

LINCOLN NATIONAL CORP  
Form 424B4  
June 16, 2010  
Table of Contents

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(1)</b>
4.30% Senior Notes due 2015	\$250,000,000	\$17,825
7.00% Senior Notes due 2040	\$500,000,000	\$35,650

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

**Filed Pursuant to Rule 424(b)(4)  
Registration Statement No. 333-157822**

**Prospectus Supplement**

(To prospectus dated March 10, 2009)

***\$750,000,000***

**Lincoln National Corporation**

***\$250,000,000 4.30% Senior Notes due 2015***

***\$500,000,000 7.00% Senior Notes due 2040***

We are offering \$250,000,000 aggregate principal amount of our 4.30% Senior Notes due 2015 (the 2015 notes ) and \$500,000,000 aggregate principal amount of our 7.00% Senior Notes due 2040 (the 2040 notes and, collectively with the 2015 notes, the notes ).

Interest on the notes will accrue from June 18, 2010. The 2015 notes will bear interest at a rate of 4.30% per year and will mature on June 15, 2015. The 2040 notes will bear interest at a rate of 7.00% per year and will mature on June 15, 2040.

We will pay interest on the notes on each June 15 and December 15, commencing on December 15, 2010.

The notes will be issued in denominations of \$2,000, and integral multiples of \$1,000 in excess thereof, will be our unsecured obligations and will rank equally in right of payment with all existing and future unsecured unsubordinated indebtedness.

We may redeem the notes of each series in whole or in part prior to their maturity at any time at the redemption price described in Description of notes Optional redemption.

The notes are not savings accounts, deposits or other obligations of a bank or non-bank subsidiary of Lincoln National Corporation. They are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The notes will not be subject to redemption at the option of the holder or to any sinking fund payments.

## Edgar Filing: LINCOLN NATIONAL CORP - Form 424B4

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

Investing in the notes involves risks. See Risk factors beginning on page S-5 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to public	Underwriting discounts and commissions	Proceeds to us, before expenses
Per 2015 Note	99.867%	0.600%	99.267%
Total	\$ 249,667,500	\$ 1,500,000	\$ 248,167,500
Per 2040 Note	99.789%	0.875%	98.914%
Total	\$ 498,945,000	\$ 4,375,000	\$ 494,570,000

The underwriters expect to deliver the notes in book-entry form only, through the facilities of The Depository Trust Company, Clearstream, Luxembourg or Euroclear, as the case may be, on or about June 18, 2010 against payment therefor in immediately available funds.

*Global Coordinator*

**J.P. Morgan**

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Deutsche Bank Securities**

**US Bancorp**

*Co-Managers*

**UBS Investment Bank**

**Wells Fargo Securities**

June 15, 2010

**Table of Contents**

**Table of contents**

<b>Prospectus supplement</b>	<b>Page</b>
<u>About this prospectus supplement</u>	S-iii
<u>Cautionary statement regarding forward-looking statements</u>	S-iii
<u>Summary</u>	S-1
<u>Risk factors</u>	S-5
<u>Use of proceeds</u>	S-35
<u>Ratio of earnings to fixed charges</u>	S-36
<u>Capitalization</u>	S-37
<u>Selected consolidated historical financial data of LNC</u>	S-39
<u>Description of notes</u>	S-41
<u>Material U.S. federal income tax consequences</u>	S-48
<u>Certain ERISA considerations</u>	S-53
<u>Underwriting</u>	S-55
<u>Validity of notes</u>	S-58
<u>Experts</u>	S-58

**Prospectus**

<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>Documents Incorporated by Reference</u>	2
<u>LNC</u>	3
<u>The Lincoln Trusts</u>	3
<u>Ratio of Earnings to Fixed Charges</u>	6
<u>Risk Factors</u>	7
<u>Use of Proceeds</u>	7
<u>Description of Securities We May Sell</u>	7
<u>Senior and Subordinated Debt Securities</u>	7
<u>Junior Subordinated Debt Securities</u>	19
<u>Common Stock and Preferred Stock</u>	32
<u>Depository Shares</u>	36
<u>Warrants</u>	39
<u>Stock Purchase Contracts and Stock Purchase Units</u>	40
<u>Trust Preferred Securities</u>	41
<u>Guarantees of Trust Preferred Securities</u>	53
<u>Relationship among the Trust Preferred Securities, the Corresponding Junior Subordinated Debt Securities and the Guarantees</u>	56
<u>Plan of Distribution</u>	57
<u>Validity of the Securities</u>	58
<u>Experts</u>	58

**Table of Contents**

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement and the accompanying base prospectus. You must not rely on any unauthorized information or representations. This prospectus supplement and the accompanying base prospectus are an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement and the accompanying base prospectus is current only as of their respective dates.

S-ii

**Table of Contents**

## **About this prospectus supplement**

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement and the accompanying base prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. You should not assume that the information in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference is accurate or complete as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying base prospectus. The second part, the accompanying base prospectus, gives more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information contained in this prospectus supplement.

Unless otherwise indicated, or the context otherwise requires, references in this prospectus supplement and the accompanying base prospectus to LNC, we, us, and our or similar terms are to Lincoln National Corporation and its subsidiaries.

