rider is available if covered insured is rated Table D or below. A policy cannot have both WMD and WSP.

Estate Protection Rider:

The Estate Protection Rider, available at an additional cost, provides term insurance for four years after policy issue. The purpose of the rider is protection against the policy being included in the estate if both insureds die during the first three policy years and an irrevocable trust was not set up prior to policy issue. This rider must be elected at issue, cannot be added later, and the amount cannot be increased after issue. It is not convertible to permanent insurance. The rider is commissionable.

Issue Ages/Classes:	Same as base policy
Minimum Issue Amount:	$250,000
Maximum Issue Amount:	123% of the base policy initial specified amount
Rider Target:	12 x first month cost of insurance
Monthly Charge:	Same as the base policy COI x the Estate Protection Rider specified amount

Guaranteed Policy Split Option Rider:

The Guaranteed Policy Split Option Rider provides for a policy split in the event of divorce, repeal of the unlimited marital deduction, or reduction in the estate tax rate to 25% or less, without additional evidence of insurability at the time of the split.

Issue Ages (based on the issue age of the older insured):

Minimum:	25
Maximum:	75
Coverage Period:	Through older insured's Attained Age 80
Rider Target:	12 x first month cost of insurance

Rates are a separate table based on the attained age of the older insured. This rider is commissionable. It is not available if one of the insureds is uninsurable. No riders in force at the time of the split will transfer to the new policies.

Minimum Death Benefit Endorsement:

The Minimum Death Benefit Endorsement, included automatically with every policy, ensures that the policy will not lose its tax compliance even if the loan should wipe out the death benefit. In the event the policy is still in force but the death benefit would be otherwise zero or negative due to the growth of the loan, the MDBE will increase the death benefit up to $5,000.

Lincoln LifeGuarantee® SUL (2013) Product Summary	
Policy Form Number:	Nationwide: SUL6008
CPG Rider:	Nationwide: CPG-7002
Data Pages:	Nationwide: F6010-A
Issue Ages/Underwriting Classes:	Preferred Non-Tobacco: 20-80 Standard Non-Tobacco: 20-85 Standard Tobacco: 20-85 There is one uninsurable class. One Insured must be Table F or Better. If both insureds are between ages 76-80, one life must be Table D or better. With Uninsurable, other insured must be table D or better. The product is available with Full Underwriting only. Table reduction program available on both insureds.
Minimum Specified Amount:	$100,000
Maximum Specified Amount:	Subject to individual consideration and underwriting limits.
Death Benefit Option	Death Benefit = Specified Amount (Level)
Life Insurance Tax Qualification Test:	Cash Value Accumulation Test (CVAT).
Extended Maturity:	As long as the policy is in force at the younger insured's age 121, the face amount and Death Benefit Option remain the same and all monthly deductions cease. Interest on any loan would continue to accrue, and the policy will continue in-force until the death of the second insured.
Policy Premium Load:	15% current and guaranteed in all years • Increases and decreases in the Specified Amount do not affect the premium load.
Monthly Administrative Charge (All Years):	• Per Policy Expense Charge: $8/mo. ($96.00 annually) • 6.0% 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 in the contract Decreases in specified amount do not reduce this charge

Lincoln LifeGuarantee® SUL (2013) Product Summary (cont.)

Guaranteed Cost of Insurance Charges:	Based on 2001 CSO Ultimate tables.
Guaranteed Interest Rate:	2.0% in all years; current = guaranteed
Surrender Charge Period:	19 Years
Surrender Charges for Face Amount Decreases:	Per $1000 charge times the number of 1000's of the decrease during the surrender period.
Policy Loan Charged Rate:	6% to Attained Age 121; 4% thereafter
Interest Credited on Borrowed Funds:	4% in all years
Withdrawals:	Minimum: $500 Fee: N/A Maximum: Cash Surrender Value minus $2500
Coverage Protection Guarantee:	Guaranteed life insurance protection is provided through the Coverage Protection Guarantee (CPG). The CPG provides an alternate Coverage Protection Value (CPV) that, if positive, will ensure coverage will continue even if the Cash Surrender Value is insufficient to cover charges. This rider is included automatically and can remain in force until the younger insured's Attained Age 121. The length of time the CPG can keep a policy in force may vary based on the following factors: • Satisfying the monthly Funding Level Test • Changes in premium frequency, timing or amount • Policy changes such as loans, partial surrenders, increases or decreases in Specified amount and the addition or removal of riders. **Funding Level Test (FLT):** Beginning in month 13, there is a FLT until the earlier of the insured's age 121 or termination of the FLT as described in the rider. Failure to satisfy the FLT for three consecutive monthly anniversary days will result in the assessment of a Funding Level Charge, which will negatively impact the length of time the CPG remains in effect. **Premium Relief Feature:** 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 Value **1035 Forgiveness Feature:** 1035 premium can arrive any time during the first year without impacting the length of the CPG.

