



Date: December 5, 2011

To: All Field Managers and Producers

From: Michael Burns, Senior Vice President, Life Solutions
Jeffrey Coutts, Senior Vice President, IS/RS Financial Management

RE: January 1, 2012 Credited Interest Rate Change

Effective January 1, 2012, the life insurance affiliates of Lincoln Financial Group and other blocks of business administered by Lincoln Financial Group will be reducing credited interest rates on universal life and other interest sensitive life insurance products, including fixed account interest rates on variable universal life products, to product guaranteed rates. The fixed account rate for Indexed Universal Life policies has been lowered to 3%. Nonguaranteed persistency, durational and asset based bonuses will also be reduced. For products that are currently available for sale, the rate reductions apply to both inforce policies and new issues.

This rate action is the result of an interest rate environment that has continued to impose significant pressure on the earned rate on the assets supporting our life policies. It is important that we make this adjustment at this time. This rate change is in line with actions other competitors have taken. We understand the challenges this presents during year end sales season, but feel this is the prudent action to proactively respond to the continued low interest rate environment.

Credited interest rate changes on the fixed universal life policies and the fixed account rate on variable universal life policies and indexed universal life policies will take effect as of January 1, 2012. Credited interest rate changes on inforce whole life policies will take effect at the next policy anniversary on or after January 1, 2012.

This will NOT impact:

- Caps and spreads on our indexed universal life products
- Any product with current interest rates currently at contractual guarantees
- The performance of guaranteed no-lapse premiums available on many of our products

The *Lincoln DesignIt*SM illustration system will be updated as of December 19, 2011. All other inforce platforms will be updated before the end of the year.

New business will not be requesting updated illustrations during year-end if a final was already submitted. However, as of January 1, 2012 we will need illustrations showing the new interest rate.

A spreadsheet for Lincoln showing the interest rates for currently sold products is available on the Lincoln website.

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Insurance products issued by Lincoln Financial Group insurance affiliates (Lincoln). Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are separately responsible for their own financial and contractual obligations. Guarantees are backed by the claims-paying ability of the insurance company.