

CARRIER NEWS

Lincoln Financial

Important Product Changes for February 2012

Effective February 21, Lincoln Financial will implement changes to a number of products including Lincoln LifeElements and Lincoln LifeGuarantee.

Lincoln LifeElements Level Term Decrease Policy Fee

Lincoln Financial will decrease the policy fee on Lincoln LifeElements Level Term. In all states, the new fees payable in all years are as follows:

- ✓ 30-Year Term - \$50 down from \$125
- ✓ 15- /20-Year Term - \$60 down from \$125
- ✓ 10-Year Term - \$90 down from \$125

For all states, policies will receive the new policy fee if applications are received in Lincoln's home office on February 21 or later (regardless of back-dating), or if Lincoln receives money on February 21 or later.

For all states, policies will receive the old policy fee if the application is received in Lincoln's home office prior to February 21, and Lincoln receives money prior to February 21. Rewrites in order to get the reduced policy fee will not be allowed.

Lincoln LifeGuarantee UL & Lincoln LifeGuarantee SUL Nationwide Version (non-NY)

With the introduction of the new Lincoln LifeGuarantee UL (2012) and Lincoln LifeGuarantee SUL (2012) products, the following changes will be made:

- ✓ Minimal aggregate level pay premium increases.
- ✓ Decrease in competitiveness in single and 10-pay scenarios.
- ✓ While most target premiums went up or remained the same for both products, some SUL pricing cells show modest decreased targets of less than 1 percent.
- ✓ Both Lincoln LifeGuarantee UL (2012) and Lincoln LifeGuarantee SUL (2012)

will now include payment of compensation on excess premiums above target.

- ✓ The Coverage Protection Guarantee (CPG) will only have one funding option, the Lifetime Option. The Flex Option will no longer be available.

A 30-day transition period will apply from the date of state availability. For all states that are available for sale on February 21, fully completed applications for the old product (Lincoln LifeGuarantee UL [2011] and Lincoln LifeGuarantee SUL [2012]) must be signed, dated, and received in good order (including the 1035 Policy Exchange Agreement/Absolute Assignment form if the case is a 1035 Exchange) to Lincoln's home office by March 22 in order to qualify.

States that are approved after February 21 will also have a 30-day transition period from the date of state availability.

Lincoln LifeGuarantee Plus UL & Lincoln DurationGuarantee UL Nationwide Versions (non-NY) Closed to New Sales

Lincoln LifeGuarantee Plus UL and Lincoln DurationGuarantee UL will be closed to new sales effective February 21. A 30-day transition period will apply from February 21. Fully completed applications for both Lincoln LifeGuarantee Plus UL and Lincoln DurationGuarantee UL products must be signed, dated, and received in good order (including the 1035 Policy Exchange Agreement/Absolute Assignment for if the case is a 1035 Exchange) in Lincoln's home office by March 22 in order to qualify. →

CARRIER NEWS | LFG, Genworth, MetLife, AVIVA

Genworth

Changes to GenGuard UL, GenGuard SUL & Lifetime Protector SG II Announced

Effective February 27, Genworth will implement a series of changes to its GenGuard UL, GenGuard SUL, and Lifetime Protector SGII products. Once rates changes are in effect, Genworth will change these products to non-illustrated (projections will include guaranteed values only).

For GenGuard UL, premium increases will be on average of 3 percent for guarantees to 105, with most of the change in younger ages and lower face amounts and over 75. Additionally, the product will have new issues ages from 0-80, age nearest birthday; will no longer have 1035's with loans; and will see a slight decrease on excess commissions.

For GenGuard SUL, premium increases will be on average of 13 percent for guarantees to age 105. Additionally, there are new issues ages for second insured, 15-80 (age nearest), with issues ages for first remaining at 15-79.

Both products, as well as the Lifetime Protector SGII conversion product, will now require guaranteed projections with applications (signed only with 1035s).

February 26 is the last day for Genworth to receive applications for the old rates. All applications received after February 26 will get new rates. There are no exceptions. All applications received on or before the February 26 deadline must be approved by April 27 to be processed with prior rates.

