



You're In Charge®

GROUP BENEFITS

2019 Broker Bonus Program



Broker Guide

The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York
Liberty Life Assurance Company of Boston

GP-BRBNS-BRC001_Z05

Regulatory approval—Inclusion in this program of policies issued by Lincoln Life & Annuity Company of New York is subject to approval by the State of New York Department of Financial Services ("NYDFS").

Reaching the goal*

We invite you to participate in our 2019 Broker Bonus Program (the "Program"). You have two distinct ways to meet the Initial Program Qualification¹ for group benefits lines of coverage effective from 2/1/19 to 1/31/20 (the "Program Period"):

1

Sell ten lines of coverage totaling \$250,000 in New Estimated Annual Premium²

or

2

Sell \$500,000 in New EAP

A line of coverage must be in-force on 2/1/20 to count toward the Initial Program Qualification. Brokers not meeting either of these qualifications are ineligible for a bonus under the 2019 Broker Bonus Program.

*See additional program terms and conditions for program details and definitions.

Program eligible lines of coverage

The following products will each count as a separate line of coverage for Program purposes, for either New Sales Bonus or Block Management Bonus (as defined on page 5) but will not be included for both, subject to other limitations described in this guide:

- **Life and AD&D³ including:**
 - Voluntary life
 - Optional life
 - Standalone AD&D⁴
- **Disability⁵ including:**
 - Short-term disability (STD), including statutory disability products
 - Voluntary STD
 - ASO STD⁶
 - Long-term disability (LTD)
 - Voluntary LTD
 - ASO LTD⁶
 - Advice to Pay (ATP)⁶
- **Absence management⁶**
- **Dental and vision⁷ including:**
 - Voluntary dental
 - DHMO
 - ASO dental⁶
- **Accident, critical illness and universal life⁸ including:**
 - Group accident
 - Group critical illness
 - Worksite accident
 - Worksite critical illness
 - Universal life

¹Initial Program Qualification is required prior to any broker bonus being paid to a broker.

²New Estimated Annual Premium ("New EAP") is the estimated aggregate annual premium and fees (specifically for the first 12 months on ASO, ATP and absence management) calculated from all paid bills for eligible lines of coverage sold and effective during the program period of 2/1/19 to 1/31/20 and in-force on 2/1/20. Any retiree buyout of Existing Business coverage occurring between 2/1/19 and 1/31/20 is considered a one-time premium payment, included only in the New EAP calculations for this Program Period and excluded from any subsequent Program Periods' Block Management calculations. Riders are not counted as a separate line of coverage, but the premium generated from riders attached to the eligible lines of coverage will be included in premium-based calculations.

³AD&D/Life—AD&D premium, when sold as part of life coverage, will be included in the premium calculations for any life policy with which it is packaged.

⁴Standalone AD&D (not packaged with life coverage)—Standalone AD&D will count as a new line of coverage only when sold with two additional lines of coverage to the same policyholder. If a policyholder does not have two additional lines of coverage written and effective between 2/1/19 and 1/31/20, the standalone product sale will be credited toward the New EAP calculation for the Initial Program Qualification requirements only.

⁵LTD & STD—Employee optional LTD and employee optional STD product sales will only count toward the premium qualification portion of the Initial Program Qualification and New EAP and Paid Premium for the Bonus calculations. They will not count as a new line of coverage in the Initial Program Qualification or in the Line of Coverage Persistency Ratio for the Block Management Bonus. When multiple statutory disability policies are sold on a single case, they will be counted as a single line of coverage and combined into one premium amount under this Program.

⁶Absence Management, ASO Statutory Disability, ASO State Paid Family Leave, ASO Company Paid Leave, ASO Dental, ASO LTD, ASO STD and ATP will each count as a single line of coverage for the line of coverage portion of the Initial Program Qualification. These lines of coverage are only eligible for bonus on first year fees and will be calculated using the New EAP definition.

Paid Family Leave exclusion: New York insured Paid Family Leave will not be included in this Program's bonus calculations.

