

CARRIER NEWS

LINCOLN FINANCIAL Introduces MoneyGuard Market Advantage

Effective February 16, 2021, Lincoln will introduce the next generation in long-term care planning and expand its MoneyGuard portfolio with the launch of Lincoln MoneyGuard Market Advantage, pending state and firm approvals. Lincoln MoneyGuard Market Advantage is a variable universal life insurance policy with a long-term care rider.

This innovative product design provides growth potential for both long-term care and death benefits through investment option performance and offers downside protection with annual lock-ins and a guaranteed minimum level of long-term care benefits. With access to over 40 active and passive investment options from leading portfolio managers, as well as customizable and model allocations, your clients can feel more confident about staying invested in the markets and preparing for long-term care expenses.

Lincoln MoneyGuard Market Advantage will be a new product offering in the MoneyGuard portfolio and will not replace Lincoln MoneyGuard® III, Lincoln MoneyGuard® II, or Lincoln MoneyGuard® II NY.

Product Highlights Long-Term Care Benefits Rider (LTCBR)

- Provides long-term care benefits based on the greatest of these three values at the time of claim:

- **LTC Base Value** – Set at time of purchase and guarantees a 3-year minimum level of long-term care benefits regardless of investment performance.
- **LTC Market Value** – Driven by the performance of investments, the benefit will boost the value of returns and will be 4x the accumulation value.
- **LTC Protected Value** – Provides an additional layer of protection from substantial market losses by locking in 2.5x the accumulation value as of each policy anniversary.

Value Protection Rider (VPR)

- Provides a No-Lapse Guarantee and the LTC Protected Value contingent upon premium and investment guidelines

Broad Range of Investment Options

- 31 actively managed portfolios
- 27 Morningstar categories
- 6 target-date funds

Death Benefit and Cash Surrender Value

- The policy's Death Benefit can grow to a value greater than the Specified Amount based on policy performance and Accumulation Value growth
 - There is also a Residual Death Benefit feature as part of the policy design
- Cash Surrender Value on the policy will be the policy's Accumulation Value less debt less any applicable Surrender Charges

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CARRIER NEWS | *Lincoln Financial***Tax Advantages**

- Product design which allows clients to maximize benefit values through multiple tax advantages including income tax-deferred growth while invested, income tax-free benefits if care is needed, and a death benefit that is generally received income tax-free.

Flexible Care Cash

- While LTC Base Value remains, this feature provides access to cash benefit for care needs.
- Allows for 50% of the maximum daily benefit to be used per occurrence (up to the IRS per diem limit).
- Cash benefit payable without providing receipts.
- Care under this feature may be provided by family members, including the spouse.

Additional Features

- **Issue Ages 30-70**
- **Underwriting Classes of Standard or Couples Discount**
- **Premium Structure:** Single Premium or Flexible Premium. Flexible Premium design allows for premiums to be paid at any time up to age 121, within premium limits.
- **Zero Day Elimination Period**
- **Allocation Requirements**
 - Maintaining the allocation requirements noted below is required to keep the Value Protection Rider (VPR) on the Policy
 - Three tiers of funding options available. If any money is allocated to Tier 3 then at least 20% of money must be allocated to Tier 1.
 - **Tier 1** – Fixed Account, Bond funds, Money Market fund
 - **Tier 2** – Blended (equity/bond) funds, Asset allocation funds, Target-date funds
 - **Tier 3** – Equity funds, ETFs
 - Under the allocation requirements, quarterly automatic rebalancing is

required to be maintained on the policy and that the quarterly rebalancing allocations are within the allocation requirements noted above.

- **Dollar Cost Averaging:** Available at issue with a Fixed Account Interest rate to address market volatility concerns
- **Access to Lincoln Concierge Care Coordination for all policy holders**

Availability

Subject to state and firm approvals, applications for Lincoln MoneyGuard Market Advantage will be accepted beginning on February 16, 2021. Please see below for important information associated with Lincoln MoneyGuard Market Advantage availability.

- Effective February 16, 2021, Lincoln will be updating our current MoneyGuard Application to provide a single, unified application to be used across Lincoln MoneyGuard® III and the new Lincoln MoneyGuard Market Advantage.
- When applying for Lincoln MoneyGuard Market Advantage there are two new forms that need to be completed for this variable product in addition to the standard application package: Lincoln MoneyGuard Market Advantage Allocation Form (MG12176) and Customer Identity Verification Form (33009).
- A checklist (MG12227) will be available to assist Financial Professionals with the required forms.
- On February 16, 2021, Pending and Issued applications for Lincoln MoneyGuard® III (2020) may request a product switch to the new Lincoln MoneyGuard Market Advantage
 - We will require a new Part 1 Application, illustration, Outline of Coverage, VUL Allocation Form, Customer Identity Verification Form, and any state/firm specific requirements.

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- The client will also need to be provided with the following if switching to Lincoln MoneyGuard Market Advantage; Prospectus and Outline of Coverage.
- It is important to ensure proper licensing and appointment prior to submitting new/revised application paperwork.
- Remember that once an application is submitted, the Personal History Interview (PHI) must be completed within 60 days of submission. In addition, the case must be placed within 90 days of the PHI.