## **Cautionary statement regarding forward-looking statements**

Except for historical information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus, statements made, or incorporated by reference, in this prospectus supplement and the accompanying base prospectus are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, or PSLRA. A forward-looking statement is a statement that is not a historical fact and, without limitation, includes any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like: believe, anticipate, expect, estimate, project, will, shall and other words or with similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, trends in our business, prospective services or products, future performance or financial results and the outcome of contingencies, such as legal proceedings. We claim the protection afforded by the safe harbor for forward-looking statements provided by the PSLRA.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements. Risks and uncertainties that may cause actual results to vary materially, some of which are described within the forward-looking statements, include, among others:

Deterioration in general economic and business conditions that may affect account values, investment results, guaranteed benefit liabilities, premium levels, claims experience and the level of pension benefit costs, funding and investment results;

**Table of Contents**

Economic declines and credit market illiquidity could cause us to realize additional impairments on investments and certain intangible assets, including goodwill and a valuation allowance against deferred tax assets, which may reduce future earnings and/or affect our financial condition and ability to raise additional capital or refinance existing debt as it matures;

Uncertainty about the impact of existing or new stimulus legislation on the economy;

The risk that our actual sources and uses of capital in a stress scenario may vary materially and adversely from our modeled projected sources and uses of capital that we disclosed in connection with our planned repurchase of our Fixed Rate Cumulative Perpetual Preferred Stock, Series B, or the Series B preferred stock, whether as a result of one or more assumptions proving to be materially inaccurate or as a result of our exposure to other risks during stressed economic conditions that were not taken into account in preparing such modeled projections;

The cost and other consequences of our participation in the U.S. Department of the Treasury's, or the U.S. Treasury, Troubled Asset Relief Program, or TARP, Capital Purchase Program, or CPP, certain requirements of which may continue to apply to us as long as the warrant originally issued to the U.S. Treasury remains outstanding;

Legislative, regulatory or tax changes, both domestic and foreign, that affect the cost of, or demand for, our subsidiaries' products, the required amount of reserves and/or surplus, or otherwise affect our ability to conduct business, including changes to statutory reserves and/or risk-based capital, or RBC, requirements related to secondary guarantees under universal life and variable annuity products such as Actuarial Guideline 43, or AG43 (also known as Commissioners Annuity Reserve Valuation Method for Variable Annuities, or VACARVM); restrictions on revenue sharing and 12b-1 payments; and the potential for U.S. Federal tax reform;

The initiation of legal or regulatory proceedings against us, and the outcome of any legal or regulatory proceedings, such as: adverse actions related to present or past business practices common in businesses in which we compete; adverse decisions in significant actions including, but not limited to, actions brought by federal and state authorities and extra-contractual and class action damage cases; new decisions that result in changes in law; and unexpected trial court rulings;

Changes in interest rates causing a reduction of investment income, the margins of our subsidiaries' fixed annuity and life insurance businesses and demand for their products;

A decline in the equity markets causing a reduction in the sales of our subsidiaries' products, a reduction of asset-based fees that our subsidiaries charge on various investment and insurance products, an acceleration of amortization of deferred acquisition costs, or DAC, value of business acquired, or VOBA, deferred sales inducements, or DSI, and deferred front end sales loads, or DFEL, and an increase in liabilities related to guaranteed benefit features of our subsidiaries' variable annuity products;

Ineffectiveness of our various hedging strategies used to offset the impact of changes in the value of liabilities due to changes in the level and volatility of the equity markets and interest rates;

A deviation in actual experience regarding future persistency, mortality, morbidity, interest rates or equity market returns from the assumptions used in pricing our subsidiaries' products,

**Table of Contents**

in establishing related insurance reserves and in elevated impairments on investments and amortization of intangible assets that may cause an increase in reserves and/or a reduction in assets, resulting in a corresponding decrease in net income;

Changes in accounting principles generally accepted in the United States, or GAAP, that may result in unanticipated changes to our net income;

Lowering of one or more of our debt ratings issued by nationally recognized statistical rating organizations and the adverse impact such action may have on our ability to raise capital and on our liquidity and financial condition;

Lowering of one or more of the insurer financial strength ratings of our insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of our insurance subsidiaries and liquidity;

Significant credit, accounting, fraud or corporate governance issues that may adversely affect the value of certain investments in our portfolios requiring that we realize losses on such investments;

The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including our ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;

The adequacy and collectibility of reinsurance that we have purchased;

Acts of terrorism, a pandemic, war or other man-made and natural catastrophes that may adversely affect our businesses and the cost and availability of reinsurance;

Competitive conditions, including pricing pressures, new product offerings and the emergence of new competitors, that may affect the level of premiums and fees that our subsidiaries can charge for their products;

The unknown impact on our subsidiaries' businesses resulting from changes in the demographics of their client base, as aging baby-boomers move from the asset-accumulation stage to the asset-distribution stage of life; and

Loss of key management, financial planners or wholesalers.

The risks included here are not exhaustive. Other sections of this prospectus supplement, including Risk factors beginning on page S-5, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed with the Securities and Exchange Commission, or SEC, include additional factors that could impact our business and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

Further, it is not possible to assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this prospectus supplement.