⁷Dental and Vision—Dental, voluntary dental and vision and voluntary vision each count as a single line of coverage for the line of coverage count portion of the Initial Program Qualification and the Line of Coverage Persistency Ratio calculation of the Block Management Bonus. If DHMO dental is sold with a standard dental coverage, a single case count will be credited. If DHMO dental is sold with any voluntary dental, two case counts will be credited.

i. 100% of dental New EAP and In force EAP is included for platinum, gold and silver tier brokers.

ii. 50% of dental New EAP and In force EAP is included for Bronze Tier brokers.

iii. 50% of vision New EAP and In force EAP is included for all Broker Tiers.

Dental and vision New EAP and Paid Premium is first capped by the Broker Tier level, and then the appropriate percentage based on the schedule above is applied to the capped New EAP and Paid Premium is used for Bonus calculations.





⁸Accident/Critical Illness/Universal Life—Worksite coverages have policies issued at the member level under a single group ID. Initial enrollments with effective dates between 2/1/19 and 1/31/20 will count as a single new line of coverage for the Initial Program Qualification; they will not count as one line of coverage per member.

Group coverages have policy issues at the group level under a single group ID. Initial enrollments with effective dates between 2/1/19 and 1/31/20 will count as a single new line of coverage for the Initial Program Qualification; they will not count as one line coverage per member.



Broker Tiers

Brokers are assigned a tier (platinum, gold, silver or bronze) based on their In force EAP⁹ as of 1/31/20, as outlined in the table below. The assigned tier determines the applicable premium cap per line of coverage and the persistency bonus percentages available for the Block Management Bonus.

	In-force EAP	New sales cap ^a	Block management cap ^a
 PLATINUM	\$6,500,000+	\$500,000	\$500,000
 GOLD	\$3,500,000– \$6,499,999	\$500,000	\$500,000
 SILVER	\$1,500,000– \$3,499,999	\$375,000	\$375,000
 BRONZE	\$150,000– \$1,499,999	\$250,000	\$250,000

⁹ **Inforce Estimated Annual Premium ("Inforce EAP")**—The estimated aggregate annual premium calculated from all paid bills during the program period (2/1/19-1/31/20) for eligible lines of coverage for both New Business and Existing Business. New Business is eligible lines of coverage sold and effective between 2/1/19 to 1/31/20 and in-force on 2/1/20. Existing Business is eligible lines of coverage sold and effective prior to 2/1/19 and in-force on 1/1/20.

^a Cap amounts are applied to each eligible line of coverage (New EAP for New Business under the New Sales bonus calculation and Paid Premium for Existing Business under the Block Management Bonus calculation).

Example

If a producer qualifies at the platinum tier for the Program Period, the producer will receive bonus credits of:

- \$500,000 when used to calculate the New Sales Bonus on a New Business line of coverage with New EAP of \$650,000; and
- \$500,000 when used to calculate the Block Management Bonus on Existing Business line of coverage with Paid Premium of \$650,000.

- 1) **Limitations:** 100% of dental is included only for platinum, gold and silver tier brokers. 50% of dental is included for bronze tier brokers. 50% of vision is included for all Broker Tiers. ASO/ATP/Absence Management are eligible for first year bonus.
- 2) **Paid Premium** is the amount of premium received by Lincoln between 1/1/19 and 12/31/19 for Existing Business eligible lines of coverage, including any New Business on Existing Case. Paid Premium does not include premium received by Lincoln for member policies that have been ported or policies that have been converted or spun-off from an existing policy.
 - i. **New Business on Existing Case ("NBOC")** is growth or increase to the premium of Existing Business eligible lines of coverage occurring during the Program Period.
 - ii. **New Line of Coverage ("NLOC")** is a coverage sold that was not part of the existing business occurring during the Program Period. NLOC count towards In force EAP, and New EAP.
 - iii. **Paid Premium on NBOC** is included for In force EAP calculations only and does not count toward the Initial Program Qualification or New EAP calculations. This includes spin-offs and conversion situations.