Introduces Lincoln VUL ONE (2021) and Lincoln SVUL ONE (2021)

Effective February 16, 2021, subject to state availability, Lincoln is pleased to introduce the newest products in its variable universal life portfolio, Lincoln VUL ONE (2021) and Lincoln SVUL ONE (2021).

The new Lincoln VUL ONE (2021) and Lincoln SVUL ONE (2021) continue to offer guaranteed lifetime death benefit protection with market-driven growth potential, while also offering options that can reduce cost and increase your cash value and death benefit protection. These products replace the existing Lincoln VUL ONE (2019) and Lincoln SVUL ONE (2019) versions with the focus of maintaining a consistent leadership position while adding optionality into the product through two lifetime guaranteed minimum death benefit protection options and a NEW Bonus Rider!

Product Highlights

Guaranteed Lifetime Protection – No Matter How the Market Performs

Two lifetime Guaranteed Minimum Death Benefit (GMDB) protection options:

- 100% Lifetime Guaranteed Death Benefit
- NEW! Premium Reduction Option via Lifetime

Guaranteed Death Benefit with 50% drop at age 90

- For Lincoln VUL ONE (2021) this option reduces premium by 16% on average over the 100% Lifetime Guaranteed Death Benefit Option
- For Lincoln SVUL ONE (2021) this option reduces premium by 25% on average over the 100% Lifetime Guaranteed Death Benefit Option

Growth Opportunities

Market growth potential with more than 75 investment options and no restrictions:

- Tax-deferred growth potential
- The freedom to craft policy portfolios from conservative to aggressive
- Passive or hybrid management, without impacting the guaranteed protection
- Automatic rebalancing

Options to Enhance Protection and Cash Value Potential

NEW! Bonus Rider

- The Bonus Rider gives the policy holder the option to utilize cash value within the policy to pursue increased upside potential through indexed features. The rider takes an annualized charge from the Separate Account to purchase an uncapped option on the S&P 500 with a 0% floor and a participation rate (set at the time of option purchase). This rider includes an additional No-Lapse Value premium load.

Permanent Rewards for Strong Performance with the Accumulation Value Threshold

If the policy exceeds a pre-determined threshold, the policy's Death Benefit is guaranteed, and excess cash value can be accessed without impacting the guarantee.

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CARRIER NEWS | *Lincoln Financial***Product Updates**

The first-year premium limit of \$500,00 previously imposed on Lincoln VUL ONE (2019) and Lincoln SVUL ONE (2019) will not apply to Lincoln VUL ONE (2021) and Lincoln SVUL ONE (2021).

Available Riders

The following riders are available, subject to state availability, on Lincoln VUL ONE (2021):

- Bonus Rider (NEW!)
- Accelerated Benefits Rider (with critical illness)
- Accelerated Benefits Rider
- Long-Term Care Rider (LTC Rider)
- Lincoln LifeAssure® Accelerated Benefits Rider
- Lincoln LifeEnhance® Accelerated Benefits Rider
- Enhanced Surrender Value Rider
- Change of Insured Rider
- Waiver of Monthly Deductions
- Optimal No-Lapse Enhancement Rider (included automatically)
- Overloan Protection Rider (included automatically)
- Premium Reserve Rider (included automatically in approved states)

The following riders are available, subject to state availability, on Lincoln SVUL ONE (2021):

- Bonus Rider (NEW!)
- Enhanced Surrender Value Rider
- Estate Protection Rider
- Optimal No-Lapse Enhancement Rider (included automatically)
- Overloan Protection Rider (included automatically)
- Premium Reserve Rider (included automatically in approved states)

Product Availability

New Business applications will be accepted on February 16, 2021 in approved states. Please note, the new products will not be filed in New York.

Prospectus

There will be a new prospectus for each of these products: Lincoln VUL ONE (2021) and Lincoln SVUL ONE (2021). They will be made available on February 16, 2021.

Transition Guidelines

For states that are approved at rollout there is a 14-day transition period which begins on **February 16, 2021 and ends on March 1, 2021.**

- **For the old product**, formal applications must be signed, dated and received in-good-order in Lincoln's home office by the end of the transition period to qualify. **For LincXpress® Tele-App Cases**, a complete ticket and required solicitation forms must be received by the end of the transition period to qualify.
- **For pending business or policies already issued**, Lincoln will accept a written request and a revised illustration to change to the Lincoln VUL ONE (2021) or Lincoln SVUL ONE (2021)
- **For policies already placed**, normal internal replacement guidelines apply. Rewrites will not be allowed.
- **For states approved after rollout**, the above will automatically apply based on the availability date.

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CARRIER NEWS | *Lincoln Financial***Announces Pricing Update:
Lincoln VUL ONE (2019) – 02/16/21
and Lincoln SVUL ONE (2019) –
02/16/21)**

As our industry continues to operate in a challenging and changing environment, Lincoln remains committed to operating responsibly through our disciplined approach to financial and risk management. Guided by our long-term objective of honoring commitments to policyholders, thoughtful and deliberate business decisions enable Lincoln to remain dedicated to the life insurance market, maintain a consistent industry-leadership position, and meet customer and advisor needs.