**Table of Contents****Summary**

*This summary highlights information contained elsewhere in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference. This summary sets forth the material terms of this offering, but does not contain all of the information you should consider before investing in our notes. You should read carefully this entire prospectus supplement and the accompanying base prospectus, including the documents incorporated by reference in this prospectus supplement and the accompanying base prospectus, before making an investment decision to purchase our notes, especially the risks of investing in our notes discussed in the section entitled "Risk factors" in this prospectus supplement as well as the consolidated financial statements and notes to those consolidated financial statements incorporated by reference in this prospectus supplement and the accompanying base prospectus.*

**LNC**

For a detailed description of LNC's business, the latest financial statements of LNC, management's discussion and analysis of LNC's financial condition and results of operations, and other important information concerning LNC, please refer to LNC's Annual Report on Form 10-K for the year ended December 31, 2009, LNC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and other documents filed with the SEC, which are incorporated by reference into this prospectus supplement and the accompanying base prospectus. For more information, see "Documents Incorporated by Reference" in the accompanying base prospectus.

LNC is a holding company, which operates multiple insurance and retirement businesses through subsidiary companies. Through our business segments, we sell a wide range of wealth protection, accumulation and retirement income products and solutions. These products include fixed and indexed annuities, variable annuities, universal life insurance, or "UL," variable universal life insurance, or "VUL," linked-benefit UL, term life insurance, mutual funds and group protection. LNC was organized under the laws of the state of Indiana in 1968. We currently maintain our principal executive offices at 150 N. Radnor Chester Road, Radnor, Pennsylvania 19087, and our telephone number is (484) 583-1400. Lincoln Financial Group is the marketing name for LNC and its subsidiary companies. As of March 31, 2010, LNC had consolidated assets of \$181.6 billion and consolidated stockholders' equity of \$12.4 billion. For the three months ended March 31, 2010, LNC had total revenue of \$2.5 billion and net income of \$283 million. For the year ended December 31, 2009, LNC had total revenue of \$8.5 billion and net loss of \$485 million.

We provide products and services in two operating businesses and report results through four business segments, as follows:

<b>Business</b>	<b>Corresponding segments</b>
Retirement Solutions	Annuities
Insurance Solutions	Defined Contribution
	Life Insurance
	Group Protection

We also have Other Operations, which includes the financial data for operations that are not directly related to the business segments. Other Operations also includes investments related to the excess capital in our insurance subsidiaries; investments in media properties and other

## **Table of Contents**

corporate investments; benefit plan net liability; the unamortized deferred gain on indemnity reinsurance related to the sale of reinsurance to Swiss Re Life & Health America Inc., referred to as Swiss Re, in 2001; the results of certain disability income business due to the rescission of a reinsurance agreement with Swiss Re; our run-off institutional pension business; and debt costs.

Our former Lincoln UK and Investment Management segments are reported in discontinued operations for all periods presented. See Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction Acquisitions and Dispositions and Part II Item 8. Financial Statements and Supplementary Data Note 3 in LNC's Annual Report on Form 10-K for the year ended December 31, 2009.

## **Repurchase of our Series B Fixed Rate Cumulative Perpetual Preferred Stock**

In July 2009, we issued 950,000 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series B, or the Series B preferred stock, to the U.S. Treasury in connection with our participation in the TARP CPP. The U.S. Treasury also received a warrant to purchase 13,049,451 shares of our common stock at an exercise price of \$10.92 per share, subject to adjustment, which expires ten years from the issuance date. The Series B preferred stock and the warrant were issued pursuant to a Letter Agreement dated July 10, 2009 and the Securities Purchase Agreement Standard Terms attached thereto, which we collectively refer to as the CPP Purchase Agreement, for an aggregate purchase price of \$950 million.

Following completion of this offering and the common stock offering described below, and subject to the approval of the U.S. Treasury, we will repurchase all 950,000 shares of the Series B preferred stock. See Use of proceeds in this prospectus supplement. There can be no assurance, however, that the U.S. Treasury will approve the repurchase of the Series B preferred stock. We do not intend to repurchase the warrant.

The repurchase of the Series B preferred stock would have resulted in a charge to income available to common shareholders of approximately \$138 million as of March 31, 2010 (approximately \$131 million as of June 30, 2010 on a pro forma basis), representing the accretion of the discount on the Series B preferred stock at liquidation. In addition, upon the repurchase of the Series B preferred stock, the annual dividends of \$47.5 million payable on the Series B preferred stock will be eliminated. We will incur additional interest expense related to the issuance of the notes in this offering.

## **Common stock offering**

On June 14, 2010, we launched a \$335 million offering of our common stock. On June 14, 2010, we priced the offering at \$27.25 per share. The underwriters have a 30-day option to purchase up to an additional 1,844,037 shares of our common stock on the same terms and conditions. The offering is expected to close on or about June 18, 2010, subject to customary closing conditions. The aggregate net proceeds we will receive from the common stock offering will be approximately \$319 million, exclusive of any proceeds attributable to the underwriters possible purchase of additional shares. The completion of this offering is not conditioned on the completion of the common stock offering, and the completion of the common stock offering is not conditioned on the completion of this offering.