New Sales Bonus¹⁰

Broker is eligible to qualify for a New Sales Bonus if the Initial Program Qualification is met. The New Sales Bonus percentage is determined based on the amount of New EAP for the Program Period, per the table below. The bonus payment is calculated by applying the bonus percentage to the capped New EAP for the Program Period.

New EAP	Bonus percentage
\$250,000–\$499,999	3.00%
\$500,000–\$999,999	4.00%
\$1,000,000+	5.00%

Block Management Bonus¹¹

The Block Management Bonus is to reward persistency on a broker's Existing Business during the bonus program annual periods. Broker is eligible to qualify for a Block Management Bonus if the Initial Program Qualification is met and In-force EAP is \$1,000,000 or more as of 1/31/20. The bonus payment is calculated by applying the bonus percentage (using the greater of line count or Premium Persistency Ratio) to the capped Paid Premium for the Program Period.

Persistency ratio	Platinum	Gold	Silver	Bronze
94.50%+	4.50%	4.00%	3.00%	1.75%
89.50–94.49%	3.50%	3.00%	2.00%	0.75%
85.00–89.49%	2.00%	1.50%	1.00%	0.25%
Base < 85%	0.50%	0.50%	0.25%	0.00%

¹⁰ The bonus percentage is applied to capped New EAP to calculate the New Sales Bonus. This bonus percentage is calculated on a single percentage and not prorated for each percentage level. For example, if the New EAP is \$850,000, then the New Sales Bonus will be 4% of the total \$850,000.

¹¹ In order to qualify for a Block Management Bonus, a broker must have a minimum of \$1,000,000 of In-force EAP on 1/31/20. The bonus percentage is calculated using the greater of the Line of Coverage Persistency Ratio or Premium Persistency Ratio for Existing Business effective prior to 2/1/19 and in-force on 1/1/20. Persistency ratio percentages are not rounded.

The calculated bonus percentage is applied to capped Paid Premium subject to Broker Tier caps for all eligible lines of coverage for the Existing Business in-force as of 1/1/20.

In order to qualify for this bonus, a broker must have a minimum of \$1,000,000 of In-force EAP on 1/31/20. This bonus is calculated using the greater of the **Line of Coverage Persistency Ratio** or **Premium Persistency Ratio for Existing Business** (effective prior to 2/1/19) and in-force on 1/1/20. The greater of these two persistency ratio levels determines the Block Management Bonus percentage. This bonus percentage is applied to capped Paid Premium subject to broker tier caps for all eligible lines of coverage for the Existing Business in-force as of 1/1/20. Persistency percentages are not rounded.

Line of Coverage Persistency Ratio is determined by a broker's **Existing Business** lines of coverage persisted at the end of the program year divided by the broker's total Existing Business lines of coverage.

Premium Persistency Ratio is determined by a broker's Existing Business In-force EAP that has persisted at the end of the program year divided by the broker's total Existing Business In force EAP.

A policy termination that is processed in a subsequent Program Period (year) and then back-dated to a prior Program Period (year), will be included in the current Program Period's (year) persistency calculation and will affect that calculation.

Policy terminations prior to 1/1/20 will affect this calculation; this includes both group policies and member-level policy terminations for worksite accident, critical illness and universal life.

Additional program terms and conditions:

Small Business Limitations—Lines of coverage with less than 10 lives and designated as Lincoln Small Business will be:

- Included in the New EAP calculations for the Initial Program Qualification and New Sales Bonus calculations
- Included in the Paid Premium calculation of the Block Management Bonus
- Excluded as a New Line of Coverage for the Initial Program Qualification
- Excluded from the Lines of Coverage and Premium Persistency Ratio calculations

Lines of coverage with 10 lives or greater will be applied to the Program according to Program Eligible Lines of Coverage.