As part of this approach, effective February 16, 2021 and in conjunction with the launch of Lincoln VUL ONE (2021) and Lincoln SVUL ONE (2021), Lincoln is announcing pricing updates on the current Lincoln VUL ONE (2019) and Lincoln SVUL ONE (2019) to align with the 2021 product pricing.

Lincoln VUL ONE (2019) – 02/16/21 will be available only in those states that have not approved Lincoln VUL ONE (2021). SVUL ONE (2019) – 02/16/21 will be available only in those states that have not approved Lincoln SVUL ONE (2021).

While premium increases are necessary due to conditions of the current environment, our goal is to remain competitive and as such **the first-year premium limit of \$500,000 for Lincoln VUL ONE (2019) and Lincoln SVUL ONE (2019) will not apply to Lincoln VUL ONE (2019) – 02/16/21 and Lincoln SVUL ONE (2019) – 02/16/21.** Lincoln remains committed to the guaranteed Variable Universal Life market, and these adjustments help ensure we maintain market presence and remain a trusted and reliable partner.

Pricing Changes

The following pricing updates apply:

Lincoln VUL ONE (2019) – 02/16/21

- Premiums have increased 9% on average across all funding patterns
 - Level pay premiums increased 8% on average
 - Single and 10-pay premiums increased 10% on average
- There are no impacts to Target premiums
- No first-year premium limit

Lincoln SVUL ONE (2019) – 02/16/21

- Premiums have increased 12% on average across all funding patterns
 - 11% increase on average at younger ages
 - Up to 14% increase on average at older ages
- There are no impacts to Target premiums
- No first-year premium limit

State Availability

These products will only be available in the states where Lincoln VUL ONE (2021) and/or the Lincoln SVUL ONE (2021) are not approved at launch. These products will not be made available in New York.

Transition Guidelines

For states that are approved at rollout (i.e. those states that have not yet approved the Lincoln VUL ONE (2021) and/or the Lincoln SVUL ONE (2021)), there is a 14-day transition period which begins on **February 16, 2021 and ends on March 1, 2021.**

- **For the old product,** formal applications must be signed, dated and received in-good-order in Lincoln's home office by the end of the transition period to qualify. **For LincXpress® Tele-App Cases,** a complete

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CARRIER NEWS | *Lincoln Financial, Prudential*

ticket and required solicitation forms must be received by the end of the transition period to qualify.

- **For pending business or policies already issued,** Lincoln will accept a written request and a revised illustration to change to the Lincoln VUL ONE (2019) – 02/16/21 or Lincoln SVUL ONE (2019) – 02/16/21.
- **For policies already placed,** normal internal replacement guidelines apply. Rewrites will not be allowed.

PRUDENTIAL Announces Repricing PruLife SUL Protector

Due to the persistently low interest rate environment, Prudential has decided to increase SUL Protector rates. On average, Level pays are increasing by 8% and shorter pays by more than 15%. The reprice will allow us to bring back single pay designs in the illustration system.

On **Monday February 22, 2021**, Prulife SUL Protector changes will be introduced, subject to state approvals.

The following rules apply to any request for New Business, Term Conversion, or OPAi (Option To Purchase Additional Insurance) Conversion.

TRANSITION RULES

- **February 22, 2021** (Ready to Sell Date): New Rates for the revised product are in effect. All applications signed and dated on or after February 22, 2021 will receive New Rates (unless Old Rates are requested and permitted)
- **February 28, 2021** (Transition Period End Date): Last day that an application can be signed with a request for Old Rates

- If Old Rates are desired for an application dated during the 7-day Transition Period, a written request, along with the appropriate presentation version, must be submitted on or after the state introduction date
- Applications dated March 1 st and later will receive the New Rates only
- States that approve the repriced product after February 22, 2021 will have their “Ready to Sell Date”, and “Transition Period End Date adjusted.
- **May 5, 2021** (Placement Date) is the last day that a pending case can be placed with old rates.
- **1035 Exchanges: Cases involving a 1035 exchange must be initiated or started by May 5th to retain old rates. If the 1035 initiation deadline is met, the policy will not be subject to an additional placement deadline**

REQUESTS FOR OLD RATES DURING THE TRANSITION PERIOD:

APPLICATIONS WITHOUT OWNERSHIP ARRANGEMENTS

Formal applications without ownership arrangements (Preliminary applications, trial application and where a Trust is TBD) must be replaced by a final formal application by the end of the 7-day transition period based on state approval to be eligible for the Old Rates.

INFORMAL/INQUIRY APPLICATIONS

Informal/Inquiry applications will not be eligible for Old Rates unless replaced by a live application by the end of the 7-day transition period based on state approval.

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TERM CONVERSIONS

Old or New Rates can be issued if the convertible period ends prior to the state approval date and the application date is after the state approval date and within the transition period, and within 31 days of the convertible period end date.

Announces Repricing to Term Essential and Term Elite

In response to the continued low-interest rate environment, effective February 22, 2021, our rates for Term Essential and Term Elite will increase for all term durations.