Table of Contents

## Summary of the offering

<b>Issuer</b>	Lincoln National Corporation.
<b>Securities Offered</b>	\$250,000,000 aggregate principal amount of 4.30% Senior Notes due 2015 (the 2015 notes ) and \$500,000,000 aggregate principal amount of 7.00% Senior Notes due 2040 (the 2040 notes ).
<b>Denominations</b>	The notes will be issued in denominations of \$2,000 principal amount and integral multiples of \$1,000 in excess thereof.
<b>Aggregate Principal Amount</b>	\$250,000,000 of the 2015 notes and \$500,000,000 of the 2040 notes.
<b>Maturity Date</b>	The 2015 notes will mature on June 15, 2015 and the 2040 notes will mature on June 15, 2040.
<b>Interest</b>	Interest on the 2015 notes will accrue from the issue date until maturity at 4.30% per year and interest on the 2040 notes will accrue from the issue date until maturity at 7.00% per year. We will pay interest on the notes on each June 15 and December 15, commencing on December 15, 2010. Interest will be calculated using a 360-day year comprised of twelve 30-day months.
<b>Use of Proceeds</b>	We estimate that, after deducting underwriting discounts and commissions and estimated expenses payable by us, our net proceeds from this offering will be approximately \$741 million. We intend to use the net proceeds from the sale of \$250 million aggregate principal amount of notes in this offering, together with estimated net proceeds of approximately \$319 million from the common stock offering (or approximately \$367 million if the underwriters exercise in full their option to purchase additional shares of common stock) and available funds, to repurchase in full, once we have received approval of the U.S. Treasury to do so, the Series B preferred stock held by the U.S. Treasury pursuant to our participation in the TARP CPP. Pending such use we will invest such proceeds in short-term, investment grade investments. If the U.S. Treasury does not approve our request to repurchase the Series B preferred stock, we will use the net proceeds from the sale of \$250 million aggregate principal amount of notes in this offering for general corporate purposes. In addition, we expect to use the remaining net proceeds from this offering as part of a long-term financing solution supporting the universal life reserves of our insurance subsidiaries.
<b>Risk Factors</b>	See Risk factors beginning on page S-5 and other information included or incorporated by reference in this prospectus supplement

**Table of Contents**

and the accompanying base prospectus for a discussion of factors you should consider carefully before investing in the notes.

**Indenture** We will issue the notes under an indenture between us and The Bank of New York Mellon, as indenture trustee.

**Ranking** The notes will be our senior unsecured debt obligations and will rank equally among themselves and with all of our other present and future unsecured unsubordinated indebtedness.

As of March 31, 2010, our consolidated indebtedness aggregated approximately \$5.2 billion. See **Capitalization** for the pro forma effect of this offering and the common stock offering on our capitalization.

The indenture places no limitation on the amount of additional senior indebtedness that may be incurred by us, which will rank equally to the notes. We expect from time to time to incur additional indebtedness constituting senior indebtedness.

**Optional Redemption** We may redeem the notes of each series in whole or in part prior to their maturity at any time at the redemption price described in **Description of notes** **Optional redemption**.

**Form** The notes of each series will be represented by one or more global securities registered in the name of Cede & Co., as nominee for The Depository Trust Company, referred to as **DTC**. Beneficial interests in the notes will be evidenced by, and transfers thereof will be effected only through, records maintained by participants in **DTC**.

**Trustee and Principal Paying Agent** The Bank of New York Mellon.

**Delivery and Clearance** We will deposit the global securities representing the notes with **DTC** in New York. You may hold an interest in the notes through **DTC**, Clearstream, Luxembourg or Euroclear Bank, as operator of the Euroclear System, directly as a participant of any such system or indirectly through organizations that are participants in such systems.

**Governing Law** New York.

**Table of Contents**

## **Risk factors**

*Your investment in the notes involves risks. You should carefully consider the risks described below as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus, including our financial statements and the notes thereto, before making an investment decision. The risks and uncertainties described below and incorporated by reference into this prospectus supplement and the accompanying base prospectus are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business, financial condition and results of operations could be materially affected. In that case, the value of the notes could decline substantially.*

### **Risk factors relating to the ownership of the notes**

*We operate through our subsidiaries and, as a result, the notes will effectively be subordinated to the liabilities of our subsidiaries.*

We are a holding company operating primarily through our insurance subsidiaries, and our primary assets are our equity interests in those subsidiaries. As a result, our right to receive assets upon the liquidation or recapitalization of any of our subsidiaries and your consequent right to participate in those assets, is subject to the claims of such subsidiary's creditors. Accordingly, our obligations, including the notes, are effectively subordinated to all existing and future indebtedness and other liabilities, including insurance policy-related liabilities, of our subsidiaries. As of March 31, 2010, our subsidiaries had approximately \$81 billion of outstanding liabilities that effectively rank and would rank senior to our current and future senior debt securities, unless our senior debt securities are guaranteed on a senior basis by these subsidiaries. Our subsidiaries may incur further indebtedness in the future. The notes are exclusively obligations of LNC. Our subsidiaries are not guarantors of the notes and have no obligation to pay any amounts due on the notes. Our subsidiaries are not required to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. The notes are unsecured.

*We and our subsidiaries may incur additional indebtedness that may adversely affect our ability to meet our financial obligations under the notes.*

The terms of the indenture and the notes do not limit the incurrence by us or our subsidiaries of indebtedness. We and our subsidiaries may incur additional indebtedness in the future, which could have important consequences to holders of the notes. For example, we may have insufficient cash to meet our financial obligations, including our obligations under the notes. Furthermore, our ability to obtain additional financing for the repayment of the notes, working capital, capital expenditures or general corporate purposes could be impaired. Additional debt could make us more vulnerable to changes in general economic conditions and also could affect the financial strength ratings of our insurance subsidiaries and the ratings of our notes.

## **Table of Contents**

*We may be unable to repay the notes if our subsidiaries are unable to pay dividends or make advances to us.*

At maturity, the entire outstanding principal amount of each series of notes will become due and payable by us. We may not have sufficient funds to pay the principal amount due. If we do not have sufficient funds on hand or available through existing borrowing facilities or through the declaration and payment of dividends by our subsidiaries, we will need to seek additional financing. Additional financing may not be available to us in the amounts necessary. We, as a holding company, are dependent upon dividends from our subsidiaries to enable us to service our outstanding debt, including the notes. For more information, see Risk factors relating to our business. Because we are a holding company with no direct operations, the inability of our subsidiaries to pay dividends to us in sufficient amounts would harm our ability to meet our obligations.

