UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2019

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to .

Commission File Number 1-6028

LINCOLN NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Indiana	**35-1140070**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
150 N. Radnor Chester Road, Suite A305, Radnor, Pennsylvania	**19087**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (484) 583-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	LNC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	❄	Accelerated Filer	⭘
Non-accelerated Filer	⭘	Smaller Reporting Company	⭘
		Emerging Growth Company	⭘

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the shares of the registrant's common stock held by non-affiliates (based upon the closing price of these shares on the New York Stock Exchange) as of the last business day of the registrant's most recently completed second fiscal quarter was $11.4 billion. Shares of common stock held by each executive officer and director and each entity that owns 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 14, 2020, 195,371,579 shares of common stock of the registrant were outstanding.

Documents Incorporated by Reference:

Selected portions of the Proxy Statement for the Annual Meeting of Shareholders, scheduled for June 11, 2020, have been incorporated by reference into Part III of this Form 10-K.

Lincoln National Corporation

Table of Contents

PART I

The "Business" section and other parts of this Form 10-K contain forward-looking statements that involve inherent risks and uncertainties. Statements that are not historical facts, including statements about our beliefs and expectations, and containing words such as "believes," "estimates," "anticipates," "expects" or similar words are forward-looking statements. Our actual results may differ materially from the projected results discussed in the forward-looking statements. Factors that could cause such differences include, but are not limited to, those discussed in "Item 1A. Risk Factors" and in the "Forward-Looking Statements – Cautionary Language" in "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") of the Form 10-K. Our consolidated financial statements and the accompanying notes to the consolidated financial statements ("Notes") are presented in "Part II – Item 8. Financial Statements and Supplementary Data."

Item 1. Business

OVERVIEW

Lincoln National Corporation ("LNC," which also may be referred to as "Lincoln," "we," "our" or "us") 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, retirement income and group protection products and solutions. LNC was organized under the laws of the state of Indiana in 1968. We currently maintain our principal executive offices in Radnor, Pennsylvania. "Lincoln Financial Group" is the marketing name for LNC and its subsidiary companies. As of December 31, 2019, LNC had consolidated assets of $334.8 billion and consolidated stockholders' equity of $19.7 billion.

We provide products and services and report results through four segments as follows:

Business Segments
Annuities
Retirement Plan Services
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.

The results of Lincoln Financial Network ("LFN") and Lincoln Financial Distributors ("LFD"), our retail and wholesale distributors, respectively, are included in the segments for which they distribute products. LFD distributes our individual products and services, retirement plans and corporate-owned universal life insurance and variable universal life insurance ("COLI") and bank-owned universal life insurance and variable universal life insurance ("BOLI") products and services. The distribution occurs primarily through consultants, brokers, planners, agents, financial advisers, third-party administrators ("TPAs") and other intermediaries. Group Protection distributes its products and services primarily through employee benefit brokers, TPAs and other employee benefit firms. As of December 31, 2019, LFD had approximately 660 internal and external wholesalers (including sales and relationship managers). As of December 31, 2019, LFN offered LNC and non-proprietary products and advisory services through a national network of approximately 9,050 active producers who placed business with us within the last 12 months.

Financial information in the tables that follow is presented in accordance with United States of America generally accepted accounting principles ("GAAP"), unless otherwise indicated. We provide revenues, income (loss) from operations and assets attributable to each of our business segments and Other Operations in Note 21.

Acquisitions and Dispositions

On May 1, 2018, we completed the acquisition from Liberty Mutual Insurance Company of 100% of the capital stock of Liberty Life Assurance Company of Boston ("Liberty Life"), an operator of a group benefits business (the "Liberty Group Business") and an individual life and individual and group annuity business (the "Liberty Life Business"). In connection with the acquisition, Liberty Life sold the Liberty Life Business on May 1, 2018, by entering into reinsurance agreements and related ancillary documents with Protective Life Insurance Company and its wholly-owned subsidiary, Protective Life and Annuity Insurance Company (together with Protective Life Insurance Company, "Protective"), providing for the reinsurance and administration of the Liberty Life Business. Liberty Life's excess capital of $1.8 billion was paid to Liberty Mutual Insurance Company through an extraordinary dividend at the acquisition date. We paid $1.5 billion of cash to Liberty Mutual Insurance Company to acquire the Liberty Group Business. Effective September 1, 2019, Liberty Life's name was changed to Lincoln Life Assurance Company of Boston ("LLACB").