MetLife

Changes to Premium Caps on GAUL and LASUL Policies

Effective March 30, MetLife will update its issue limit rules to implement premium caps on Guarantee Advantage UL and Legacy Advantage SUL policies, applied for both with or without a coverage continuation rider. These new issues rules will limit premiums to eight times the target premium.

In anticipation of this change, on February 24, the illustration system will be restricted and will no longer illustrate premiums in excess of eight times target. Any policies with pre-

miums in excess of eight times target must be illustrated prior to February 24, and applications on these policies must be submitted to the home office in good order by March 30. Policies illustrated with premiums in excess of eight times target after February 24 or received after March 30 will be rejected.

AVIVA

Introducing Survivorship Builder

AVIVA will introduce a new no-lapse SUL product, Survivorship Builder, on February 20. This new product, which will replace AVIVA's Index SUL, was designed with cash accumulation in mind.

The new Survivorship Builder will now include the First Survivor Premium Rider, which provides annually decreasing death benefit over a specified duration upon the first death. The first-to-die rider can be added to help achieve cash accumulation goals, but will primarily be used when the No-Lapse Guarantee Rider is present to help pay future premiums. The optional No-Lapse Guarantee Rider will continue to serve the death benefit sales need.

Additionally, the new product will offer expanded age and risk class eligibility: up to age 90 on one insured and two uninsurable underwriting classes (only one of the insureds can be rated uninsurable; if rated uninsurable, the other life rating cannot exceed: 20-75, Table 8; 76-80, Table 4; 81-85, Standard). It will also have an application for both insureds.

The new no-lapse SUL was priced with more consistent competitive positioning across all no lapse guarantee cells, including single pay, short pay, and level pay. It is also more competitive in scenarios with large gaps in age and risk classes between the two insureds.

Applications can still be submitted for the discontinued Indexed SUL provided the application is signed on or before February 19 (this must be the full Part A application; trial applications and illustrations cannot be used to meet this deadline), and is received in the Home Office on or before March 9, with an illustration (signed or unsigned).

Completed applications for Indexed SUL not signed or received by the dates above will need to be resubmitted as Aviva Survivorship Builder applications. The new combined one application form will be required on all new product applications.

Backdating to save age is allowed, but no earlier than January 17 for those states which have approved the Survivorship Builder as of January 17. For those states that are not part of the initial launch, backdating will be no earlier than the approval date for that particular state. ■

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FEBRUARY 2012						
MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
		1	2	3	4	5
6	7	8	9	10	11	12

Company	Product Name	A.M. Best	S&P	1st Year Rate	Rate Thereafter	Average Annual	Guar Period
Genworth	SecureLiving Liberty	A+	AA-	4.05% (11)	1.55% yr. 1	1.96% (11)	1
American National	Palladium						
Genworth	SecureLiving Liberty	A+	AA-	2.75%	1.55% (yrs. 2-3)	2.15% (11)	3
American National	Palladium						
American National	Palladium	A+	AA	2.00% (2)	1.00% yrs. 2-5 (2.75)	1.20%	5
Genworth	SecureLiving Liberty	A+	AA-	2.35% (11)	1.55% (yrs. 2-5)	2.22% (11)	5
Protective	FutureSaver II	A+	AA	2.01% (1)	1.00% yrs 2-5	1.20%	5
American General	HorizonMYG	A++	AA+	5.35%	1.35% yrs. 2-6	2.02%	6
American National	Palladium	A+	AA	1.70% (2)	1.70% yrs. 2-6 (2)	1.70%	6
Protective	FutureSaver II	A+	AA	2.31% (1)	1.30% yrs. 2-6	1.46%	6
American National	Palladium	A+	AA	3.05% (2)	2.05% yrs. 2-7 (2)	2.19%	7
Protective	FutureSaver II	A+	AA	2.57% (1)	1.55% yrs. 2-7	1.70%	7
American National	Palladium	A+	AA	2.55%	2.55% yrs. 2-8 (2)	2.55%	8
Protective	FutureSaver II	A+	AA	2.82% (1)	1.80% yrs. 2-8	1.93%	8
American National	Palladium	A+	AA	4.35% (2)	2.35% yrs. 2-8 (2)	2.57%	9
Protective	FutureSaver II	A+	AA	2.97% (1)	1.95% yrs. 2-9	2.06%	9
American National	Palladium	A+	AA	3.45% (2)	2.45% yrs. 2-10 (2)	2.55%	10
Protective	FutureSaver II	A+	AA	3.12% (1)	2.1% yrs. 2-10	2.20%	10

For agent use only - Rates, product specs and commissions are subject to change without notice - Call for current rates and state availability.