*An active trading market for the notes may not develop.*

Each series of notes is a new issue of securities for which there is currently no public market. Any trading of the notes may be at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors. In addition, we do not know whether an active trading market will develop for the notes. To the extent that an active trading market does not develop, the liquidity and trading prices for the notes may be harmed.

We do not intend to apply for the notes to be listed on any securities exchange or to arrange for the notes to be quoted on any quotation system. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and may discontinue any market making with respect to the notes at any time, for any reason or for no reason, without notice. If the underwriters cease to act as a market maker for the notes, we cannot assure you another firm or person will make a market in the notes.

The liquidity of any market for the notes will depend upon the number of holders of the notes, our results of operations and financial condition, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. An active or liquid trading market for the notes may not develop. We cannot assure you that you will be able to sell your notes at favorable prices or at all.

*A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the notes, if any, could cause the liquidity or market value of the notes to decline significantly.*

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain the ratings or to advise holders of notes of any changes in ratings. Each agency's rating should be evaluated independently of any other agency's rating.

In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the insurance industry as a whole and may change their credit rating for us based on their overall view of our industry. A negative change in our rating could have an adverse effect on the price of the notes.

---

## **Table of Contents**

The notes will be rated by Standard & Poor's Ratings Services, or S&P, Moody's Investors Service, Inc., or Moody's, and Fitch Ratings, or Fitch. There can be no assurance that these ratings will remain for any given period of time or that these ratings will not be lowered or withdrawn entirely by a rating agency if in that rating agency's judgment future circumstances relating to the basis of the rating, such as adverse changes in our company, so warrant. For more information about our ratings, see Risk factors relating to our business. A downgrade in our financial strength or credit ratings could limit our ability to market products, increase the number or value of policies being surrendered and/or hurt our relationships with creditors.

*We have made only limited covenants in the indenture, which may not protect your investment if we experience significant adverse changes in our financial condition or results of operations.*

The indenture governing the notes does not:

require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity, and therefore, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition, results of operations or liquidity;

limit our ability or the ability of any of our subsidiaries to incur additional indebtedness, including indebtedness that is equal in right of payment to the notes or, subject to certain exceptions, indebtedness that is secured by liens on capital stock of certain subsidiaries; or

limit the aggregate principal amount of senior debt securities that may be issued.

Our ability to incur additional debt and take a number of other actions that are not limited by the terms of the notes could negatively affect the value of the notes.

## **Risk factors relating to our business**

*Adverse capital and credit market conditions may affect our ability to meet liquidity needs, access to capital and cost of capital.*

The capital and credit markets have experienced extreme volatility and disruption for more than twelve months. During this period, the markets exerted downward pressure on availability of liquidity and credit capacity for certain issuers.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, to maintain our securities lending activities and to replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations, and our business will suffer. As a holding company with no direct operations, our principal asset is the capital stock of our insurance subsidiaries. Our ability to meet our obligations for payment of interest and principal on outstanding debt obligations and to pay dividends to shareholders and corporate expenses depends significantly upon the surplus and earnings of our subsidiaries and the ability of our subsidiaries to pay dividends or to advance or repay funds to us. Payments of dividends and advances or repayment of funds to us by our insurance subsidiaries are restricted by the applicable laws and regulations of their respective jurisdictions, including laws establishing minimum solvency and liquidity thresholds. Changes in these laws could constrain the ability of our subsidiaries to pay dividends or to advance or repay funds to us in sufficient amounts and at times necessary to meet our debt obligations and corporate expenses. For our insurance and other subsidiaries, the principal sources of our liquidity are insurance premiums

## **Table of Contents**

and fees, annuity considerations and cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. At the holding company level, sources of liquidity in normal markets also include a variety of short-term liquid investments and short- and long-term instruments, including credit facilities, commercial paper and medium- and long-term debt.

In the event that current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. See Part I Item 1. Business Ratings in LNC's Annual Report on Form 10-K for the year ended December 31, 2009, Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction Executive Summary Current Market Conditions in LNC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and Item 8.01 Other Events in LNC's Current Report on Form 8-K filed on June 2, 2010 for a description of our ratings. Our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business, most significantly our insurance operations. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow our business. As such, we may be forced to delay raising capital, issue shorter term securities than we prefer or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. A widening of our credit spreads could increase the interest rate we must pay on any new debt obligation we may issue. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

***Difficult conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations and we expect any recovery to be slow.***

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. The stress experienced by global capital markets that began in the second half of 2007 substantially increased during the second half of 2008 and continued through the first part of 2009. Concerns over unemployment, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the U.S. contributed to increased volatility and diminished expectations for the economy and the markets going forward. These events and the reemergence of market upheavals may have an adverse effect on us, in part because we have a large investment portfolio and are also dependent upon customer behavior. Our revenues are likely to decline in such circumstances and our profit margins could erode. In addition, in the event of extreme prolonged market events, such as the global credit crisis, we could incur significant losses. For example, for the year ended December 31, 2009, our earnings were unfavorably affected by realized investment losses and impairments of intangible assets of \$1.1 billion. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.