On July 16, 2015, we closed on the sale of Lincoln Financial Media Company with Entercom Communications Corp. ("Entercom Parent") and Entercom Radio, LLC. We received $75 million in cash, net of transaction expenses, and $28 million face amount of perpetual cumulative convertible preferred stock of Entercom Parent.

For further information about acquisitions and divestitures, see Note 3.

BUSINESS SEGMENTS AND OTHER OPERATIONS

ANNUITIES

Overview

The Annuities segment provides tax-deferred investment growth and lifetime income opportunities for its clients by offering variable annuities, fixed (including indexed) annuities and indexed variable annuities. The "fixed" and "variable" classifications describe whether we or the contract holders bear the investment risk of the assets supporting the contract. With "indexed variable" annuities, the extent to which we or the contract holders bear the investment risk of the assets is based on the investment allocations. The annuity classification also determines the manner in which we earn investment margin profits from these products, either as investment spreads for fixed products, as asset-based fees charged to variable products, or as both for indexed variable products.

Annuities have several features that are attractive to customers. Annuities are unique in that contract holders can select a variety of payout alternatives to provide an income flow for life. Many annuity contracts also include guarantee features (living and death benefits) that are not found in any other investment vehicle and that, we believe, make annuities attractive especially in times of economic uncertainty. In addition, growth on the underlying principal in certain annuities is granted tax-deferred treatment, thereby deferring the tax consequences of the growth in value until withdrawals are made from the accumulation values, often at lower tax rates occurring during retirement.

Products

In general, an annuity is a contract between an insurance company and an individual in which the insurance company, after receipt of one or more premium payments, agrees to pay an amount of money either in one lump sum or on a periodic basis (i.e., annually, semi-annually, quarterly or monthly), beginning on a certain date and continuing for a period of time as specified in the contract or as requested. Periodic payments can begin within 12 months after the premium is received (referred to as an immediate annuity) or at a future date in time (referred to as a deferred annuity). This retirement vehicle helps protect an individual from outliving his or her money.

Variable Annuities

A variable annuity provides the contract holder the ability to direct the investment of premium deposits into one or more variable sub-accounts ("variable funds") offered through the product ("variable portion") and, for a specified period, into a fixed account (if available) with a guaranteed return ("fixed portion"). The value of the variable portion of the contract holder's account varies with the performance of the underlying variable funds chosen by the contract holder.

Our variable funds include the Managed Risk Strategies fund options, a series of funds that embed volatility risk management and, with some funds, capital protection strategies inside the funds themselves. These funds seek to reduce equity market volatility risk for both the contract holder and us. As of December 31, 2019 and 2018, the Managed Risk Strategies funds totaled $42.0 billion and $36.9 billion, respectively, or 34% of total variable annuity product account values.

We charge mortality and expense assessments and administrative fees on variable annuity accounts to cover insurance and administrative expenses. These assessments are built into accumulation unit values, which when multiplied by the number of units owned for any variable fund equals the contract holder's account value for that variable fund. In addition, for some contracts, we impose surrender charges, which are typically applicable to withdrawals during the early years of the annuity contract, with a declining level of surrender charges over time.

We offer guaranteed benefit riders with certain of our variable annuity products, such as a guaranteed death benefit ("GDB"), a guaranteed withdrawal benefit ("GWB"), a guaranteed income benefit ("GIB") and a combination of such benefits. In 2019, 47% of our variable annuity deposits were on products without guaranteed living benefit ("GLB") riders, compared to 35% in 2018.

The GDB features offered include those where we contractually guarantee to the contract holder that upon death, depending on the particular product, we will return no less than: the current contract value; the total deposits made to the contract, adjusted to reflect any partial withdrawals; or the highest contract value on a specified anniversary date adjusted to reflect any partial withdrawals following the contract anniversary.