- **Term 10** – 3% increase
- **Term 15** – 3% increase
- **Term 20** – 6% increase
- **Term 30** – 7% increase

TERM ESSENTIAL

Transition Period Rate Basis Automation¹

The February 2021 Term Essential repricing will employ our “Rate Basis Automation” functionality. With this functionality there is no need for a financial professional to request the lower-priced premium during the transition period. Term Essential applications dated during the transition period will be priced with a premium based on the lesser of the two automatically.

When the premium rate basis is systematically changed, an informational task will be sent to the producer indicating that the lower premium rates have been applied to the policy.

Applications dated after the 7-day transition period, March 1 and later, will receive the New Rates only.

Transition Dates

- Ready to Sell Date: February 22, 2021
- Transition Period End Date: February 28, 2021
- States that approve the New Rates after February 22, 2021 will have their “Ready to Sell Date” and “Transition Period End Date” adjusted.
- **May 5, 2021 is the last day that a pending case can be placed with old rates.** Policies with old rates that are not placed by May 5th will be updated with new pricing and issued with revised rate

TERM ELITE

Transition Rules

- Ready to Sell Date: February 22, 2021
 - New Rates for the repriced product are in effect.
 - All applications signed and dated² on or after February 22, 2021 will receive New Rates (unless Old Rates are requested and permitted)
- Transition Period End Date: February 28, 2021- Last day that an application can be signed with a request for Old Rates
 - If Old Rates are desired for an application dated during the 28-day Transition Period, a request must be submitted on or after the state introduction date
 - Applications dated February 28 and later will receive the New Rates only
- States that approve the New Rates after February 22, 2021 will have their “Ready to Sell Date” and “Transition Period End Date” adjusted.

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REQUESTS FOR NEW RATES

Requests for changes to the New Rates will be permitted for these situations:

- Any pending case or issued policy that is not yet delivered with an application date prior to the state introduction date can be changed to New Rates, if the request for change is made on or after the state introduction date

BACKDATING

Normal backdating rules apply, meaning that the new policy date can be backdated up to six months prior to the application date (three months in Ohio). A policy with New Rates can be dated prior to the state introduction date if the application meets the requirements in the TRANSITION RULES above.

Please note: If the date of birth is more than 6 months prior to the state introduction date, you cannot backdate the policy to save age with a request for New Rates.

REQUESTS FOR OLD RATES DURING THE TRANSITION PERIOD:**INFORMAL/INQUIRY APPLICATIONS**

Informal/Inquiry applications will not be eligible for Old Rates unless replaced by a live application by the end of the 7-day transition period based on state approval.

APPLICATIONS WITHOUT OWNERSHIP ARRANGEMENTS

Formal applications without ownership arrangements (Preliminary applications, trial application and where a Trust are TBD) must be replaced by a final formal application by the end of the 7-day transition period based on state approval to be eligible for the Old Rates.

¹ Not all future repricings will be eligible for Rate Basis Automation. This functionality is used for Term products only and will be activated when there is a rate change only with no feature changes to the product.

²Definition of “application date”:

Pru Advisors Prepaid elite – Date on the form of payment and the Authorization, Acknowledgement and Limited Insurance Agreement form
Pru Advisors COD elite – Date the Authorization, Acknowledgement, and Limited Insurance Agreement form
Pru Advisors or Third-Party Full Application case – Date the Part 1 of application (ORD 96200) was signed
Third Party Prepaid Xpress QuickForm case – Date on the form of payment, the Authorization to Release Information form, and the Limited Insurance Agreement form
Third Party COD Xpress QuickForm case – Date the Authorization to Release Information form was signed by the client.

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COMPETITIVE ANALYSIS: Stress Testing

In response to a growing demand for **Competitive Intelligence**, Premier Brokerage continues to provide LifeTrends analysis to our producers.

LifeTrends is one of the top consulting firms in the insurance industry, specializing in **Consultative Product Due Diligence, Competitive Intelligence, & Customized Benchmarking**.

What this means to you is the chance to “wow” your clients with information that they are not getting from their other advisors, keeping you one step ahead of your competition.

One thing that differentiates top producers from the competition is the ability to show their clients not only “numbers on an illustration”, but also how the product holds up in the face of real life circumstances. Premier has commissioned LifeTrends to perform a number of Stress Tests which analyze how specific carriers and products perform under specified conditions.

LifeTrends has already completed its first three stress tests: 1) Catch Up Premium Analysis, 2) Missed Premium Analysis, and 3) Paid Up Death Benefit Analysis.

We can provide you with multiple reports at multiple ages and rates. If you would like a copy, please contact your sales representative:

Corporate Headquarters: 800.543.5555 | Miami Office: 800.683.3077

Gender	Male
Age	65
Risk Class	Preferred

Universal Life - No Lapse Guarantee - Catch-Up Premium

Male, Age 65, Preferred Risk Class, \$1,000,000 Level Death Benefit
Pay the lifetime level premium and skip premium payment in a year, then solve to catch up the policy

