



Please check appropriate underwriting company:

- The Lincoln National Life Insurance Company, Service Office: PO Box 21008, Greensboro, NC 27420-1008
- Lincoln Life & Annuity Company of New York, Service Office: PO Box 21008, Greensboro, NC 27420-1008 (hereinafter referred to as "the Company")

## REQUIRED PRODUCER & REPRESENTATIVE CERTIFICATION REGARDING STRANGER ORIGINATED LIFE INSURANCE

Please complete this Certification after reviewing the accompanying policy statement regarding stranger originated life insurance ("STOLI"). This Certification must be submitted with all applications for single life, universal life insurance where the insured is age 70 or older and the face amount of all currently pending life insurance applications is \$2 million or more (including applications with other insurers). This Certification must be submitted with all single premium immediate annuity ("SPIA") applications where the annuitant is age 70 or older, a Life Only Payment Option is selected, and any portion of the annuity income payment will be used to pay premiums for a life insurance policy with Lincoln Financial Group or another insurance carrier.

Name of Insured/Annuitant	Date of Application	Life Insurance Face Amount/SPIA Premium

With respect to the application identified above, I have carefully reviewed Lincoln Financial Group's policy against STOLI arrangements before answering the following questions. All of the following answers are true and correct to the best of my knowledge and belief.

- 1) Will the Insured/Annuitant or Owner/Applicant receive any compensation as a result of the issuance of this policy, other than the benefits provided by the policy? In answering this question, I am including any direct or indirect payment to a family member, beneficiary, business partner, charity or other entity receiving compensation on behalf of the Insured/Annuitant or Owner/Applicant.

Yes  No

If "Yes," please provide details:

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- 2) Is any premium financing contemplated to pay the initial or future premiums for this policy?

Yes  No

If "Yes," please answer the following questions:

- a) Are you aware of any understanding (whether written or oral) that the lender or other party will accept ownership of the policy in full satisfaction of any outstanding premium financing?

Yes  No

If "Yes," please provide details:

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- b) Do you have any reason to believe that the loan terms and the other information provided as part of the Premium Financing Lender Certification (form LF06657) do not accurately reflect the premium financing plan that will actually be implemented?

Yes  No

If "Yes," please provide details:

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c) Are you aware of any discussion that the premium financing is based on a projected or estimated future fair market value of the life insurance policy in excess of the illustrated cash surrender values?

Yes  No

If "Yes," please provide details:

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d) Do you have any direct or indirect ownership interest in the lender or the policy?

Yes  No

If "Yes," please provide details:

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3) Have you been involved in any discussion with the Insured/Annuitant and/or Owner/Applicant about the possible sale or assignment of a beneficial interest in a trust, limited liability company, or other entity created or to be created on the Insured/Annuitant's and/or Owner/Applicant's behalf?

Yes  No

If "Yes," please provide details:

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4) If the policy will be owned by a trust, limited liability company, or other entity created or to be created for the Insured/Annuitant's behalf, are you aware of any business or financial relationship between the trustee or entity managers and any premium financing, life settlement, viatical, or other secondary market provider?

Yes  No

If "Yes," please provide details:

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**Certification**

By my signature below, I declare and certify that I have read and understand the Lincoln Policy Regarding Stranger Originated Life Insurance, and it is my understanding that the policy being applied for does not violate the stated intent and spirit of the Lincoln Policy Regarding Stranger Originated Life Insurance. I declare and certify that the information contained in the Certification is true, correct and complete to the best of my knowledge, information and belief.

Signature of Producer or Representative \_\_\_\_\_

Date \_\_\_\_\_

**All Producers and Representatives must sign this Certification**

Signatures of Additional Producers or Representatives to be compensated on the sale of this policy, if any.

