

New IRS Guidelines on Term Riders Affect Lincoln Benefit Life Policies

MARCH 18, 2005
Volume 05-034

The Internal Revenue Code limits the amount of premium that a policy-owner can pay into a cash value life insurance policy without causing the policy either to become a Modified Endowment Contract (MEC) or to lose its qualification as life insurance for federal income tax purposes. The IRS has recently issued formal guidance on the treatment of certain term insurance riders in determining the premium limits. The new IRS guidelines apply to term riders that cover a family member of the base contract's insured and term riders that cover the base insured but will terminate before the insured reaches age 95. The new rules do NOT apply to other riders.

The IRS will apply the new limits to all policies issued after **April 7, 2005**. However, life policies issued before that date *would* lose their grandfathered status and become subject to the new limits:

- If the insurer allowed the owner either to add an affected rider or to increase the rider's benefit amount, **and**
- The owner did not have a pre-existing contractual right to that addition or increase.

With a few minor exceptions, the life insurance policies currently offered for sale by Lincoln Benefit Life Company (LBL) comply with these new stricter limits. Since many older LBL policies do not comply with the new IRS limits, it is critical that we preserve their grandfathered status.

LBL has carefully reviewed their policies and riders. A list of affected products follows (on Page 2) showing those riders which, effective immediately, will no longer be offered for new sales, as well as those on which we will no longer allow further additions or increases of benefits. As a reminder, the addition or increase of a Prime Term Rider after issue has never been allowed.

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LBL Term Riders, cont'd.

| LBL Products Impacted | Riders Affected |
|---|---|
| Ultra Achiever | Additional Insured Rider – Increases and additions no longer available. |
| Ultra 2000 Ultra 2000 Plus Achiever 1 Achiever 4 Max Term | Ultra 100 Plus Achiever Elite Achiever 3 Achiever 6 Life Term |
| Consultant SL | 4-Year Term and ITR – New sales, increases or additions no longer available. |
| Estate Executor | 4-Year Term – New sales, increases or additions no longer available. |
| Successor Achiever | First to Die Rider – New sales, increases or additions no longer available. |
| Dynasty | Term Rider – Increases or additions no longer available. |