Company	Product	Rank	NLG Lifetime Premium	New Premium to Maturity with Missed Premium in:						One-Time Catch-Up Premium Immediately after Missed Premium in:					
				Year 4		Year 11		Year 20		Year 4		Year 11		Year 20	
				Premium	% Increase	Premium	% Increase	Premium	% Increase	Premium	Ratio	Premium	Ratio	Premium	Ratio
Protective	Lifetime Assurance UL	1	\$22,104	n/a	n/a	\$23,500	6.32%	\$24,000	8.58%	n/a	n/a	\$44,250	2.0	\$44,250	2.0
American National	Signature Guaranteed UL	2	\$22,395	n/a	n/a	\$24,500	9.40%	\$25,500	13.86%	n/a	n/a	\$46,000	2.1	\$46,750	2.1
Principal	UL Protector V	3	\$22,932	n/a	n/a	\$24,750	7.93%	\$24,750	7.93%	n/a	n/a	\$51,250	2.2	\$51,250	2.2
Penn Mutual	Guaranteed Protection UL	4	\$23,054	\$24,773	7.46%	n/a	n/a	n/a	n/a	\$47,499	2.1	n/a	n/a	n/a	n/a
Nationwide	No-Lapse Guarantee UL II	5	\$23,574	\$26,663	13.10%	\$26,900	14.11%	\$27,413	16.28%	\$64,127	2.7	\$64,251	2.7	\$62,882	2.7
Nationwide	Indexed UL Protector II	6	\$23,720	n/a	n/a	\$26,126	10.14%	\$26,715	12.63%	n/a	n/a	\$63,223	2.7	\$62,175	2.6
American General	Secure Lifetime GUL 3	7	\$25,133	\$27,750	10.41%	\$28,250	12.40%	\$29,750	18.37%	\$52,750	2.1	\$52,500	2.1	\$59,000	2.3
Securian Financial	Eclipse Protector II IUL	8	\$25,932	\$28,250	8.94%	\$28,750	10.87%	\$29,750	14.72%	\$56,000	2.2	\$56,250	2.2	\$57,000	2.2
Symetra	Symetra UL-G 7.0	9	\$27,212	n/a	n/a	\$28,537	4.87%	\$29,131	190.79%	n/a	n/a	\$55,508	2.0	\$420,933	15.5
Lincoln Financial	VULOne (2019)	10	\$27,528	\$29,676	7.80%	\$30,024	9.07%	\$34,692	26.02%	\$56,628	2.1	\$56,928	2.1	\$64,140	2.3
North American	Custom Guarantee (Gen 9)	11	\$28,046	\$29,750	6.08%	\$30,000	6.97%	\$30,750	9.64%	\$54,250	1.9	\$54,250	1.9	\$54,750	2.0
North American	Protection Builder IUL	12	\$28,046	n/a	n/a	\$30,000	6.97%	\$30,750	9.64%	n/a	n/a	\$54,250	1.9	\$54,750	2.0
Protective	Indexed Choice UL 12-19	13	\$28,092	\$29,750	5.90%	\$29,750	5.90%	\$30,000	6.79%	\$57,750	2.1	\$57,500	2.0	\$57,500	2.0
Protective	Advantage Choice UL 10-20	14	\$29,235	\$30,750	5.18%	\$30,750	5.18%	\$31,000	6.04%	\$60,000	2.1	\$59,500	2.0	\$59,500	2.0
Lincoln Financial	LifeGuarantee UL (2019) - 05/11/20	15	\$30,736	n/a	n/a	\$33,168	7.91%	\$33,641	9.45%	n/a	n/a	\$67,776	2.2	\$67,178	2.2

*Products without premium solve options are rounded to the nearest \$250

Values derived from carrier illustrative systems. Not to be distributed to the general public.

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ADVANCED SALES

Generate sales with Informal Business Valuations and Buy-Sell Reviews

by: *Principal*

The reports provided through our Informal Business Valuation and Buy-Sell Review services offer important information to business owners about the impact the value of their business and/or the state of their buy-sell agreements can have on many aspects of their financial future. And that, in turn, can lead to additional life and disability insurance sales for you.

Snapshot: Real Opportunity

Owners of growing businesses represent a lucrative market with significant risk-protection needs. Nearly half of all U.S. households with more than \$3 million in investable assets own a business.¹

Informal Business Valuation. After completing the fact finder, you and your client will receive a complimentary informal business valuation prepared by our Business and Advanced Solutions team of professionals including CPAs, attorneys, and consultants. The report also provides suggested solutions based on the unique needs of the business. In addition, you and your clients will get direct access to this team to discuss recommendations or any questions you may have.

What's the purpose of this service? Our informal business valuation service is not intended to provide the fair market value for purposes of selling a business. Long before a sale occurs, it's important for business owners to know the value of their business for risk protection purposes. This means understanding and protecting the value at risk—for both planned and potentially unplanned events.

Buy-Sell Review. During the fact finding discussion with your client, you'll also want to ask if there is a buy-sell agreement. If there is, ask for a copy to be reviewed. We'll then provide an additional report that includes any recommendations our Business and Advanced Solutions team may have based on any needs uncovered. The review may also include a summary of your client's buy-sell agreement funding and options to help meet any identified funding deficiencies.

What's the purpose of this service? The complimentary Buy-Sell Review is not intended to replace a business owner's valued legal counsel. This service provides a timely review of key provisions in the buy-sell document(s) in order to provide best practices feedback and ensure everything is current and in line with the business owner's expectations. Our goal is to provide suggestions that will help facilitate a discussion with their legal counsel.