- (1) Includes bonus 100K+. (2) .10% add'l rate over 100K not included (3) Includes 2% Bonus for deposits 100K+. (4) Includes 3% Bonus for deposits 100K+.
- (5) Includes 4% Bonus for deposits over 100K. (6) .25% lower in UT, VT, WA. (7) 2% less comp in MN, PA, OR, WA. (8) .25 basis points less comp in IN, MD
- (9) Includes 1% first year bonus over 75K (10) Less at older ages (1) Rates for contracts 100K-249,999. Bailout Feature available. Average annual rate calculated using a base rate. - Call for more details

***3.00% in CT & OR**

Effective 2/1/2012

These are the current rates as of the last day of the previous month

ADVANCED SALES

Take Advantage of the Window of Opportunity Three Sales Ideas for Transferring Income Assets Using the Higher Exemptions Amounts Before 2013

By John Hancock

The Tax Act of 2010 (The Act) opened up many planning opportunities. The Act has simplified planning by unifying the exemption amounts, now a \$5 million exemption (\$10 million per couple) for each of the gift, estate, and generation-skipping transfer (GST) taxes. And, the higher exemption, only available for 2011 and 2012, originally provided wealthy families with a two-year window to transfer a significant amount of wealth without gift taxes.

In many circumstances, income-producing assets, such as a closely held family business, commercial rental properties or municipal bonds, are ideal to transfer because income can be used for planning purposes while the principal remains intact.

Once the asset is transferred, a portion of the income can be used to fund a variety of needs for the family, including liquidity to equalize an inheritance among children, or to pay future estate or other taxes and debt obligations.

Since interest rates remain at historical lows, for those clients who know

That window is now closing and less than 12 months remains to take advantage of these tax incentives before the exemption amounts revert back to \$1M each and a 55% top tax rate. Take a look:

2010 Tax Act Summary of Tax Exemptions and Rates		
	2011–2012*	2013
Gift Tax Exemption	\$5M	\$1M
Gift Tax Rate	35%	55%
Estate Tax Exemption	\$5M	\$1M
Estate Tax Rate	35%	55%
GST Tax Exemption	\$5M	\$1M
GST Tax Rate	35%	55%

* 2012 cost-of-living adjustments to \$5M exemption is \$5,120,000 for each of the gift, estate and GST taxes. See page 26 for details.



this is an unprecedented opportunity to plan but are still waiting to take action, the asset can be loaned through a fair market loan arrangement to a grantor trust. Loaning the asset allows Mom and/or Dad to “rent” out the asset and have a trust established for the benefit of heirs to use asset income to fund transfer needs outside the taxable estate. Mom/Dad can decide later whether to receive the asset back as repayment of the note or to utilize the higher gift tax exemption to forgive all or a portion of the note. This strategy allows the family to take advantage of favorable planning condition while buying time to decide if and when to transfer the asset.

Alternatively, if the asset is a business asset, an installment note sale of the business to a grantor trust is a commonly used technique to transfer the asset to family successors. Unlike third-party sales transactions, generally, when the asset is transferred to a properly drafted grantor trust, the sale escapes taxation, the asset remains outside of the grantor's taxable estate, and the grantor is responsible for the trust's income taxes, presumably at lower rates than the trust's.

To illustrate, take a look at the three common ways to transfer assets on the next page: 1) making a direct gift of an asset, 2) loaning the asset to a trust to benefit family member or 3) selling the asset to a trust in return for an installment note. →