\_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_ Date \_\_\_\_\_

## **LINCOLN POLICY REGARDING STRANGER ORIGINATED LIFE INSURANCE**

The success of the Lincoln Financial Group of companies depends on the public’s confidence in our honesty, integrity and professionalism. As one of our producers or representatives, your business practices and professional conduct reflect directly upon how the public perceives Lincoln Financial Group. Therefore, we expect that our producers and representatives will understand, and actively support, our efforts to not issue any new life insurance policies or annuity contracts where any of the parties are considering, or actually intend, the eventual transfer of the life insurance policy or annuity contract to a life settlement company or other investors. Our life insurance and annuity products are intended to provide benefits to the insured/annuitant and his or her beneficiaries, all of who have a bona fide need for the insurance protection. Our life insurance and annuity products are not intended to enrich investors who simply hope for a financial profit from the death of the insured/annuitant.

Stranger originated life insurance programs (“STOLI”) come in many different forms. Some of the approaches simply offer financial inducements to an individual to apply for a life insurance policy or annuity contract that will solely benefit the investors that will pay the premiums. Other, more sophisticated structures, are disguised to appear like traditional premium financing or traditional estate planning sales, such as creating irrevocable life insurance trusts or family trusts that are ultimately controlled by investors. STOLI arrangements are constantly changing their structures and practices in an effort to avoid detection and identification. We expect our producers and representatives to assist us in implementing our policy against STOLI, and refrain from submitting inappropriate cases to Underwriting. There are, however, certain common “red flags” that we believe are present in many of the more common STOLI arrangements. Cases with any of the following “red flags” are particularly suspect, and the details of any cases with these characteristics must be fully disclosed to Underwriting:

- The Insured/Annuitant or Owner/Applicant are offered some financial inducement for applying for the life insurance policy or annuity contract. It could be a direct cash payment to someone (e.g., the insured/annuitant, family member, business partner, charity), or an indirect payment such as the right to designate a beneficiary for a portion of the life insurance death benefit or annuity income payment.
- The Insured/Annuitant or Owner/Applicant is borrowing all of the premiums and is not making any personal investment in the life insurance or annuity program. Arrangements where all interest on the premium financing is added to the loan balance are particularly suspect, regardless of the time period involved. Capitalization of loan interest is never justified when the likely source of the loan payoff is the policy death benefit.
- The interest rate, loan terms and fees on the premium financing must be reasonable, and the loan terms, taken as a whole, cannot create an incentive for the Insured/Annuitant or Owner/Applicant to transfer ownership of the policy to the lender or other third parties, including a sale or assignment of beneficial interest.
- There must not be any understanding that a sale or assignment of any beneficial interest in a trust, limited liability company, or other entity created for the Insured/Annuitant’s or Owner/Applicant’s behalf will occur after the policy is issued.
- There must not be any understanding (whether written or oral) that the lender will accept ownership of the policy in full satisfaction of any outstanding premium financing.
- If there is a life insurance trust, the trustee is usually selected by the Insured/Annuitant or Trust Grantor. The trustee’s primary fiduciary responsibility must be to the intended beneficiaries of the trust. Any trustee that is associated with the lender, or a life settlement company, is particularly suspect.

The above list of “red flags” is not intended to be all inclusive. If you have an arrangement that does not have any of these “red flags” but otherwise violates the spirit of our policy, you should not submit it to Underwriting.

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### **Additional Information For Cases Involving Premium Financing**

If any portion of initial or future premiums will be borrowed from a commercial lender, Lincoln Financial Group requires the completion of separate Annuitant & Owner Premium Financing Questionnaire (form LF06656) for SPIA applications, Premium Financing Supplement (form LFF06319) for life insurance applications, and Premium Financing Lender Certification (form LF06657) for both SPIA and life insurance applications. These forms should be submitted to Underwriting at the same time as the original policy application. The Premium Financing Lender Certification sets forth the guidelines that will be used to evaluate all cases involving premium financing. The forms are not required if the borrowing is part of a split-dollar loan arrangement where the loan is made by the employer, or by the Insured/Annuitant or family member (i.e., there is no third party lender involved).