Providing these value-added services to your qualified² business-owner clients and prospects can help open a variety of sales opportunities for you!

What sales opportunities can be uncovered?

Business succession planning and business transfer strategies:

- Match up existing agreement, valuation and funding.
 - Identify unmet financial needs for lifetime, death and disability triggers.
 - Align life insurance and disability insurance definitions and ownership.
- Establish and fund new buy-sell plans.
- Unique solutions for single-owner businesses, who often don't think they need buy-sell agreements. It's just as important for them to have a strategy in place, so solutions we offer include Principal Select Buy-Out PlanSM, One Way Buy-Sell and No Sell Buy-Sell.

Business protection

- Key Person (life and disability insurance)
- Loan protection (life and disability insurance)
- Business overhead expense (disability insurance)

Key employee retention and retirement

- Bonus plans for key employees
- Bonus plans for owners (LLCs and S corporations)
- Deferred compensation plans
- Split dollar plans

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ADVANCED SALES | *Generate sales with Informal Business Valuations and Buy-Sell Reviews*

Legacy & estate planning

- Inheritance equalization
- Family business transfers
- Estate tax calculator

Insurance protection

- Individual life insurance
- Individual disability insurance

Who is a good prospect?

For a Buy-Sell Review:

- Any company with a buy-sell agreement if it's been two years since the agreement was drafted or reviewed.
- Any company with an operating agreement or partnership agreement that includes buy-sell provisions
 - Operating and partnership agreements are generally less comprehensive with regard to buy-sell provisions, such as addressing valuation formulas and insurance provisions.
 - Operating and partnership agreements create great opportunities for you to provide value to clients by helping them implement a buy-sell agreement.

For an Informal Business Valuation:

Profitable, growing businesses with gross revenues of \$500,000 and above. Industries that are a particularly good fit include:

- Manufacturing companies
- Construction companies
- Professional service-related companies (architects, healthcare systems, law firms, dental, engineering, accounting firms, etc.)

Which prospects present challenges?

For a Buy-Sell Review:

There aren't really any challenging prospects from a Buy-Sell Review perspective. We can generally provide value to all business clients requesting a review as long as they have an agreement that includes buy-sell provisions.

For an Informal Business Valuation:

Farms/ranches. Value is generally equal to the value of the livestock, equipment, land, etc., as calculated by the various market indexes. Valuations of farm-related commodities and land require specialized knowledge and data.

Nonprofit organizations. These are generally not intended to be sold for a profit.

Publicly traded companies. Generally, the fair market value will equal the stock price. No value is added by providing our informal valuation.

Non-profitable businesses. These are businesses with negative book value and net losses.

Real estate holding companies. The value of this type of business is generally equal to the appraised values of the respective properties being held.

Businesses with commission as the primary revenue. Valuing these firms is challenging because compensation can vary widely among all parties.

Companies engaging in criminal activity. This includes businesses, such as marijuana dispensaries, where a conflict exists between state and federal law as to the legality of the business.

Rental properties such as bed and breakfasts and hotels. The value of this type of business is generally equal to the appraised values of the property(ies).

Small real estate agencies. These are generally agencies with one to three agents and few staff members.

New companies. It's difficult to trend data with new companies, as there is generally more expense in early years. The investment in the companies is a good place to start. In addition, new companies need to protect their key people and cover any outstanding business debt.

¹ LIMRA analysis of 2016 Survey of Consumer Finances, Federal Reserve Board, 2017.

² Clients and prospects must meet the qualifications outlined under "Who is a good prospect?" for each service.

RELATIONSHIPS FIRST

REVENUE GENERATING SALES IDEA

Individual Disability Insurance - Develop Your Approach

by: *Principal*

Even though individual disability insurance (IDI) may not be as familiar as other products, like life insurance or employee benefits, IDI is just as — or even more — important. Remember to ask clients about their income and business protection — and then recommend IDI solutions to help meet their needs. The tips and script suggestions below can help you start that conversation.

TIP 1: Help clients see the big picture by saying:

- Like most insurance policies, it's purchased when you're young and healthy and don't expect anything bad to happen. But if it does, disability insurance is there to help.
- Medical insurance is a great benefit that pays your doctor, but what about a benefit that pays you if you become too sick or hurt to work?
- It's easy to think of your regular expenses when planning for the future. But what about the new expenses that come with being too sick or hurt to work, like insurance co-payments, medical expenses, in-home care and a possible increase in health insurance premiums (i.e. COBRA)? Can you afford to pay these new expenses for six months, a year or longer?

TIP 2: Make it personal for clients by saying:

- Do you know anyone who's suffered from back problems, heart disease or cancer? Chances are you do. Did they have a back-up plan for their unexpected illness or injury? Don't wait until it's too late. Protect your income now, while you're still healthy and able to work.
- Take a moment and write down the names of three people who could financially help you if times get tough. Would they be willing to help take care of your expenses for six months, a year or longer? Take the stress off your family and friends by putting a back-up plan in place with disability insurance if the unexpected happens tomorrow.
- You may know someone who's had an online fundraiser or bake sale. Many times, these events are to help those who've encountered a disabling illness or injury. It's up to each of us to make sure we

have the right protection in place, so we're not put in an uncomfortable situation if times get tough.