Available Riders:	– Accelerated Benefits Rider with First Death Benefit[2,3] – Accelerated Benefits Rider[2,3] – Disability Waiver of Monthly Deductions Benefit[1] – Disability Waiver of Rider[1]Specified Premium Rider[1] – Estate Protection Rider[1] – Guaranteed Policy Split Option Rider[1] – Minimum Death Benefit Endorsement [1]There is an additional charge for these riders. [2]There is no charge for this rider until exercised. [3]The two versions of the Accelerated Benefits Rider cannot be elected on the same policy.
Internal Replacements:	Internal replacement funds will be charged a 15% premium load.
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%

Premiums

Lincoln LifeGuarantee® SUL (2013) has flexible premiums as well as an adjustable death benefit and Coverage Protection Guarantee which gives the client control over the design of their policy. Premium payments are flexible but there are some requirements and limitations.

Target Premium
Lincoln LifeGuarantee® SUL (2013) has a target premium which 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 5 policy years until premiums received reach the target premium.

Planned Premium
The Planned Periodic Premium is the amount of premium that the policyowner intends to pay and the Premium Frequency is how often the Planned Periodic Premium will be paid. Both of these items are selected by the policyowner. 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	$200
Semi-Annual	$100
Quarterly	$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. If the proper mode is not run, it will impact the length of protection offered by the Coverage Protection Guarantee.

Premium Deposit Fund

The Premium Deposit Fund (PDF) allows the policyowner 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.

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 LifeGuarantee*® SUL (2013) is 15% in all years. Rollover money on internal replacements will be charged 15%. Increases and decreases in the Specified Amount do not affect the premium load.

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

- **Monthly Cost of Insurance:** A charge per 1,000 of net amount at risk, and any rider costs, which vary by gender and underwriting class will be deducted from the cash value until the policy anniversary at the younger insured's attained age 121. The rates are based on the Ultimate 2001 CSO Tables.

- **Per Policy Expense Charge:** A guaranteed charge will be deducted monthly as follows:
  $8/month ($96 annually)
  Increases and decreases in the Specified Amount do not affect this charge.

- **Monthly Administrative Charge (All Years):** 6% times the Load Basis Amount. The 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 charges decrease as the policy year increases up to and including the 19th year, and are zero thereafter.

- **Partial Surrender Charges:** There will be a partial surrender charge if there is a decrease in the Specified Amount. The partial surrender charge is prorated by face amount. These charges apply to withdrawals that reduce the specified amount.

- **Withdrawal Charge:** There is no transaction fee in addition to the amount of the withdrawal. Partial surrenders may be made at any time and may not exceed the cash value less $2500. The minimum for a partial surrender is $500. The Specified Amount remaining in force after a partial surrender may not be less than $100,000. Any request for a partial surrender that would reduce the Specified Amount below this minimum will not be allowed. The allowable withdrawal will be limited to the amount that would result in the minimum face amount.

- **Policy Loan Charged Rate:** Interest on a loan is due and payable on each policy anniversary, but will accrue daily for the purpose of calculating any Debt. The policy loan charged rate is guaranteed at 6.00% to the younger insured's attained age 121 and 4% thereafter.

Policy Value and Loans

Policy Value: The policy value receives new net premium payments and interest credits. The policy value is decreased by current expense charges, monthly administrative charges, charges for suppplementary coverage, loans and withdrawals.

Interest Crediting: On unborrowed money, interest is credited at a guaranteed minimum annual rate of 2% in all years. Interest credited to borrowed funds is 4% in all years.

Cash Surrender: The cash surrender value is the amount of money available to a client upon full surrender of the policy. The cash surrender value equals the policy value minus any applicable surrender charges and debt.

Loans: Loans reduce both the policy's cash value and death benefit. Debt includes loan principal plus any accrued loan interest.

CPG Charges, Fees, Deductions and Interest Crediting

The "alternate" Coverage Protection Value is calculated in a similar manner as the actual policy value but utilizing different monthly deduction charges and credited interest rates. All charges and interest rates are fixed and guaranteed not to increase or decrease from what is shown on the policy specifications pages for the initial specified amount. Please consult the specimen contract for more information on the various charges and credits that go into the Coverage Protection Value.

Agent Compensation

There is a rolling target for the first 5 policy years. Excess compensation is paid in the first year. 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/Withdrawal	
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%		

Compensation of internal replacements may or may not be paid. See replacement schedules for complete details.

