

LIFE PRODUCT TRANSITION TO 2001 CSO MORTALITY TABLE

The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York
(Lincoln)

QUESTION & ANSWER

What does CSO mean?

CSO means the Commissioner Standard Ordinary mortality tables. These tables represent the legal limit that life insurance companies may charge for the cost of insurance. Every so often, the table is updated as the overall expectation of insured mortality changes. The latest table was created in 2001. Prior to that, the most recent update was 1980.

How is this table used?

The principal use of the table is to determine the maximum guaranteed cost of insurance charges that the company can charge the client. The table is also used to test that a particular sale meets the definition of life insurance as prescribed by IRC code sections 7702 and 7702A.

What does the change in the tables mean to life insurance products?

The results of the change in tables means lower 7702 and 7702A funding limits.

Is Lincoln required to use the more recent table?

State regulation, based on an NAIC model bill, prescribes the use of the 2001 CSO Mortality Table in determining minimum reserve liabilities and non-forfeiture benefits, and recognizes the use of the 2001 CSO Mortality Table as the guaranteed cost of insurance basis for life insurance policies. Beginning January 1, 2009, all insurers must use the 2001 CSO Mortality Table for insurance products issued on or after that date.

How will the rules and updates be communicated?

In addition to this Q & A, pop-up warnings will be added to the Life Sales Platform and LPPlus illustration systems in August as follows:

Applications for this product must be received in good order at the Home Office no later than 10/31/08 and the policy must be placed (in force with money) no later than 12/31/08. Please see the Q&A regarding 2001 CSO transition rules for more information. There will be absolutely no exceptions to the placement rule as it is critical for us to meet the IRS guidelines and protect the client's tax status.

Ongoing communications will be sent via usual Lincoln communication vehicles.

What are the transition rules?

- All applications for products written on the 1980 CSO must be received in the Home Office in good order by 10/31/08.
- These policies must be placed (in force with money) by 12/31/08.
- The policy date must be no later than 12/28/08 (policy dates of 29,30,31 are not allowed)

What happens if the case is not placed by 12/31/08?

1980 CSO products cannot legally be issued and placed after 12/31/08. For those products that have a 2001 CSO replacement product, the client may accept that product instead. If there is no replacement product available, the client may pick a different product from those available.

Will backdating to a policy date prior to 12/31/08 be allowed in order to take advantage of the 1980 CSO Tables?

No. Once January 1, 2009 arrives, no policies may be written with the 1980 CSO Table. This is a regulatory requirement, so there can be no exceptions. Exceptions would jeopardize potentially both the 7702 and 7702A status of the client's policies.

Can a recently issued 1980 CSO policy be rewritten to a 2001 CSO product?

Yes. The standard rewrite rules apply.

Will policy change transactions on in force policies based on the 1980 CSO require rewriting to the 2001 CSO?

There must be an explicit contractual right to allow any policy changes on 1980 CSO policies. Lincoln reserves the right to deny policy change transactions, such as the addition of Other Insured term riders, which will require a change in table, and thus a change in guideline calculations.

What if I want to put a policy in force with only external 1035 funds and they don't arrive by 12/31/08?

If the client desires a 1980 CSO product, he will need to put the policy in force with out of pocket money if the 1035 funds are not received by 12/31/08. Note that the policy may become a MEC once the 1035 money is received if the 7-pay is reduced below the premium amount used to put the policy in force.

Example: Owner puts policy in force with \$200 on 12/23/08. 7-pay at placement is \$1,500. On January 31, \$85,000 external 1035 comes in and 7-pay is recalculated to \$50. The previously paid \$200 premium amount would MEC the policy at this point since the recalculated 7-pay of \$50 is lower than the \$200 premium. Lincoln would not be able to refund the \$200 otherwise the policy would violate the intention of the transition rules.

Will there be any gaps in product availability?

A list of both 1980 CSO Products and the 2001 CSO Products is shown on the last page of this Q&A. There will be some gaps, but we have tried to minimize them. These gaps will be due to several key factors:

State availability

- Replacement products should be available in most jurisdictions by 10/31/08, but backlogs within the State Insurance Departments due to this industry-wide effort may impact product availability. *MoneyGuard*[®] Original Series, Flex 1, and Flex 2 – Utah and Vermont only. *MoneyGuard*[®] Reserve with the 2001 CSO table has been filed in VT and will be filed in UT shortly.

New product rollouts

- The two new universal life products, *Lincoln LifeReserve*SM UL (2009) and *Lincoln LifeReserve*SM Indexed UL, will be available for sale in most states as of product launch in mid-November. The Exec Rider will be available early 2009.
- The remaining products in the UPP VUL portfolio, *Lincoln AssetEdge*SM VUL 2008, *Lincoln AssetEdge*SM Exec VUL 2008 and *American Legacy AssetEdge*SM VUL 2008, are pending an effective registration statement with the SEC. It is anticipated that these will rollout before 10/31/08.

Are there any products that will not be converted to the new table?