We offer optional benefit riders including the *Lincoln Lifetime Income*SM Advantage 2.0 (Managed Risk), Lincoln *Market Select*SM Advantage, *Max 6 Select*SM Advantage and *Lincoln IRA Income Plus*SM riders. All provide contract holders with protected lifetime income that is based on a maximum rate of the income base that grows annually at either the greater of a specified simple rate (available each year a withdrawal is not taken for a specified period of time) or account value growth. The riders provide higher income if the contract holder delays withdrawals. The *Lincoln Lifetime Income*SM Advantage 2.0 (Managed Risk) and Lincoln *Market Select*SM Advantage riders are hybrid benefit riders combining aspects of GWB and GIB that provide a specified maximum rate of the income base or income through the *i4LIFE*® Advantage rider with the GIB. The Lincoln *Max 6 Select*SM Advantage and *Lincoln IRA Income Plus*SM riders provide contract holders with protected lifetime income up to a specified maximum rate of the income base and a different specified maximum rate of the income base if the account value falls to zero. Contract holders under the *Lincoln Lifetime Income* Advantage 2.0 (Managed Risk) rider are subject to the allocation of their account value to our Managed Risk Strategies fund options and certain fixed-income options. Contract holders under the Lincoln *Market Select* Advantage and Lincoln *Max 6 Select* Advantage riders are subject to restrictions on the allocation of their account value within the various investment choices. Contract holders under the *Lincoln IRA Income Plus* rider are subject to restrictions on the allocation of their account value with a subset of our Managed Risk Strategies fund options.

We also offer the *i4LIFE* Advantage, *i4LIFE* Advantage Guaranteed Income Benefit (Managed Risk) and *i4LIFE* Advantage Select Guaranteed Income Benefit riders. These riders allow variable annuity contract holders access and control during a portion of the income distribution phase of their contract. This added flexibility allows the contract holder to access the account value for transfers, additional withdrawals and other service features like portfolio rebalancing. In general, GIB is an optional feature available with the *i4LIFE* Advantage rider and a non-optional feature on the *i4LIFE* Advantage Guaranteed Income Benefit (Managed Risk) and *i4LIFE* Advantage Select Guaranteed Income Benefit riders that guarantees regular income payments will not fall below the greater of a minimum income floor set at benefit issue and 75% of the highest income payment on a specified anniversary date (reduced for any subsequent withdrawals). Contract holders under the *i4LIFE* Advantage Guaranteed Income Benefit (Managed Risk) rider are subject to the allocation of their account value to our Managed Risk Strategies fund options and certain fixed-income options. Contract holders under the *i4LIFE* Advantage Select Guaranteed Income Benefit rider are subject to restrictions on the allocation of their account value within the various investment choices.

We also offer the 4LATER® Select Advantage rider. This rider provides a minimum income base used to determine the GIB floor when a client begins income payments under the *i4LIFE* Advantage Select Guaranteed Income Benefit rider. The 4LATER Select Advantage rider provides growth during the accumulation phase through both an enhancement to the income base each year a withdrawal is not taken for a specified period of time and an annual step-up of the income base to the current contract value. Contract holders under the 4LATER Select Advantage rider are subject to restrictions on the allocation of their account value within the various investment choices.

In addition, we offer the *Lincoln Wealth Pass*SM and *Lincoln Long-Term Care*SM Advantage riders. The *Lincoln Wealth Pass* rider is for use with death benefit proceeds and offers a return of the death benefit value to beneficiaries over their life expectancy. The *Lincoln Long-Term Care* Advantage rider offers an additional benefit to help pay for long-term care expenses.

We design and actively manage the features and structure of our guaranteed benefit riders to maintain a competitive suite of products consistent with profitability and risk management goals. To mitigate the increased risks associated with guaranteed benefits, we utilize a dynamic hedging program. The customized dynamic hedging program uses equity, interest rate and currency futures positions, interest rate and total return swaps and equity-based options depending upon the risks underlying the guarantees. For more information on our hedging program, see "Critical Accounting Policies and Estimates – Derivatives" and "Realized Gain (Loss) and Benefit Ratio Unlocking" in the MD&A. For information regarding risks related to guaranteed benefits, see "Item 1A. Risk Factors – Market Conditions – Changes in the equity markets, interest rates and/or volatility affect the profitability of our products with guaranteed benefits; therefore, such changes may have a material adverse effect on our business and profitability."

