



**Fixed Annuity
Suitability Position Statement**
(Including a commentary on the obligations of the producer)

This Position Statement is prepared and adopted by The Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York, hereinafter referred to collectively as "Lincoln". Lincoln expects each producer selling its products to determine the appropriateness of each recommended fixed annuity purchase and/or replacement according to Lincoln's guidelines prior to submitting an application. Before issuing a contract for fixed annuity new business or a replacement, Lincoln must be reasonably satisfied that:

- The product meets the consumer's needs and investment objectives;
- The consumer was educated on the advantages and disadvantages of the Lincoln contract and was provided with the information necessary to make an informed decision;
- The producer attempted to obtain complete and accurate financial information from the consumer to enable the producer to make a suitable recommendation for the purchase of a Lincoln fixed annuity product;
- The producer did not use any misleading designations when making a recommendation or presentation to the consumer; and
- The producer provided company form(s) to the consumer and to Lincoln as requested or required in connection with state laws/regulations and company policy.

Lincoln will actively monitor fixed annuity sales and will take the necessary action to enforce these policies and procedures.

Producer Obligations

In addition to Lincoln's Position Statement, many states have adopted one of the NAIC suitability model regulations: NAIC Senior Protection in Annuity Transactions and NAIC Suitability in Annuity Transactions. Other states have enacted laws/regulations that require a producer to have reasonable grounds for believing that his/her recommendations are suitable for the consumer based on the facts disclosed by the consumer and known by the producer at the time the recommendation is made. A reasonable effort should be made to obtain the following information in order to make a suitable recommendation:

- Consumer's financial status;
- Consumer's tax status; and
- Consumer's investment objective(s).

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In addition to these minimum standards, the producer is guided to use any other information used or considered to be reasonable by the producer in making a recommendation.

Once the required information has been gathered and analyzed, the producer must determine if the purchase or exchange of a fixed annuity meets that particular consumer's investment objective(s). Ultimately, the producer must depend on his/her best judgment.

If, after careful consideration of the documentation and information provided by the consumer, the producer determines that the purchase or exchange of a fixed annuity product would not assist the consumer in meeting his/her insurance needs and investment objective(s), the product should not be recommended by the producer.

“Appropriateness” is sometimes used to refer to the suitability of a sale or exchange. Due to the individual nature of each transaction and a consumer's unique circumstances, there is no set rule that can be applied for every transaction. Rather, there is a series of questions that need to be considered with each recommendation to establish the suitability or appropriateness of the recommendation. Some example questions are:

- ✓ What is the consumer's main concern with his/her current financial position?
- ✓ Why isn't the consumer's current financial plan meeting his/her insurance needs and investment objective(s)?
- ✓ How will the purchase and/or exchange of a fixed annuity help the consumer meet his/her insurance needs and investment objective(s)?
- ✓ If the consumer were a close friend or relative with like insurance needs and investment objective(s), would you agree that the recommendation is suitable?

If the recommendation involved the replacement of another annuity or life insurance product, the producer should review Lincoln's Appropriateness of Replacements Position Statement.

Record Retention

In all cases, it is imperative that the producer document the information provided by the consumer and any communications that memorialize the recommendation. This record retention component is inherent in almost all of the state suitability laws/regulations. This documentation is also necessary in the event of a state market conduct exam or regulatory inquiry. All such records should be maintained in a format, either hard copy or electronic, that can be easily reviewed and accessed by both producer, agency or broker-dealer, Lincoln and, if requested, by the appropriate regulatory agency(ies). These detailed records are key if, and when, the producer is required to provide evidence that he/she had reasonable grounds for believing a recommendation was suitable.

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Company Requirements

Lincoln's Selling Group Agreements with its selling partners as well as the NAIC suitability model regulations provide for the review of the producer's suitability documentation in the event of an annual audit or regulatory exam or inquiry. In addition to the possible audit of suitability documentation, Lincoln may request from producers, agencies or broker-dealers, an Annual Certification that they are conducting a suitability review of all fixed annuity recommendations for sales or exchanges.

In keeping with Lincoln's strong commitment to exemplary market conduct practices, these guidelines are designed to identify and discourage inappropriate sales and exchanges. Lincoln will require a Fixed Annuity Suitability Statement be completed for all fixed annuity sales and exchanges. This Statement will be required for fixed annuity sales and exchanges in all the states that Lincoln does business and not just those states that have adopted one of the NAIC suitability model regulations.

Monitoring Suitability Activities

Lincoln's Annuity New Business area(s) will review all incoming applications for fixed annuities to ensure that the appropriate forms are submitted with the applications and will monitor the suitability of each sale. Applications will not be considered in good order until the appropriate forms are submitted. Lincoln will also monitor sales activity with respect to replacements and suitability for any trends. In compliance with the NAIC suitability model regulations, Lincoln will also annually monitor and audit a random selection of firms to ensure that they are complying with the suitability review requirements under the model regulations. If Lincoln becomes aware of any inappropriate suitability related issues either through the daily, quarterly or annual monitoring processes or through a customer written complaint, the individual producer, agency or broker-dealer involved, will be monitored and/or placed on special supervision. If a producer, agency, broker-dealer or firm is found to be in violation of any state suitability regulation or Lincoln policy, Lincoln can recommend a sanction ranging from a letter of reprimand to termination of contract and appointment with Lincoln.

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