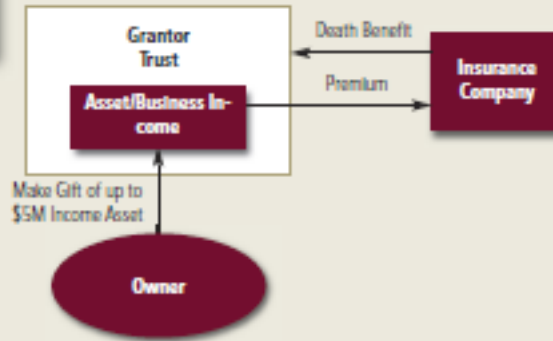
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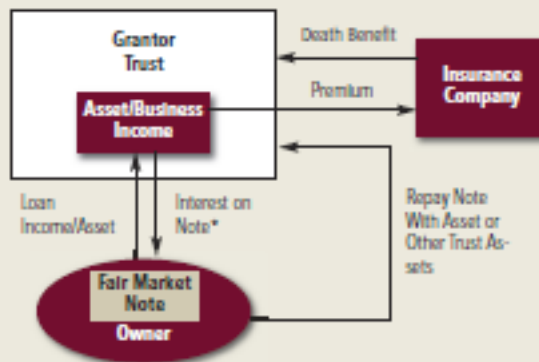
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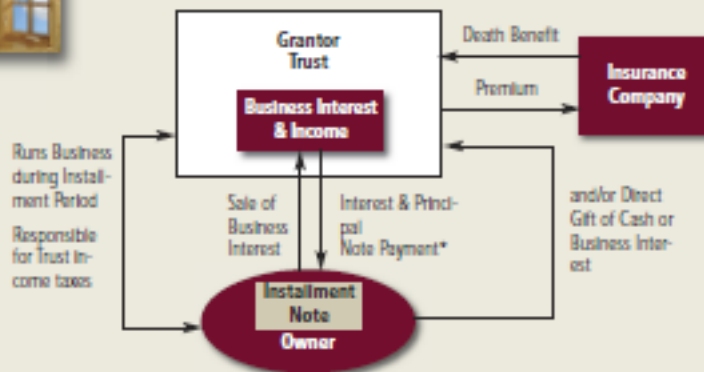
Direct Gift of Income-Producing Asset to Grantor Trust



Loan of Income-Producing Asset to Trust



Installment Note Sale of Income-Producing Asset to Grantor Trust



* At Applicable Federal Rate for month in which the note is established and based on the note term.

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ADVANCED SALES | Take Advantage of the Window of Opportunity

IRS Sets 2012 Inflation Adjustments for Rates and Exemptions

The IRS has released the cost-of-living adjustments to be effective during 2012 for estate and gift tax exemption amounts, as well as tax rate tables, standard deductions and personal exemptions. Several of the more commonly used amounts are listed below:

Applicable Exclusion Amount Under IRC §2010(c)(3): \$5,120,000. (*Section 303 of the so-called “2010 Relief Tax Act” amended §2010 to provide that the re-unified estate tax credit for estates of decedents dying after December 31, 2009 is \$5,000,000. For tax year 2012, this \$5,000,000 amount is adjusted for inflation.*)

This amount is effective as the so-called “unified credit” against tax on gifts at death under IRC §2010(c)(3), and is imported by reference against tax on gifts during life under IRC §2505(a)(1), and against tax on generation-skipping transfers under IRC §2631(c).

Annual Exclusion from Gift Tax under IRC §2513(b): \$13,000.

Annual Exclusion from Gift Tax for Gifts to Non-Citizen Spouses under IRC §2523(i)(2): \$139,000 (*up from \$136,000 in 2011*).

Notice of Large Gifts from Foreign Persons under IRC §6039F: \$14,723 (*up from \$14,375*).

“Special Use” Qualified Real Property Valuation Reduction Limit under IRC §2032A: \$1,040,000 (*up from \$1,020,000 in 2011*).

Dollar Amount Used to Compute “2 Percent” Portion Under IRC §6166: \$1,390,000 (*up from \$1,360,000 in 2011*).