Fixed Annuities

A fixed annuity preserves the principal value of the contract while guaranteeing a minimum interest rate to be credited to the accumulation value. Our fixed annuity product offerings consist of traditional fixed-rate and fixed indexed deferred annuities, as well as fixed-rate immediate and deferred income annuities with various payment options, including lifetime incomes. Fixed annuity contracts are general account obligations. We bear the investment risk for fixed annuity contracts. To protect from premature withdrawals, we impose surrender charges. Surrender charges are typically applicable during the early years of the annuity contract, with a declining level of surrender charges over time. On most policies, within the surrender charge period, we also have a market value adjustment provision that protects us against disintermediation risk in the case of rapidly rising interest rates. We expect to earn a spread between what we earn on the underlying general account investments supporting the fixed annuity product line and what we credit to our fixed annuity contract holders' accounts.

We offer single and flexible premium fixed deferred annuities. Single premium fixed deferred annuities are contracts that allow only a single premium to be paid. Flexible premium fixed deferred annuities are contracts that allow multiple premium payments, subject to contractual limits, on either a scheduled or non-scheduled basis.

Our fixed indexed annuities allow the contract holder to choose between a fixed interest crediting rate and an indexed interest crediting rate, which is based on the performance of the Standard & Poor's ("S&P") 500 Index® ("S&P 500"), the S&P 500 Daily Risk Control 5%TM Index, the Balanced Capital Strength 6 Index (using First Trust Methodology), the BlackRock iBLD Ascenda® Index, or the Fidelity AIMSM Dividend Index. The indexed interest credit is guaranteed never to be less than zero.

We offer guaranteed lifetime withdrawal benefit riders on certain fixed indexed annuities, namely the *Lincoln Lifetime Income*SM Edge, *Lincoln Lifetime Income* Edge 2.0, and *i4LIFE*® Indexed Advantage riders. The *Lincoln Lifetime Income* Edge and *Lincoln Lifetime Income* Edge 2.0 riders are guaranteed lifetime withdrawal benefit riders which allow the contract holder the ability to take income based on age-bands that increase each year the contract holder delays taking income withdrawals. The *Lincoln Lifetime Income* Edge rider includes both a compound enhancement to the guaranteed amount each year an income withdrawal is not taken for a specified period of time and an annual step-up of the guaranteed amount to the current contract value. The *Lincoln Lifetime Income* Edge 2.0 rider provides guaranteed lifetime income based off an income base that grows annually at the greater of a simple enhancement or the current account value.

We also offer the *i4LIFE*® Indexed Advantage rider on certain fixed indexed annuities which provides fixed indexed annuity contract holders with access and control during a portion of the income phase of their contract. Each *i4LIFE* Indexed Advantage contract includes a GIB that guarantees regular income payments will not fall below a minimum income floor. The GIB has the opportunity to increase, should regular income payments increase over the current GIB.

We use derivatives to hedge the equity market risk associated with our fixed indexed annuity products. For more information on our hedging program, see "Critical Accounting Policies and Estimates – Derivatives" and "Realized Gain (Loss) and Benefit Ratio Unlocking" in the MD&A.

Indexed Variable Annuities

Our indexed variable annuity, *Lincoln Level Advantage*®, provides the contract holder the ability to direct the investment of premium deposits into one or more variable sub-accounts ("variable funds") and/or indexed accounts offered through the product. The value of the variable sub-accounts varies with the performance of the underlying variable funds chosen by the contract holder. The index interest crediting rate for an indexed account is based, in part, on the performance of an index.

We charge mortality and expense assessments and administrative fees on the variable funds to cover insurance and administrative expenses. These assessments are built into accumulation unit values, which when multiplied by the number of units owned for any variable fund equals the contract holder's account value for that variable fund. In addition, for some contracts, we impose surrender charges, which are typically applicable during the early years of the annuity contract, with a declining level of surrender charges over time.

We offer a guaranteed death benefit rider where we contractually guarantee to the contract holder that upon death, depending on the particular product, we will return no less than the current contract value or the total deposits made to the contract, adjusted to reflect any partial withdrawals.

We also offer the *i4LIFE* Advantage rider. This rider allows annuity contract holders access and control during a portion of the income distribution phase of their contract. This added flexibility allows the contract holder to access the account value for transfers, additional withdrawals and other service features like portfolio rebalancing.

We use derivatives to hedge the equity market risk associated with our indexed variable annuity products. For more information on our hedging program, see "Critical Accounting Policies and Estimates – Derivatives" and "Realized Gain (Loss) and Benefit Ratio Unlocking" in the MD&A.

