

Lincoln Benefit Life Company, Lincoln, Nebraska

COMMISSION RULES

These Commission Rules are incorporated into and made a part of your agent agreement and appointment effective on the date of the agreement or upon receipt of these Rules, whichever is later. Subject to the terms and conditions of your agreement, you shall be compensated according to the following Commission Rules and the applicable Schedule of Commissions. The Commission Rules and the Schedule of Commissions are subject to change and may be revised from time to time by **LBL**. By submission of an application or the acceptance of commission, you agree to be bound by the provisions of these Rules.

UNIVERSAL LIFE

Note: "Target premium" means the amount up to which the maximum first year commission percentage applies.

- 1) All premiums paid into the policy will be credited to the first year target premium until the full first year target premium has been paid. Any excess first year premium and all renewal premium will be commissioned as stated in the Schedule of Commissions except as noted below.
- 2) New first year target premium commission will be payable if the base amount is increased or if new benefit riders are added, provided:
 - a) The increase in base amount does not replace a prior decrease;
 - b) The addition of a rider does not replace a previously dropped rider;
 - c) The increase in base amount is not due to change from death benefit option 2 to option 1;
 - d) All pro rata minimum required premiums for the time up to the date of the increase have been paid; and
 - e) Premium paid at the time of the increase, or scheduled to be paid within 12 months of the date of the increase, is at least equal to the increase in target premium plus any remaining minimum premium for amounts in force on the date of the increase.
- 3) For the **Ultra Achiever, Ultra 100 Plus, and Ultra 2000**, elective increases in face amount will be based on the target premium appropriate for the attained age at the time of the increase. For **Golden Achiever and Estate Executor**, elective increases will not be allowed, but an additional policy can be issued with waiver of the \$5 monthly fee.
- 4) The Primary Insured Term Rider ("Prime Term Rider") for **Ultra 100 Plus and Ultra 2000** will be commissioned at the excess/renewal rate.
- 5) **Golden Achiever** substandard extra premiums will be commissioned as excess/renewal regardless of whether they are temporary or permanent. Substandard table ratings and flat extras for **Golden Achiever** will not increase target premium. For all other fixed Universal Life products, only permanent substandard extra premiums will increase the target.
- 6) For any new target increase, commissions will be payable upon receipt of new additional premium into the policy. There will be no retroactive increases in commission on premiums previously credited with excess or renewal commissions.
- 7) For all products where the Full Surrender Charge Adjustment Rider has been selected, commissions will be paid according to the following:
 - a) Commissions, target and excess will be levelized and paid over the first 5 years of the policy, so long as the policy remains in force. Commissions for year 1 will be divided by 5 and paid out over the first 5 years; commissions for year 2 will be divided by 4 and paid out over the remaining 4 years; commissions for year 3 will be divided by 3 and paid out over the remaining 3 years; commissions for year 4 will be divided by 2 and paid out over the remaining 2 years and commissions for year 5 will not be divided and will be paid out normally.
 - b) A 100% commission chargeback will apply upon lapse or surrender in the first 6 months; 50% commission chargeback will apply in months 7-12.
 - c) Commissions will be adjusted pro rata on any increases or decreases in face amount during the first 5 years, for any premiums paid at, or subsequent to, the time of the decrease. Commissions on new premiums associated with increases in face amount during the first 5 years will be levelized and paid in the same manner as described in {7) a)} above.

TERM PLANS

- 1) Prepaid renewal premiums will not be commissioned until they are applied to the contract.
- 2) Commissions will be paid on Waiver of Premium, Guaranteed Exchange Option, Accidental Death Benefit, Spouse and Child Riders at the same rate as provided for the policy to which the riders are attached.
- 3) If additional premium is charged because the risk is substandard and permanent, commissions will be paid on the additional premium at the same rate. If the classification is temporary, no first year commission will be paid on the additional premium. Renewal commission will be paid at the same rate as provided for the policy.
- 4) No commission will be payable on premiums which are paid by applying a premium exchange/conversion allowance. If the **Term** is exchanged for any term rider, no first year commissions will be paid.

ANNUITY COMMISSION RULES

The amount of commissions shown in the Schedule of Commissions for annuity contracts is applicable only to contracts issued where the aggregate account value is \$1,000,000 or less.

If the "owner" referenced in these rules is not a person, the rules then apply to the "annuitant."

1) Chargebacks.

- a) LBL will chargeback commissions under the rules set forth in the Agent Schedule of Commissions attached to your contract.
 - b) With respect to chargebacks described in the Agent Schedule of Commissions on surrenders, a proportionate chargeback would also be made on partial withdrawals.
 - c) In addition, any deferred annuity contract that is annuitized within the first contract year will receive a commission chargeback equivalent to the difference in commission between that product and the SPIA currently being sold (excluding the Allstate Treasury-Linked Annuity).
 - d) The chargeback rules contained in the Agent Schedule of Commissions also apply to any commission paid at the beginning of each new term.
- 2) Commission Limits. Regular commissions will **not** be payable on any premium paid into one or more deferred annuities, either at issue or over their lifetime, which exceed the limits of \$1,000,000 for ages 76 and above. The "age" applies to the owners age unless the owner is not a person, in which case the annuitant's age will be used.
- 3) Modified Compensation. If premiums in excess of the commission limits described above are paid at issue or over their lifetime, commissions will be payable on a modified basis. Commission in excess of the commission limits will be spread out over a seven-year period on all plans on the premium in excess of the limits. The annual commission received on this basis will be one-sixth of the usual commission. These payments will stop upon the seventh annual payment for all annuities or the termination of the contract, if sooner. Chargebacks due to exercise of the confinement waiver benefit will be limited to those occurring within 60 days of the issue date.