Yes, *Lincoln LifeCurrent*SM SUL will be discontinued. Sales of this product in the current interest rate environment do not warrant its replacement at this time. Lincoln will provide additional information as the year progresses about availability of the replacement products.

What are some examples of what will be allowed/not allowed?

EXAMPLES NOT ALLOWED:

- No 1980 CSO policy may be dated later than 12/28/08, since Lincoln cannot issue on the 29, 30 or 31st of December.
- An application for *LifeCurrent* SUL received on 11/4/08 (*it's past the 10/31/08 submission cut-off date*)
- Initial premium for *LifeCurrent* SUL policy received on January 2, 2009. (*the last day to pay for a policy is 12/31/08*)
- *LifeCurrent* SUL with a policy date of 1/1/09. (*the last policy date allowed is 12/28/08*)

EXAMPLES ALLOWED:

- An application for *LifeCurrent* SUL received on 10/14/08 and placed 12/26/08 with a policy date of 12/1/08. (*it meets all of the deadlines*)

What can I do to avoid potential problems with a client?

First, communicate the potential risks with the client.

Second, begin sending in applications and requirements as soon as possible. Business on the 1980 CSO products can be submitted until 10/31/08, but the later the date, the larger the risk that the business will not be issued and placed before the deadline.

Cases that are owned by a Trust, have 1035 exchanges or have outstanding Attending Physician Statements will need the most time to process.

New Business will be aggressively following up on requirements, so be prepared to respond as quickly as possible.

How should I inform my client about this risk?

Lincoln will assist the producer. By the end of August, there will be a new informational disclosure form that will be part of the application packet for transitioning products. This form does not have to be signed, but please make every effort to be sure clients have read it and understand it before they sign the application. The form will explain the reason for the transition, and will advise them of the risks associated with not having their policy issued and placed before year-end. The text on the form is shown on the next page.

Please note that the product for which you are applying will no longer be available for new sale -- due to an impending and mandatory, change in IRS regulations involving the product's mortality table basis -- after December 31, 2008.

In order to meet the requirements for the sale of this product, your advisor will be working closely with you so that your application in good order is received by Lincoln prior to October 31, 2008. This will give us an opportunity to place your policy in force with initial premium on or before the December 31, 2008 deadline.

Please be advised that we will do everything we can to finalize underwriting and issue your policy so that you have time to review it and send in premium before December 31, 2008. However, there are many things out of our control that may hold up the process and which might make it impossible to meet this deadline. If this happens, we will be unable to issue the product that you have applied for, as the new IRS regulations will prohibit us from selling the product after that date. In that event, we will, of course, work with you to help solve your life insurance needs with a different Lincoln product. Be advised, however, that it is in your best interests to submit your application and any additional underwriting requirements to us as quickly as possible, since there is no guarantee that a new product will be as ideal to your particular needs as the one you have originally chosen.

We appreciate your business and look forward to serving your life insurance needs.

Life Product Availability as of January 1, 2009

Discontinued 1980 CSO Products	2001 CSO Products
Lincoln VUL ^{ONE} 2005 * Lincoln VUL ^{DB} -IV * American Legacy VUL ^{DB} -IV * JPF Ensemble Protector *	Lincoln VUL ^{ONE} 2007
Lincoln SVUL ^{ONE} * Lincoln SVUL-IV * American Legacy SVUL-IV * JPF Ensemble SL *	Lincoln SVUL ^{ONE} 2007
Lincoln VUL ^{CV} -IV JPF Accumulator JPF Ensemble II JPF Ensemble III	Lincoln AssetEdge SM VUL 2008**
JPF Ensemble Exec	Lincoln AssetEdge SM Exec VUL 2008
American Legacy VUL ^{CV} -IV	American Legacy AssetEdge SM VUL 2008
MoneyGuard [®] Original Series, Flex 1 and Flex 2 (Utah and Vermont only)	Working on getting approval of MoneyGuard [®] Reserve in UT and VT.
GCOL (Guaranteed Cost Ordinary Life)	Lincoln LifeReserve SM UL (2009) with Endowment Rider
Lincoln LifeReserve SM Exec UL	Lincoln LifeReserve SM UL (2009) with Exec Rider
Lincoln LifeReserve SM UL	Lincoln LifeReserve SM UL (2009)
Lincoln LifeElements SM IUL	Lincoln LifeReserve SM IUL
Lincoln LifeElements SM UL	Lincoln LifeReserve SM UL (2009)
Lincoln LifeCurrent SM SUL	No Replacement Product

* These products are currently available in certain states / firms on a limited basis.

** Subject to regulatory approval.

Products and features are subject to state availability. Guarantees backed by the financial strength of the insurer. In states other than New York, products issued by The Lincoln National Life Insurance Company, Ft. Wayne, IN. In New York, products issued by Lincoln Life & Annuity Company of New York.

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Guarantees are backed by the claims-paying ability of the insurer.

Variable products are sold by prospectus, which contain investment objectives, risk charges and expenses of the variable products and their underlying investment options. Variable products are offered through broker-dealers with an effective selling agreement.