## Table of Contents

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our contract holders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on our business, results of operations and financial condition.

*Although we intend to repurchase our Series B preferred stock issued to the U.S. Treasury under the TARP CPP following this offering, we may not be able to do so if this offering and the common stock offering are not completed or if the U.S. Treasury does not approve the repurchase of the Series B preferred stock. Even if we complete that repurchase, we will remain subject to certain restrictions, oversight and costs that could materially affect our business, results of operations and prospects.*

Following the repurchase of the Series B preferred stock issued to the U.S. Treasury, many of the restrictions associated with participation in the TARP CPP will no longer apply to us. We believe that, effective from and after the date we repurchase the Series B preferred stock, limitations on the amount and form of bonus, retention and other incentive compensation that TARP CPP participants may pay to executive officers and senior management will no longer apply. We expect to use proceeds from this offering and the common stock offering to fund, together with available cash, this repurchase. If we are unable to complete these offerings, however, we may not be able to repurchase the Series B preferred stock. If we cannot repurchase all of the Series B preferred stock as a result, or if the U.S. Treasury does not approve the repurchase, we would remain subject to all of the restrictions on our operations associated with participation in the TARP CPP, including on executive compensation, which could impair our ability to attract and retain key personnel. We would also remain subject to limitations on our ability to increase our quarterly dividend on our common stock, as well as our ability to repurchase shares of our common stock, absent the approval of the U.S. Treasury.

We will continue to be a savings and loan holding company by virtue of our ownership of Newton County Loan & Savings, FSB, referred to as NCLS. We will therefore remain subject to various restrictions, oversight and costs and other potential consequences that could materially affect our business, results of operations and prospects, including the following:

As a savings and loan holding company, we may be subject to additional federal legislation currently proposed in Congress, such as the restrictions on proprietary trading activities contained in the Senate's version of H.R. 4173, The Wall Street Reform and Consumer Protection Act of 2009, which would be imposed on all of the subsidiaries and affiliates within a holding company system that contains a depository institution.

Assuming the repurchase of all of the Series B preferred stock, we believe the limitations on the amount and form of bonus, retention and other incentive compensation that we may pay to executive officers and senior management will no longer apply to us from and after the repurchase date. Nevertheless, recipients of federal assistance continue to be subject to intense scrutiny, and future regulatory initiatives could be adopted at the federal or state level that have the effect of constraining the business or management of those enterprises. For example,

## Table of Contents

the White House has proposed a financial crisis responsibility tax that would be levied on the largest financial institutions in terms of assets for at least the next ten years to recoup any shortfall from the TARP. We cannot predict the scope or impact of future regulatory initiatives or the effect that they may have on our ability to attract and retain key personnel, the cost and complexity of our compliance programs or on required levels of regulatory capital.

Future federal statutes may adversely affect the terms of the TARP CPP that remain applicable to us following the repurchase of the Series B preferred stock, and the U.S. Treasury may amend the terms of our agreement unilaterally if required by future statutes, including in a manner materially adverse to us.

***The stress scenario modeled projections and the related assumptions that we have disclosed in connection with our planned repurchase of the Series B preferred stock have been prepared for purposes of planning the public offerings discussed herein. Actual sources and uses of capital under stressed economic conditions may vary significantly, as the stress scenario does not incorporate all risks to which we would be exposed under stressed economic conditions and the models used may, in any event, produce inaccurate projections. Investors are cautioned that the stress scenario modeled projections and related assumptions are therefore of limited value in assessing our future prospects.***

In connection with determining the structure and size of our capital raise for the planned repurchase of the Series B preferred stock held by the U.S. Treasury, we have utilized stress model projections that depend on a variety of factors and assumptions each of which is subject to business, economic and competitive uncertainties and contingencies that are inherently unpredictable. Using these stress model projections, we have also illustrated the potential sources and uses of capital during 2010 and 2011. We have created these hypothetical stress-scenario models on the basis of fundamental assumptions about the performance of key variables, including, among others, stressed equity market levels and losses in the residential and commercial real estate markets. The stress-scenario models resulting from these assumptions not only illustrate hypothetical sources and uses of capital, but also produce assumed stress-scenario values for a variety of other variables that can independently significantly affect surplus. Although our modeled stress-scenario projections reflect assumptions about the adverse performance of these other variables, they do not reflect further impacts on surplus that could arise from additional, discrete adverse performance of these other variables. The actual performance of these other variables, which include, but are not limited to, interest rates, market volatility and contract holder behavior, may differ materially from the assumptions included in the projections and may, as a result, cause actual results in a stress scenario to differ materially from those that were projected. Moreover, our assumptions do not reflect all risks to which we would be exposed under stressed economic conditions. As a result, actual results may differ, and in the past have differed, materially from projected results. Investors are cautioned that the stress scenario modeled projections and related assumptions are therefore of limited value in assessing our future prospects.

No outside party has approved or provided any other form of assurance with respect to these projections, and these projections have not been examined by any independent expert. Projections are also necessarily speculative in nature and the risk that our modeled projections will be wrong is increased as a result of the number and nature of the variables underlying the assumptions on which they are based and the fact that they do not reflect other important risks that would be present in a severely constrained operating environment as described above. Many of these variables are also beyond our control and influenced by a variety of factors, and it can

---

**Table of Contents**

be expected that one or more of our assumptions will prove to be incorrect, possibly in material ways, especially in a stress scenario. Moreover, the reliability of forecasted information diminishes the farther in the future that data is projected. Our actual sources and uses of capital in a stress scenario may vary significantly and adversely from those we have projected. Investors are accordingly cautioned not to place undue reliance on information included or incorporated by reference in this prospectus supplement relating to our projected capital position in these stress scenarios, and investors should also understand that these projections are of limited value in assessing our prospects in an environment that is not subject to stress assumptions. Because we have prepared this information for purposes of determining the structure and size of our capital raise for the planned repurchase of the Series B preferred stock, we do not undertake to update this information.