Distribution

The Annuities segment distributes its individual fixed and variable annuity products through LFD. LFD's distribution channels give the Annuities segment access to its target markets. LFD distributes the segment's products to a large number of financial intermediaries, including LFN. The financial intermediaries include wire/regional firms, independent financial planners, financial institutions and managing general agents.

Competition

The annuities market is very competitive and consists of many companies, with no one company dominating the market for all products. The Annuities segment competes with numerous other financial services companies. The main factors upon which entities in this market compete are distribution channel access and the quality of wholesalers, investment performance, cost, product features, speed to market, brand recognition, financial strength ratings, crediting rates and client service.

RETIREMENT PLAN SERVICES

Overview

The Retirement Plan Services segment provides employers with retirement plan products and services, primarily in the defined contribution retirement plan marketplace. Defined contribution plans are a popular employee benefit offered by employers large and small across a wide spectrum of industries. While our focus is employer-sponsored defined contribution plans, we also serve the defined benefit plan and individual retirement account ("IRA") markets on a limited basis. We provide a variety of plan investment vehicles, including individual and group variable annuities, group fixed annuities and mutual fund-based programs. We also offer a broad array of plan services including plan recordkeeping, compliance testing, participant education and trust and custodial services through our affiliated trust company, the Lincoln Financial Group Trust Company.

Products and Services

The Retirement Plan Services segment currently brings three primary offerings to the employer-sponsored market: LINCOLN DIRECTOR℠ group variable annuity, *LINCOLN ALLIANCE*® program and *Multi-Fund*® variable annuity. LINCOLN DIRECTOR and *Multi-Fund* products are variable annuities. The *LINCOLN ALLIANCE* program is a mutual fund-based record-keeping platform. These offerings primarily cover the 403(b), 401(k) and 457 plan marketplace. The 403(b) plans are available to educational institutions, not-for-profit healthcare organizations and certain other not-for-profit entities; 401(k) plans are generally available to for-profit entities; and 457 plans are available to not-for-profit entities and state and local government entities. The investment options for our annuities encompass the spectrum of asset classes with varying levels of risk and include both equity and fixed-income.

LINCOLN DIRECTOR group variable annuity is a 401(k) defined contribution retirement plan solution available to small businesses, typically those with plans having less than $10 million in account values. The LINCOLN DIRECTOR product offers participants a broad array of investment options from several fund families and a fixed account. The Retirement Plan Services segment earns revenue through asset charges and/or separate account charges, which are used to pay our fees for recordkeeping services. We also receive fees from the underlying mutual fund companies for the services we provide, and we earn investment margins on assets in the fixed account.

The *LINCOLN ALLIANCE* program is a defined contribution retirement plan solution aimed at small, mid and large market employers, typically those that have defined contribution plans with $10 million or more in account value. The target market is primarily healthcare providers, public sector employers, corporations and educational institutions. The program bundles our traditional fixed annuity products with the employer's choice of mutual funds, along with recordkeeping, plan compliance services and customized employee education services. The program allows the use of any mutual fund. We earn fees for our recordkeeping and educational services and other services that we provide to plan sponsors and participants. We also earn investment margins on fixed annuities. In 2018, we launched our proprietary *YourPath*®portfolios, a series of target-date portfolios for employer-sponsored retirement plans. These target-date portfolios are managed along multiple risk-based paths to support a more personalized investment approach based upon financial circumstances and risk tolerance.

Multi-Fund variable annuity is a defined contribution retirement plan solution with full-bundled administrative services and investment choices for small- to mid-sized healthcare, education, governmental and not-for-profit employers sponsoring 403(b), 457(b) and 401(a)/(k) plans. The product is available to the employer through the *Multi-Fund* group variable annuity contract or directly to the individual participant through the *Multi-Fund* Select variable annuity contract. We earn mortality and expense charges, investment income on the fixed account and surrender charges from this product. We also receive fees for services that we provide to funds in the underlying separate accounts.

