

# The Lincoln Leader

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LIFE INSURANCE

## PREVIEW SPECIAL EDITION

### Term Conversion Guidelines – Update as of September 12, 2016

Lincoln will be updating the Term Conversion Guidelines for new business effective September 12, 2016. These Term Conversion changes support our ability to continue offering a comprehensive, competitive, and relevant portfolio of term products for your clients.

Our Term conversion guideline practices are still among the most competitive in the industry, providing you and your clients the flexibility needed to customize their long-term plans.

#### Highlights

- The changes to the term conversion guidelines will continue to meet the conversion privileges provided in the term policy or term rider contract language.
- While changes may affect the products available for conversion and/or the commissions paid on the permanent policy, several steps were taken to minimize the impact to in-force policy owners along with business currently in the sales process, with the goal of balancing product access and compensation.
- The existing term conversion product options will continue to be available if the term conversion application is received prior to January 1, 2017 – OR – if the term conversion application is received on or after January 1, 2017, but the term policy effective date is prior to September 12, 2016.
- The term conversion options for policies issued on or after September 12, 2016, remain more favorable than most competitors and provide the same conversion opportunities in the early policy years. Subject to state availability, a *Conversion Products Amendment* that contractually guarantees full product access during the first seven policy years will be included with all Level Term policies with policy effective dates on or after September 12, 2016, at no additional cost.

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- A new higher cost product which contractually guarantees full product access during the entire conversion period, *Lincoln LifeElements®* Level Term with *Conversion Products Enhancement*, will be made available as of September 12, 2016, subject to state availability. More information will be shared closer to the product rollout.
- Guidelines for commissions paid on permanent policies are being adjusted based upon the policy year at time of conversion. Please note, no first year commissions will be paid for conversions after policy year seven on in-force policies with policy effective dates prior to September 12, 2016, if the term conversion application is received on or after January 1, 2017.

## Transition Rules

These changes are being announced well in advance to give advisors and their clients ample opportunity to evaluate the impact to their policies and consider the options available.

Subject to the convertibility clauses in each term contract, the existing term conversion product options will continue to be available if the term conversion application is received prior to January 1, 2017 – OR – if the term conversion application is received on or after January 1, 2017, but the term policy effective date is prior to September 12, 2016.

- Term conversion applications must be signed, dated and received in good order in Lincoln's home office to qualify.
- Term conversion applications that have been signed and dated by the insured with the owner listed as "trust to be established" but Lincoln is still awaiting a trust to be set up as part of the normal course of business will qualify.
- For term conversion applications received prior to January 1, 2017, the permanent policy must be placed no later than March 1, 2017.
- There will be no exceptions to these transition dates.

For purposes of contractually defining the conversion period:

- Policy year is a one year period of time with the first policy year starting on the policy (effective) date.
- Attained age is the insured's age at issue as shown in the policy specifications plus the number of completed policy years.

## Illustrations

As of the 8/8/16 Lincoln DesignIt<sup>SM</sup> release, when “illustrate as term conversion” is selected on UL/VUL illustrations:

- A new yellow warning message will be displayed on the input screen. The warning message will read: “Special rules apply to compensation on term conversions. Refer to commission schedule and published guidelines for details.” On WinFlex, this will automatically appear at the bottom of the page when this box is selected.
- The optional Producer Report will state “For term conversions, special rules apply to compensation. Please see the Company’s published Policies and Procedures for details on how compensation will be calculated on this case.” WinFlex has the same optional report.

As of the 9/12/16 Lincoln DesignIt<sup>SM</sup> release, subject to state availability of the *Conversion Products Amendment*:

- If *Lincoln LifeElements*<sup>®</sup> Level Term or *Lincoln TermAccel*<sup>®</sup> Level Term is selected, the “Conversion” paragraph in the Product Description output will be updated to reflect access to the full product portfolio during the first seven policy years.

## Marketing Materials

Marketing materials will be updated to continue to highlight a conversion privilege, while directing the client to their advisor to determine what specific product options are available to them. Effective the week of July 25, 2016, updated marketing materials can be viewed on the various Lincoln producer websites and will be available for order from the Lincoln Literature Fulfillment Center.

Products and features subject to state availability. Guarantees are subject to the financial strength of the insurer. Lincoln Financial Group is the marketing name for The Lincoln National Corporation and its affiliates.

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**Variable products are sold by prospectus. For more information about the variable products, including fees and charges, refer to the prospectus. Variable products are distributed by Lincoln Financial Distributors and offered through broker dealers with effective selling agreements.**

Only registered representatives can sell variable products.

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