***If our businesses do not perform well and/or their estimated fair values decline or the price of our common stock does not increase, we may be required to recognize an impairment of our goodwill or to establish a valuation allowance against the deferred income tax asset, which could have a material adverse effect on our results of operations and financial condition.***

Goodwill represents the excess of the acquisition price incurred to acquire subsidiaries and other businesses over the fair value of their net assets as of the date of acquisition. As of March 31, 2010, we had a total of \$3.0 billion of goodwill on our Consolidated Balance Sheets, of which \$2.2 billion related to our Insurance Solutions Life Insurance segment and \$440 million related to our Retirement Solutions Annuities segment. We test goodwill at least annually for indications of value impairment with consideration given to financial performance and other relevant factors. In addition, certain events, including a significant and adverse change in legal factors or the business climate, an adverse action or assessment by a regulator or unanticipated competition, would cause us to review the carrying amounts of goodwill for impairment. Impairment testing is performed based upon estimates of the fair value of the reporting unit to which the goodwill relates. The reporting unit is the operating segment or a business one level below that operating segment if discrete financial information is prepared and regularly reviewed by management at that level. If the implied fair value of the reporting unit's goodwill is lower than its carrying amount, goodwill is impaired and written down to its fair value, and a charge is reported in impairment of intangibles on our Consolidated Statements of Income (Loss). For the year ended December 31, 2009, we took total pre-tax impairment charges of \$680 million, primarily related to our annuities business.

Subsequent reviews of goodwill could result in additional impairment of goodwill during 2010, and such write-downs could have a material adverse effect on our results of operations and financial position, but will not affect the statutory capital of our insurance subsidiaries. For more information on goodwill, see Part II Item 8. Financial Statements and Supplementary Data Note 10 and Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Introduction Critical Accounting Policies and Estimates Goodwill and Other Intangible Assets included in LNC's Annual Report on Form 10-K for the year ended December 31, 2009.

Deferred income tax represents the tax effect of the differences between the book and tax basis of assets and liabilities. Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management's determination include the performance of the business, including the ability to generate capital gains from a variety of sources and tax planning strategies. If, based on available information, it is more likely than not that the deferred income tax asset will not be realized, then a valuation allowance must be

## Table of Contents

established with a corresponding charge to net income. Such valuation allowance could have a material adverse effect on our results of operations and financial position, but will not affect the statutory capital of our insurance subsidiaries.

***Because we are a holding company with no direct operations, the inability of our subsidiaries to pay dividends to us in sufficient amounts would harm our ability to meet our obligations.***

We are a holding company and we have no direct operations. Our principal asset is the capital stock of our insurance subsidiaries. At the holding company level, sources of liquidity in normal markets include a variety of short- and long-term instruments, including credit facilities, commercial paper and medium- and long-term debt. However, our ability to meet our obligations for payment of interest and principal on outstanding debt obligations and to pay dividends to shareholders, repurchase our securities and pay corporate expenses depends primarily on the ability of our subsidiaries to pay dividends or to advance or repay funds to us. Under Indiana laws and regulations, our Indiana insurance subsidiaries, including our primary insurance subsidiary, The Lincoln National Life Insurance Company, or LNL, may pay dividends to us without prior approval of the Indiana Insurance Commissioner, or the Commissioner, up to a certain threshold, or must receive prior approval of the Commissioner to pay a dividend if such dividend, along with all other dividends paid within the preceding twelve consecutive months, exceed the statutory limitation. The current Indiana statutory limitation is the greater of 10% of the insurer's contract holders' surplus, as shown on its last annual statement on file with the Commissioner, or the insurer's statutory net gain from operations for the prior calendar year.

In addition, payments of dividends and advances or repayment of funds to us by our insurance subsidiaries are restricted by the applicable laws of their respective jurisdictions requiring that our insurance subsidiaries hold a specified amount of minimum reserves in order to meet future obligations on their outstanding policies. These regulations specify that the minimum reserves shall be calculated to be sufficient to meet future obligations, after giving consideration to future required premiums to be received, and are based on certain specified mortality and morbidity tables, interest rates and methods of valuation, which are subject to change. In order to meet their claims-paying obligations, our insurance subsidiaries regularly monitor their reserves to ensure we hold sufficient amounts to cover actual or expected contract and claims payments. At times, we may determine that reserves in excess of the minimum may be needed to ensure sufficiency.

Changes in these laws can constrain the ability of our subsidiaries to pay dividends or to advance or repay funds to us in sufficient amounts and at times necessary to meet our debt obligations and corporate expenses. For example, in September of 2008, the National Association of Insurance Commissioners, or NAIC, adopted a new statutory reserving standard for variable annuities known as VACARVM, which was effective as of December 31, 2009. This reserving requirement replaced the previous statutory reserving practices for variable annuities with guaranteed benefits, and any change in reserving practices has the potential to increase or decrease statutory reserves from previous levels. Requiring our insurance subsidiaries to hold additional reserves has the potential to constrain their ability to pay dividends to the holding company.