TIP 3: Show clients what disability insurance is worth by saying:

- Do you know your earning potential over the course of your lifetime? For example, if you're a 35-year-old making \$75,000 annually, assuming a 5% annual increase to age 65, that could add up to \$4,983,000 over your career.
- Many people are willing to buy a protection plan on their TV or warranty on a car – are you one of them? Your income is worth so much more than these items – and the very thing that buys these items, so protecting it is very important. And now's the time to protect your income while you're healthy and working.
- You protect things like your home and car with insurance, but what about the one thing that makes all of it possible – your income? Disability insurance provides monthly benefit payments if you're too sick or hurt to work. And it typically costs 1% – 3% of your annual income.

TIP 4: Show clients why they may need more coverage than they think by saying:

- If you had to go home tonight and tell your spouse that your pay was reduced by 40% for the rest of your career, how would that conversation go? That could happen if you became disabled with only a group long-term disability policy through your employer. Supplementing your group coverage with disability insurance can provide even more protection if you become too sick or hurt to work.
- When's the last time you looked at your personal disability insurance plan? What you put in place years ago may not be enough to cover today's expenses if you become too sick or hurt to work. So, let's take a look at how disability insurance can help protect you in the future.

RELATIONSHIPS FIRST

UNDERWRITING INSIGHTS

Underwriting DI Risks

—by: Greg Rorer, VP of Underwriting

People are willing to purchase life insurance to protect their family in the event of an untimely death, insurance for their homes, cars, boats, and other valuables, however, many overlook their most valuable asset – their ability to work and earn income. If a person becomes sick or injured and can't work, how will they be able to pay their bills and maintain the same or similar of living?

Statistics from the U.S. Social Security Administration indicate just over 25% of today's 20-year-olds will become disabled before they retire. Disability Insurance provides protection for the loss of this income. The underwriting of disability insurance is based on the assessment of an individual's health, occupation, and income.

Eligibility

U.S. citizens and foreign nationals who have a permanent resident Visa and have lived in the U.S. for at least three years and plan to remain in the U.S.

- Working at least 30 hours per week
- Ages 18-61 (may vary by carrier and specific plans)
- Minimum income of \$15,000

Medical Underwriting can affect the elimination period and benefit period that carriers will offer for your client.

Underwriting offers can be much different than Life insurance, as Standard rates can be issued for a combination of issues that may be expected to produce a substandard rating for Life Insurance. However, some conditions that present a high risk for a future disability could result in an exclusion rider.

This allows full coverage to be offered with an increased rate but eliminates coverage for high-risk conditions, which may be chronic, recently diagnosed or present a high risk of recurrence.

Some common conditions that can result in exclusions are:

- Build (height/weight)
- Arthritis
- Asthma
- Back/neck problems
- Diabetes/abnormal glucose
- Epilepsy/seizure disorders
- heart disease
- Hypertension
- Kidney disease
- Stomach and/or gastrointestinal disorders
- Tumors
- DUI
- Drug/alcohol history
- Anxiety/ depression

Avocations can be considered with Disability income policies. If your client participates in recreational activities such as scuba diving, hang gliding, skydiving, or auto racing, please question them carefully about the extent of this activity. An exclusion rider may be required depending on the details of their participation.

Disability Underwriting requirements usually include blood, urine, physical measurements, and a client personal interview. An APS may be required upon completion of the interview and carrier internal database check.

Streamlined underwriting is available for applicants under age 50 and monthly benefits under \$6,000 a month. The client can be considered using only the online application and completion of medical questions online or by a phone interview.

Occupational Underwriting

Occupations are grouped by general industry. It is important that applicants be classified accurately. The occupational class determines the premium rate and amount of coverage available. Each applicant's specific duties must be described accurately.

RELATIONSHIPS FIRST

UNDERWRITING INSIGHTS | *Underwriting DI Risks*

Occupation Class Descriptions

The Class numbers vary by carrier but the descriptions below will help classify the occupational risk class. I suggest you submit an inquiry for confirmation of the occupation class and benefits available for your Disability income client.

Occupation Class 4A – stable executive and professional occupations where work is performed in an office type setting, with no exposure to physical or occupational hazards:

- Example: Accountants, architects, computer programmer, real estate agent, secretary, office clerk, nurse (clinic)

3A- Similar to 4A but may have certain activities or hazards involving laboratory, technical, supervisory, and service work:

- Example: Dental hygienist, lab technician, sales clerk, locksmith, event planner, nurse (hospital/ surgical)

2A- skilled and manual occupations in light industries along with machine operators :

- Example: Auto mechanic, beautician, bricklayer, carpenter, electrician, farmer, landscaper, plumber

1A- Heavy manual labor or unskilled workers with an increased risk of accident:

- Example: Auto body repair, painter, roofer, construction laborer, exterminator, furniture mover

Self Employed Occupations

Self-employed applicants need to be in business for at least 12 months for DI consideration. Individuals engaged in the same line of work as previously employed may be considered earlier for up to 50% of the prior 2 years earnings. They are eligible for normal underwriting and full benefits after they have been in business for a year.