Program Non-eligible Lines of Coverage—This Program excludes any line of coverage not specifically mentioned on page 2 as an Eligible Line of Coverage, including, but not limited to:

- EAP
- Accommodation services
- Any non-group sales (other than worksite accident, critical illness and universal life)
- Simple life Paid Premium policy calculations and LTD Reserve Buyouts
- Tailored Insurance Plan Trust Cases (2–9 lives)

Reenrollment and Open Enrollment premium from worksite accident/critical illness/universal life coverages will count toward Paid Premium and New EAP. Individual member terminations that occur during the program year will be grouped under a single group ID, and premium for individual termed members will be excluded from the bonus calculation.

1) **Reenrollment:** Existing members with policy effective dates prior to the Program year reelect (continue) coverage. This premium will be included in the Block Management Bonus calculation.

2) **Open Enrollment:** New members (i.e., members who have never been covered prior to the Program year) elect coverage with new effective dates that fall within the Program year. This premium will be included in the New Sales Bonus calculation.

The cap will be split proportionately, based on the percentage of In-force EAP from New Business members and the percentage of In-force EAP coming from Existing Business members.

Broker of Record—A broker must be the Broker of Record on an eligible line of coverage as of 1/31/20 for that policy to be included in the broker's qualifications and calculations for Program bonuses. For example, if broker A writes a group policy that is effective 3/1/19, but the policyholder later changes the Broker of Record to broker B effective 11/1/19, and that policy remains effective with broker B through 1/31/20, the policy will be credited to broker B for the Program as if it had been in-force with broker B since 3/1/19. The policy will not be credited to broker A for any Program purpose.

Split Commissions—Where commissions are split between multiple payable entities:

- For all eligible lines of coverage, excluding worksite accident, critical illness and universal life, each Broker of Record will receive equal premium credit splits and case count splits, regardless of the commission split percentages.
- For Worksite worksite accident, critical illness and universal life, lines of coverage, case count and premium will be credited to each entity at the same percentage as the commission split percentage.

Payable Producer—The producer receiving commissions will automatically receive the premium and fee credit for an eligible line of coverage (a split percentage will be applied if there is an existing commission split for the line of coverage).

- A line of coverage for which an entity only receives an override and/or a service, technology or marketing fee will be excluded from the bonus incentive calculation for that broker. Bonus credit for that line of coverage would go to the entity receiving commission.
- Brokers appointed under a General Agent Brokerage and subject to that General Agent's consolidated brokerage bonus program agreement with Lincoln ("Consolidated Program") will have their Program qualifying coverages and premium consolidated into their General Agent's Consolidated Program. Such Brokers are excluded as an individual Broker from Program participation and are not eligible to receive a Program Bonus payment directly from Lincoln. Brokers with General Agents are responsible for confirming with their General Agent whether they are subject to a General Agent's Consolidated Program calculation.
- If premium for a line of coverage needs to be credited and paid to a producer other than the producer receiving commissions, then written notification must be provided to Lincoln Financial Group from the commissioned producer stating to whom the premium credit should be applied.

Program modification, compliance and interpretation—The 2019 Broker Bonus Program (“Program”) as detailed herein, replaces any and all Broker Bonus or Incentive Programs previously distributed, published or advertised by Lincoln Financial Group.

Lincoln reserves the right to modify this Program at any time with or without advance notice or to discontinue the Program for any subsequent annual Program Period. By participating in the 2019 Program or by submitting business to be calculated for the 2019 Program, Brokers agree to solicit only those coverages for which Brokers are validly licensed and appointed. Brokers agree to comply with any and all applicable state or federal laws and regulations, including but not limited to compensation and compliance disclosures. The terms, conditions of this Program and any corresponding inquiries, questions or disputes will be interpreted and determined at Lincoln Financial Group’s sole discretion. Broker requests made during the Program Period to combine offices/brokers for calculation purposes will be reviewed by Lincoln Financial Group on a case-by-case basis, and additional qualification requirements may be required.

New York Regulatory approval required—Inclusion in this Program of policies issued by Lincoln Life & Annuity Company of New York is subject to approval by the State of New York Department of Financial Services (“NYDFS”). In the event NYDFS does not approve the Program bonus compensation for Lincoln Life & Annuity Company of New York policies, these policies will not be included in this Program’s bonus calculations.



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POD 3/19 **Z05**

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