For **Saver's Index Annuity I and III**, the commission paid will be reduced and paid according to the schedules found in the Additional Notes following the Schedule of Commissions. Please refer to the Schedule of Commissions for specific details.

Additional policies and supplements, which may be developed by **LBL** from time to time, may be added to the Commission Rules and Schedule of Commissions by addendum and shall be subject to the same conditions as set forth herein.

REPLACEMENT RULES

These Replacement Rules address (1) whether any surrender charge may be assessed to the policyholder; and (2) whether any commissions may be paid on the new policy. In any situation where a surrender charge is assessed to perform the replacement, a disclosure statement must be signed by the policyholder acknowledging their understanding and agreement. This signed disclosure statement must be received by the Home Office prior to execution of the internal replacement. These Replacement Rules may be changed from time to time. Circumstances which may cause them to be changed include, but are not limited to, the following: (a) changes which may benefit the policyholder (as determined by **LBL**); (b) introduction of new products; and (c) changes in the then-current interest rate environment. Such changes will not discriminate between individuals or classes of policyholders. Please note that if it is necessary for any surrender charge to be assessed, (1) no new commissions will be paid, and (2) a disclosure statement must be signed by the policyholder.

Annuities —

- 1) General Rule. These rules apply where an annuity is exchanged for another annuity, where an annuity is exchanged for a life policy, and where a life policy is exchanged for an annuity. The surrender charge on the original policy will be reduced by the amount of commission that would have been payable on the new policy had it not been an internal replacement, but will never be less than zero. If the surrender charge exceeds the commission otherwise payable, the policyholder will be obligated to pay any such excess amount. Commissions on the new policy will be reduced by the amount of any waived surrender/withdrawal charge. This general rule has the following exceptions:
- a) Replacements from annuities involving a first year interest rate bonus. Where the policyholder has received a first year interest rate bonus, an additional amount will be added to the surrender charge in applying the General Rule calculation described above. The additional amount equals a percentage of the bonus interest rate, where the percentage depends on the number of completed policy years, as follows:

<u>Completed Policy Years</u>	<u>Percent Of Bonus</u>
0	100
1	80
2	60
3	40
4	20
5+	0

For example, if the plan had a 1% bonus and the policy was still in its first year, the entire 1% would be added to the surrender charge. If the plan had completed its second year, 0.6% (60% x 1%) would be added to the surrender charge. **Saver's Choice Plus** will use the Return of Principal Guarantee bonus amount in this calculation (*i.e.*, 1% and 2%, respectively) even if the policy does not have the Return of Principal rider. It should be emphasized that any such "increase" in surrender charge is only for purposes of determining the amount of surrender charge to be waived, and that in all cases any charge actually incurred by the policyholder will be not greater than the surrender charge stated in the contract.

- b) Replacements from one equity indexed plan to another. Because of the unique nature of these plans, replacements between them are very strongly discouraged. In any such replacement, full surrender charges will be assessed on the original policy and no commission will be paid on the new policy.
- c) Conservation Replacements. In any replacement involving Home Office Conservation Services, a 1% commission reduction will be assessed.
- d) Like-to-like Replacements. Commissions will not be paid for any "like-to-like" internal exchange. This includes any policy inside or outside the surrender period, within the free withdrawal window or a partial internal exchange utilizing the free withdrawal amount. The term "like-to-like" is currently defined as the same product/(contract) to the same product/(contract) and is subject to change at any time. The only exception to this is for the Saver's Index Annuity I, since it is designed to pay a renewal commission.

Life Products —

- 1) Universal life to universal life (or variable universal life). So long as the surrender charge on the old policy is less than or equal to the sum of the surrender charge and the commissionable premium on the new policy, no surrender charge will be assessed to the policyholder. Any excess of the surrender charge on the old policy over the sum of the new surrender charge and the new commissionable premium will be charged to the policyholder after all agent compensation has been applied toward that excess surrender charge.

Commissions, if any, will only be paid on new premiums paid into the new policy. Commissions at the first year rate will be paid based on any increase in target premium for the new policy over the original target premium. If the new target premium is less than or equal to the original target premium, no “first year” compensation applies. In addition, if the first year surrender charge on the new plan is less than the surrender charge waived on the old plan, the difference will be deducted from the increase in target premium in determining the amount of any first year compensation. This general rule has the following exceptions:

- a) Replacements on last survivor universal life. These replacements are unique due to the front-end load. Surrender charges will be assessed on the full front-end charge. First year commissions will only be paid on any increase in target premium on the new plan over the old plan.
- 2) Term to term replacements. The following commission rules will apply to the replacement of an existing **LBL** term policy with a new term policy:
 - a) If the existing term plan is over five years old, full normal commission will apply to the new policy.
 - b) If the existing term plan is less than five years old and the new policy has a higher annual premium than the old policy, commission will only be paid on the excess of the new annual premium over the first year collected premium for the old policy.
 - c) If the existing policy is less than five years old and the new policy has an annual premium less than or equal to the former annual premium, no commission will be paid on the new policy.
 - 3) Term conversions. If a **Term** plan is exchanged for a universal life or whole life policy within the first ten years, full first year commissions will be paid on the premium actually paid by the policy owner up to the target premium reduced by the conversion allowance, if any. If the exchange occurs more than ten years after issue, all premiums for the new policy will be commissioned at the renewal rate.
 - 4) Universal life to term. These situations will be treated as surrenders.