Additionally, we offer other products and services that complement our primary offerings:

- The *Lincoln Next Step*® series of products is a suite of mutual fund-based IRAs available exclusively for participants in Lincoln-serviced retirement plans and their spouses. The products can accept rollovers and transfers from other providers as well as ongoing contributions. The *Lincoln Next Step* IRA product has no annual account charges and offers an array of mutual fund investment options provided by 20 fund families all offered at net asset value. The *Lincoln Next Step Select*® IRA has an annual record keeping charge and offers an even wider array of mutual fund investment options from over 20 families, all at net asset value. We earn 12b-1 and service fees on the mutual funds within the product.
- The Lincoln *Secured Retirement Income*℠ product is a GWB made available through a group variable annuity contract. This product is intended to fulfill future needs of retirement security. By offering a GWB inside a retirement plan, we provide plan sponsors a solution that gives participants the ability to participate in the market and receive guaranteed income for life while still maintaining access to their plan account balance.
- Through a group annuity contract, we offer fixed annuity products to retirement plans where we do not provide plan recordkeeping services. The fixed annuity is used within small, mid-large and large market employers covering the 403(b), 401(a)/(k) and 457 plan marketplaces. The annuity provides a conservative investment option for those plan participants seeking stability. In some cases, we earn investment margins on assets in the fixed account, and in other product versions we earn a fee on assets in the underlying custodial account.

Distribution

Retirement Plan Services products are primarily distributed in two ways: through our Institutional Retirement Distribution team and by LFD. Wholesalers distribute these products through advisers, consultants, banks, wirehouses and individual planners. We remain focused on wholesaler productivity, increasing relationship management expertise and growing the number of broker-dealer relationships.

The *Multi-Fund* program is sold primarily by affiliated advisers. The *LINCOLN ALLIANCE* program is sold primarily through consultants, registered independent advisers and both affiliated and non-affiliated financial advisers, planners and wirehouses. LINCOLN DIRECTOR group variable annuity is sold in the small marketplace by intermediaries, including financial advisers and planners.

Competition

The retirement plan marketplace is very competitive and is comprised of many providers with no one company dominating the market for all products. As stated above, we compete with numerous other financial services corporations in the small, mid and large employer markets. The main factors upon which entities in this market compete are product strength, technology, service model delivery, participant education models, quality wholesale distribution access to intermediary firms and comprehensive marketing efforts to create brand recognition. Our key differentiator is our high-touch, high-tech, digitally focused service model, which has been shown to drive positive outcomes for plan sponsors and participants.

LIFE INSURANCE

Overview

The Life Insurance segment focuses on the creation and protection of wealth for its clients by providing life insurance products, including term insurance, both single (including COLI and BOLI) and survivorship versions of universal life insurance ("UL"), variable universal life insurance ("VUL") and indexed universal life insurance ("IUL") products, a linked-benefit product (which is UL with riders providing for long-term care costs), and critical illness and long-term care riders, which can be attached to UL, VUL or IUL policies. Some of our products include secondary guarantees, which are discussed more fully below. Generally, this segment has higher sales during the second half of the year with the fourth quarter being the strongest. Mortality margins, morbidity margins, investment margins, expense margins and surrender fees drive life insurance profits.

Similar to the annuity product classifications described above, life products can be classified as "fixed" (including indexed) or "variable" contracts. This classification describes whether we or the contract holders bear the investment risk of the assets supporting the policy. This also determines the manner in which we earn investment margin profits from these products, either as investment spreads for fixed products or as asset-based fees charged to variable products.

Products

We offer four categories of life insurance products, consisting of:

UL and IUL

UL insurance products provide life insurance with account values that earn rates of return based on company-declared interest rates. Contract holder account values are invested in our general account investment portfolio, so we bear the risk of investment performance. We offer a variety of UL products, such as *Lincoln LifeGuarantee*® UL, *Lincoln LifeCurrent*® UL and *Lincoln LifeReserve*® UL. We also offer a UL BOLI product.

In a UL contract, contract holders typically have flexibility in the timing and amount of premium payments and the amount of death benefit, provided there is sufficient account value to cover all policy charges for cost of insurance and expenses for the coming period. Under certain contract holder options and market conditions, the death benefit amount may increase or decrease. Premiums received on a UL product, net of expense loads and charges, are added to the contract holder's account value and accrued with interest. The client has access to their account value (or a portion thereof), less surrender charges and policy loan payoffs, through contractual liquidity features such as loans, partial withdrawals and full surrenders. Loans and withdrawals reduce the death benefit amount payable and are limited to certain contractual maximums (some of which are required under state law), and interest is charged on all loans. Our UL contracts assess surrender charges against the policies' account values for full or partial surrenders and certain policy changes that occur during the contractual surrender charge period. Depending on the product selected, surrender charge periods can range from 0 to 25 years.