W-2 employees transitioning to a contracted or consulting position with contracts showing a salary to be paid for at least a year are eligible for full benefits.

Individuals with existing employer-paid group term disability plans may be eligible for DI coverage but their coverage will be offset by any existing coverage.

Financial Underwriting

The disability benefit monthly amount will be based on the applicant's annual earned income.

W-2 employee income is defined as their gross income to include wages, bonuses, commissions, and any other form of compensation.

Self-employed income is defined as their salary draw plus their share of gross income less normal business expenses and any other compensation.

Self-employed business owners should be prepared to provide two years of tax returns with appropriate schedules and W-2 tax form consideration.

Unearned income such as rental property income, interest income, pension, and retirement benefits cannot be considered as earned income. However, unearned income can impact the maximum amount of coverage offered.

No coverage can be offered until two years after an applicant's bankruptcy discharge.

The maximum benefit amounts available for a given income level are designed to replace a significant percentage of an applicant's income to sustain their standard of living during a disability while not removing the financial incentive to return to work. The highest monthly benefit is usually reserved for highly professional risks and usually provides a maximum of \$20,000 per month. This can pose a problem for highly compensated individuals. Luckily, we have access to additional DI outlets that can help bridge that gap!

This article provided some basic underwriting background for disability income products. These products have many different features designed to meet your client's specific needs. Please reach out to me and your Marketing support team to discuss your Disability income opportunities. We have the industry knowledge and relationships needed to help you find the best solution for your clients.

RELATIONSHIPS FIRST

ANNUITY CORNER

Repurposing an old policy for immediate income

The cost basis advantage of a 1035 exchange ————— by: *Lincoln Financial Group*

If you're looking to supplement your income and you have a life insurance policy that no longer meets your needs, consider a tax-free 1035 exchange to a single premium immediate annuity.

Meet Linda and Mark, age 70

Linda and Mark are recently retired. Decades ago, they purchased a life insurance policy to provide security for their young family. They've paid \$100,000 in premiums over the years, and it has a cash value of \$10,000. Now that their children are grown and financially secure, they feel the policy no longer meets their needs. They consider canceling their policy, but they'd lose their cost basis of \$100,000.

The Solution

Their financial professional recommends they transfer the policy and purchase Lincoln Insured IncomeSM Immediate Annuity because it's a simple solution that creates a predictable stream of income, guaranteed for life. By doing a 1035 exchange, they're able to:

- Transfer their cash value of \$10,000
- Carry over the value of premiums paid on their old life insurance policy since the cost basis will be transferred
- Repurpose their old policy for immediate income

Linda and Mark also decide to add \$100,000 from their savings to boost the income they'll get.

How the strategy works			
Linda and Mark's life insurance policy	1035 exchange	Add money from savings account	Purchase Lincoln Insured Income SM Immediate Annuity
\$10,000 (cash value)	Transfer cash value without tax implications	\$100,000 (cash)	\$110,000 (total premium)
\$100,000 (cost basis)	Transfer cost basis without tax implications	\$100,000 (cost basis)	\$200,000 (cost basis)

WHAT'S A 1035 EXCHANGE?

A 1035 exchange is part of the tax code that allows you, as a policyholder, to transfer funds from an insurance policy to an annuity, without having to pay income tax.

WHAT IS COST BASIS?

Cost basis is generally the total amount you've paid into an insurance policy.

RELATIONSHIPS FIRST

ANNUITY CORNER | *Repurposing An Old Policy For Immediate Income***The Outcome**

With the annuity, Linda and Mark have a number of income options to choose from. They select joint life with cash refund so the income will be guaranteed for both of their lifetimes. Based on their income factors and their total cost basis, their payments are **100% tax-free!*** And, they have the added comfort of knowing that any remaining money will be passed on to their loved ones as a legacy.

* Certain variables, such as the amount of cost basis, the age of the client, and the duration of the income stream, will impact how long the payments remain a tax-free recovery of basis. This strategy may not be suitable for all situations.

Important information:

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives, and/or insurance agents do not provide tax, accounting, or legal advice. Please consult an independent advisor as to any tax, accounting, or legal statements made herein.

A fixed annuity is intended for retirement or other long-term needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses.

Lincoln Insured IncomeSM Immediate Annuity single premium immediate annuity (contract form ICC16- 621 and state variations) is issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are subject to the claims-paying ability of The Lincoln National Life Insurance Company.**

Contracts sold in New York (contract form 94-512NY) are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY, and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. **Contractual obligations are subject to the claims-paying ability of Lincoln Life & Annuity Company of New York.**

The exact terms of the annuity are contained in the contracts and any attached riders, endorsements and amendments, which will control the issuing company's contractual obligations. For more information about the annuity, please also read the Disclosure Statement, or contact your representative.

Income taxes are due upon withdrawal and if withdrawn before age 59½, an additional 10% federal tax may apply.

There is no additional tax benefit for contracts purchased in an IRA or other tax-qualified plan, since these are already afforded tax-deferred status.

Product and features are subject to state availability. Limitations and exclusions may apply. For use with the general public.

**Please visit the [Premier Brokerage Website](#)
for our most up to date Annuity Rates.**

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