Eligible Long-Term-Care Premiums includible in the term “medical care” under IRC §213(d)(10):

Refer to the chart to the right

Periodic Payments received under Long-Term Care Contracts or Life Insurance under IRC §7702B(d)(4) (treated as paid by reason of a chronically ill individual): \$310 (*up from \$300*) ■

Attained Age Before the Close of the Taxable Year	Limitation on Premiums	Up from 2011
40 or less	\$350	\$340
More than 40 but not more than 50	\$660	\$640
More than 50 but not more than 60	\$1,310	\$1,270
More than 60 but not more than 70	\$3,500	\$3,390
More than 70	\$4,370	\$4,240

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UNDERWRITING CORNER

UW Dialogue: Melanoma

By Legal & General America

Melanoma, a cancer of melanocytes, which are cells that produce skin pigmentation, is the most serious type of skin cancer encountered in the underwriting process. The National Cancer Institute estimated that, for 2011, 70,230 people in the United States would be diagnosed with melanoma and that 8,790 would die from this cancer. Annual spending on melanoma treatment was estimated to be about \$1.9 billion in 2010. The incidence rate of melanoma has been steadily rising.

RISK FACTORS

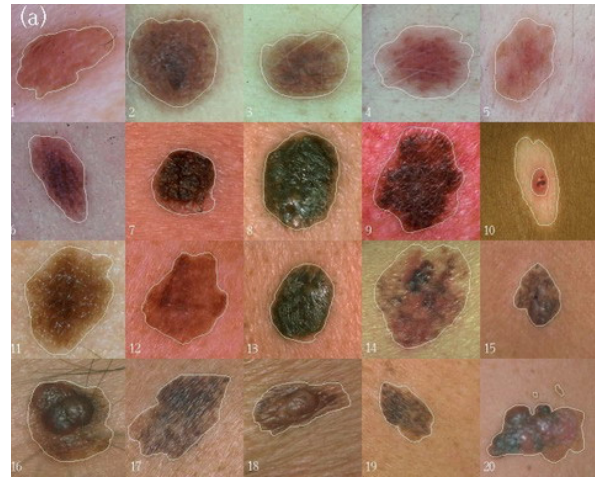
Some risk factors for the development of melanoma include ultraviolet light exposure, including sunlight, atypical (also known as dysplastic) moles, multiple benign moles, fair complexion, a family or personal history of melanoma, and conditions and medications that suppress the immune system.

AFTER DIAGNOSES

Once melanoma has been diagnosed, a number of factors help predict prognosis, including thickness (thicker tumors are more serious); the mitotic rate, which reflects how rapidly the cancer cells are dividing (a higher mitotic rate has a worse prognosis); whether ulceration is present, which means that the top layer of skin over the melanoma is missing (ulceration is associated with a worse outcome); and whether the melanoma has spread to lymph nodes or to other areas of the body.

These factors are used to help determine the melanoma's stage, which is closely tied to expected survival. For example, according to the American Cancer Society, Stage IA melanoma, which is less than 1.0 mm in thickness, is not ulcerated, has a low mitotic rate, and has not spread to lymph nodes or distant organs, has a ten year survival rate of around 95%. However, if the melanoma is Stage IV, meaning that it has spread to other organs or distant parts of the body, the ten year survival is only about 10% to 15%.

Sometimes the doctor may biopsy the sentinel lymph node, which is considered to be the first lymph node that would contain metastatic disease, and if negative, then spread to other lymph nodes is considered to be unlikely.



Know your ABC's for Melanoma Indicators

- ✓ **A is for Asymmetry.** Check the asymmetry of the mole. Does one half not match the other?
- ✓ **B is for Border.** Is the border of the mole irregular, ragged, poorly defined, etc.?
- ✓ **C is for Color.** Is the mole's color not the same throughout?
- ✓ **D is for Diameter.** Is the mole more than the size of a pencil eraser or 6mm?
- ✓ **E is for Evolving or Enlargement.** Has the shape, size, or color changed?

When applicants have a history of melanoma, review of pathology reports and evidence of favorable dermatologic follow up are important in the underwriting process.

CASE STUDIES

Applicant 1 had Stage IA melanoma removed four years ago. There is no family history of melanoma and annual checkups with the dermatologist have been normal. This case can be Standard Plus.

Applicant 2 had a 3 mm melanoma with ulceration removed just over five years ago. Follow up visits with the dermatologist have been favorable. Due to the thickness of the cancer and the ulceration the prognosis here is worse. This requires a two table rating plus a flat extra of \$10 per thousand for three years.

Applicant 3 was treated two years ago for melanoma metastatic to three lymph nodes. A parent and sibling died from melanoma. The applicant has not seen a doctor for eighteen months. This case is decline. ■

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