We also offer fixed IUL products that function similarly to a traditional UL policy, with the added flexibility of allowing contract holders to have portions of their account values earn credits based on the performance of indexes such as the S&P 500. These products include *Lincoln WealthPreserve*® IUL, *Lincoln WealthAccumulate*® IUL, *Lincoln WealthAdvantage*® IUL and *Lincoln LifeReserve*® IUL Accumulator.

As mentioned previously, we offer survivorship versions of our individual UL and IUL products. These products insure two lives with a single policy and pay death benefits upon the second death. These products include *Lincoln LifeGuarantee*® SUL and *Lincoln WealthPreserve*® Survivorship IUL.

A UL policy with a lifetime secondary guarantee can stay in force, even if the base policy cash value is zero, as long as secondary guarantee requirements have been met. These products include *Lincoln LifeGuarantee* UL and *Lincoln LifeGuarantee* SUL. The secondary guarantee requirement is based on the payment of a required minimum premium or on the evaluation of a reference value within the policy, calculated in a manner similar to the base policy account value, but using different expense charges, cost of insurance charges and credited interest rates. The parameters for the secondary guarantee requirement are listed in the contract. As long as the contract holder pays the minimum premium or funds the policy to a level that keeps this calculated reference value positive, the policy is guaranteed to stay in force. The reference value has no actual monetary value to the contract holder; it is only a calculated value used to determine whether or not the policy will lapse should the base policy cash value be less than zero.

VUL

VUL products are UL products that provide a return on account values linked to an underlying investment portfolio of variable funds offered through the product. The value of the variable portion of the contract holder's account is driven by the performance of the underlying variable funds chosen by the contract holder. As the return on the investment portfolio increases or decreases, the account value of the VUL policy will increase or decrease. In addition, VUL products offer a fixed account option that is managed by us. As with fixed UL products, contract holders have access, within contractual maximums, to account values through loans, withdrawals and surrenders. Surrender charges are assessed during the surrender charge period, ranging from 0 to 20 years depending on the product. Our single life VUL offerings include *Lincoln AssetEdge*® VUL and *Lincoln VUL*^{ONE} insurance products. Our COLI products are also VUL-type products.

We also offer survivorship versions of our individual VUL products, *Lincoln SVUL*^{ONE} and *Lincoln Preservation Edge*® SVUL. These products insure two lives with a single policy and pay death benefits upon the second death.

We offer lifetime guaranteed benefit riders with our *Lincoln VUL*^{ONE} and *Lincoln SVUL*^{ONE} products. The ^{ONE} rider features guarantee to the contract holder that upon death, as long as secondary guarantee requirements have been met, the death benefit will be payable even if the account value equals zero.

Our secondary guarantee benefits maintain the flexibility of a traditional UL or VUL policy, which allow a contract holder to take loans or withdrawals. Although loans and withdrawals are likely to shorten the time period of the secondary guarantee, the guarantee is not automatically or completely forfeited. The length of the guarantee may be increased at any time through additional excess premium deposits. Reserves on UL and VUL products with secondary guarantees represented 37% and 35% of total life insurance in-force reserves as of December 31, 2019 and 2018, respectively.

Linked-Benefit Life Products and Products with Critical Illness Riders

Lincoln *MoneyGuard*®, our linked-benefit life product, combines UL with long-term care insurance through the use of a rider or riders. The policy rider allows the contract holder to accelerate death benefits on a tax-free basis in the event of a qualified long-term care need, reducing the remaining death benefit, and, once the death benefit is exhausted, offers access to an additional pool of dollars that can be used for qualified long-term care expenses. Certain policies also provide a reduced death benefit to the contract holder's beneficiary if the death benefit has been fully accelerated as long-term care benefits during the contract holder's life.

Some life products provide for critical illness or long-term care insurance by the use of riders attached to UL, VUL or IUL policies. These riders allow the contract holder to accelerate death benefits on a tax-free basis in the event of a qualified condition.

Term Life Insurance

Term life insurance provides a fixed death benefit for a scheduled period of time. Some of our term life insurance products give the policyholder the option to reduce the death benefit at a future time. Scheduled policy premiums are required to be paid at least annually. These products include *Lincoln TermAccel*® Level Term and *Lincoln LifeElements*® Level Term.