Investments of our insurance subsidiaries support their statutory reserve liabilities. As of March 31, 2010, 68% of these investments were available-for-sale, or AFS, fixed maturity securities of various holdings, types and maturities. These investments are subject to general credit, liquidity, market and interest rate risks. Beginning in 2008 and continuing into 2009, the

## **Table of Contents**

capital and credit markets experienced an unusually high degree of volatility. As a result, over the last year, the market for fixed income securities has experienced illiquidity, increased price volatility, credit downgrade events and increased expected probability of default. Securities that are less liquid are more difficult to value and may be hard to sell, if desired. Although the capital and credit markets have recently improved, the market disruptions have led to increased impairments of securities in the general accounts of our insurance subsidiaries, thereby reducing contract holders' surplus.

The earnings of our insurance subsidiaries also impact contract holders' surplus. Principal sources of earnings are insurance premiums and fees, annuity considerations and income from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Recent economic conditions have resulted in lower earnings in our insurance subsidiaries. Lower earnings constrain the growth in our insurance subsidiaries' capital, and therefore, can constrain the payment of dividends and advances or repayment of funds to us.

In addition, the amount of surplus that our insurance subsidiaries could pay as dividends is constrained by the amount of surplus they hold to maintain their financial strength ratings, to provide an additional layer of margin for risk protection and for future investment in our businesses. Notwithstanding the foregoing, we believe that our insurance subsidiaries have sufficient liquidity to meet their contract holder obligations and maintain their operations.

The result of the difficult economic and market conditions in reducing the contract holders' surplus of our insurance subsidiaries affected our ability to pay shareholder dividends and to engage in share repurchases. During 2009, we took several actions to reduce the holding company's liquidity needs, including reducing our quarterly common dividend to \$0.01 per share and increasing the capital of our insurance subsidiaries through equity offerings. In the event that current resources do not satisfy our current needs, we may have to seek additional financing, which may not be available or only available with unfavorable terms and conditions. For a further discussion of liquidity, see Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Review of Consolidated Financial Condition Liquidity and Capital Resources of LNC's Annual Report on Form 10-K for the year ended December 31, 2009 and Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Review of Consolidated Financial Condition Liquidity and Capital Resources of LNC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

### ***The difficulties faced by other financial institutions could adversely affect us.***

We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. We also may have exposure to these financial institutions in the form of unsecured debt instruments, derivative transactions and/or equity investments. There can be no assurance that any such losses or impairments to the carrying value of these assets would not materially and adversely affect our business and results of operations.

Furthermore, we distribute a significant amount of our insurance, annuity and mutual fund products through large financial institutions. We believe that the mergers of several of these

## **Table of Contents**

entities, as well as the negative impact of the markets on these entities, has disrupted and may lead to further disruption of their businesses, which may have a negative effect on our production levels.

### ***Our participation in a securities lending program and a reverse repurchase program subjects us to potential liquidity and other risks.***

We participate in a securities lending program for our general account whereby fixed income securities are loaned by our agent bank to third parties, primarily major brokerage firms and commercial banks. The borrowers of our securities provide us with collateral, typically in cash, which we separately maintain. We invest such cash collateral in other securities, primarily in commercial paper and money market or other short-term funds. Securities with a fair value of \$425 million were on loan under the program as of March 31, 2010. Securities loaned under such transactions may be sold or repledged by the transferee. We were liable for cash collateral under our control of \$440 million as of March 31, 2010.

We participate in a reverse repurchase program for our general account whereby we sell fixed income securities to third parties, primarily major brokerage firms, with a concurrent agreement to repurchase those same securities at a determined future date. The borrowers of our securities provide us with cash collateral which is typically invested in fixed maturity securities. The fair value of securities pledged under reverse repurchase agreements was \$350 million as of March 31, 2010.

As of March 31, 2010, substantially all of the securities on loan under the program had a fixed term of less than one year and could have been returned to us by the borrowers at that time. Collateral received under the reverse repurchase program cannot be returned prior to maturity; however, market conditions on the repurchase date may limit our ability to enter into new agreements. The return of loaned securities or our inability to enter into new reverse repurchase agreements would require us to return the cash collateral associated with such securities. In addition, in some cases, the maturity of the securities held as invested collateral (i.e., securities that we have purchased with cash received from the third parties) may exceed the term of the related securities and the market value may fall below the amount of cash received as collateral and invested. If we are required to return significant amounts of cash collateral on short notice and we are forced to sell securities to meet the return obligation, we may have difficulty selling such collateral that is invested in securities in a timely manner, and we may be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In addition, under stressful capital market and economic conditions, such as those conditions we have experienced in the last twelve months, liquidity broadly deteriorates, which may further restrict our ability to sell securities.

### ***Our reserves for future policy benefits and claims related to our current and future business as well as businesses we may acquire in the future may prove to be inadequate.***

We establish and carry, as a liability, reserves based on estimates of how much we will need to pay for future benefits and claims. For our insurance products, we calculate these reserves based on many assumptions and estimates, including, but not limited to, estimated premiums we will receive over the assumed life of the policy, the timing of the event covered by the insurance policy, the lapse rate of the policies, the amount of benefits or claims to be paid and the investment returns on the assets we purchase with the premiums we receive.

**Table of Contents**

As part of our transition plan related to the rescission of a reinsurance treaty covering disability income business, we conducted a reserve study to determine the adequacy of the reserves to cover contract holder obligations during the fo