General Information

7702/7702A Information

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

Recapture Ceiling

The tax code includes rules that prevent the tax deferred treatment of life insurance from being abused. Two of the main tests include the Guideline Premium Test, which compares premium to death benefit, and the Cash Value Accumulation Test (CVAT), which compares cash value to death benefit. See descriptions below.
Historically, when partial withdrawals were taken from a contract, any amount up to the premiums paid to date, also known as basis, was non-taxable. This is known as the FIFO treatment (basis is withdrawn first , then any income/gain).

This situation is most likely to be a factor when a policy loan is carried over as part of a 1035 exchange and then large withdrawals are taken to payoff the policy loan during the first 15 policy years, but most notably in the first 5 years.

New rules which came into effect on January 1, 1985 changed the way partial withdrawals were to be taxed. Under the new rules, taxable income may be forced out of the policy when a partial withdrawal meets all of the following conditions:

- The change reduces the future benefits under the contract.
- The change occurs within 15 years of the policy issue date.
- Cash is distributed from the contract as a result of the change.
- The Recapture Ceiling calculation is positive.
- There is a gain in the contract.

When the withdrawal meets these conditions it will receive the LIFO treatment (any income/gain is withdrawn first, then basis), and any gain up to the Recapture Ceiling would be taxable.

Lincoln uses the Cash Value Accumulation Test and the Recapture Ceiling Test. This should not be used in place of professional tax advice, but rather to draw attention to possible pitfalls.

The Recapture Ceiling (RC) Test is only applied during the first 15 years following policy issue and only when a withdrawal creates a gain in the policy. There is a two-year look back period (from point of withdrawal request) during which previous withdrawals must be included in the calculation. There are two separate calculations that could apply depending upon whether the policy is in Years 1-5 or Years 6-15. If the withdrawal fails this test, the entire withdrawal is treated as a loan to avoid a taxable event.

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	An Insured's age, nearest birthday, on the Policy Date
Attained Age	An Insured's age as measured from the Policy Date plus the number of completed policy years. For the purposes of determining dates and values under the policy, the Attained Age of the first Insured to die will continue to increase each year. "Younger Insured's Attained Age 121" occurs on the policy anniversary day when the number of completed policy years plus the age of the younger Insured on the Policy Date equals 121.
Cash Surrender Value	The Policy Value as of the date of surrender less the charge, if any, for full surrender, and less any Debt.
Cash Value	Policy Value less any surrender charge.
Debt	The principal of a policy loan together with interest due.
Frasierization	Frasierization is the pricing methodology used for joint life products that blends single life mortality rates to determine joint last to die mortality rates. This technique combines individual probabilities of death to determine the probability that the second of the two lives dies during a certain year.
Insured	Each person whose life is insured under the policy.
Modified Endowment Contract	The federal tax law definition of "life insurance" limits your ability to pay certain high levels of premiums. In addition, if your cumulative premium payments exceed certain amounts specified under the Internal Revenue Code, your policy will become a Modified Endowment Contract (MEC). If your policy is a MEC, the tax treatment of any death benefit provided under the contract will still qualify for income tax free treatment but you may be subject to additional taxes and penalties on any distributions from your policy during the life of the insured.
Monthly Anniversary Day	The same day in each month as the Policy Date.
Monthly Deductions	The sum of: (1) the cost of insurance and the cost of any additional benefits provided by rider for the policy month, and (2) the sum of all administrative charges for the policy and any attached riders shown on the policy specifications pages as being due for the policy month.
Net Amount at Risk	The difference between the face amount of a life insurance policy and the cash value of the policy.

Glossary of Terms (cont.)

Owner As shown in the policy specifications page or in an Amendment, Endorsement or Rider attached to the policy. While either insured is alive, the Owner may exercise every right and option and received every benefit provided by the policy. These rights, however, are subject to written consent of any Irrevocable Beneficiary. Any rights and privileges that may be exercised by the Owner may be exercised only with the consent of all joint Owners

Policy Date The date used 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 is the 28th of such month.

Second Death The second of the two Insureds to die.

Lincoln LifeGuarantee® SUL is issued on policy form SUL6008 (and state variations) by The Lincoln National Life Insurance Company, Fort Wayne, IN. Product and features subject to state availability. Guarantees are subject to the claims-paying ability of The Lincoln National Life Insurance Company.

Any tax statements contained herein were not intended or written to be used and cannot be used for the purpose of avoiding U.S. federal, state or local tax penalties. Please consult your own independent advisor as to any tax, accounting or legal statements made herein.

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