Distribution

The Life Insurance segment's products are sold through LFD. LFD provides the Life Insurance segment with access to financial intermediaries in the following primary distribution channels: wire/regional firms; independent planner firms (including LFN); financial institutions; and managing general agents/independent marketing organizations. LFD distributes BOLI/COLI products and services to small- to mid-sized banks and mid- to large-sized corporations, primarily through intermediaries who specialize in one or both of these markets and who are serviced through a network of internal and external LFD sales professionals.

Competition

The life insurance market is very competitive and consists of many companies with no one company dominating the market for all products. Principal competitive factors include product features, price, underwriting and issue process, customer service and insurers' financial strength. With our broad distribution network, we compete in the three primary needs of life insurance: death benefit protection, accumulation and linked benefits (*MoneyGuard*®). In addition, we use automated underwriting within a defined criteria as well as *LincXpress*®, a simplified issue process, both of which are seen as marketplace competitive advantages.

Underwriting

In the context of life insurance, underwriting is the process of evaluating medical and non-medical information about an individual and determining the effect these factors statistically have on mortality. This process of evaluation is often referred to as risk classification. Of course, no one can accurately predict how long any individual will live, but certain risk factors can affect life expectancy and are evaluated during the underwriting process.

Claims Administration

Claims service is handled primarily in-house, and claims examiners are assigned to each claim notification based on coverage amount, type of claim and the experience of the examiner. Claims meeting certain criteria are referred to senior claims examiners. A formal quality assurance program is carried out to ensure the consistency and effectiveness of claims examining activities. A network of in-house legal counsel, compliance officers, medical personnel and an anti-fraud investigative unit also support claims examiners. A special team of claims examiners, in conjunction with claims management, focus on more complex claims matters such as claims incurred during the contestable period, beneficiary disputes and litigated claims.

GROUP PROTECTION

Overview

The Group Protection segment offers group non-medical insurance products, including short- and long-term disability, statutory disability and paid family medical leave administration and absence management services, term life, dental, vision and accident and critical illness benefits and services to the employer marketplace through various forms of employee-paid and employer-paid plans. As discussed above, we completed the acquisition of the Liberty Group Business effective May 1, 2018. As a result of the acquisition, Group Protection expanded its market for sales of its products and services to employer groups of all sizes, from small companies with fewer than 100 employees to large employers with 10,000 or more employees. In addition, the acquisition contributed enhanced disability and absence management competency.

Products

Disability Insurance and Services

We offer short- and long-term employer-sponsored group disability insurance, which protects an employee against loss of wages due to illness or injury. Short-term disability insurance generally provides weekly benefits for up to 26 weeks following a short waiting period, ranging from 1 to 30 days. Long-term disability insurance provides benefits following a longer waiting period, usually between 90 and 180 days and provides benefits for a longer period, at least 2 years and typically extending to normal (Social Security) retirement age. The monthly benefits provided are subject to reduction when Social Security benefits are also paid. We also provide insured coverage for the Hawaii, New Jersey and New York state statutory disability programs and state-specific statutory paid family leave programs as legislation is passed and implemented, as well as administrative services for employer self-funded statutory programs in specific states.

Absence Management

We offer a robust portfolio of absence management services to help employers manage their state and federal family medical and company leave programs, in conjunction with our disability coverage. Our services provide a simple, compliant way to report and manage both leave and disability through a single expert source with integrated intake, coordinated claims management, communications and comprehensive reporting, along with state-of-the-art self-service capabilities for employers and employees via a mobile application and web portal.

Life Insurance

We offer employer-sponsored group term life insurance products including basic, optional and voluntary term life insurance to employees and their dependents. Additional benefits may be provided in the event of a covered individual's accidental death or dismemberment.

Dental and Vision

We offer a variety of employer-sponsored group dental insurance plans, which cover a portion of the cost of eligible dental procedures for employees and their dependents. Products offered include: indemnity coverage, which does not distinguish benefits based on a dental provider's participation in a network arrangement; Preferred Provider Organization ("PPO") products, on an insured and administrative services only basis, that do reflect the dental provider's participation in the PPO network arrangement, including an agreement with network fee schedules; a Dental Health Maintenance Organization product that limits benefit coverage to a closed panel of network providers; an in-network-only option that limits benefit coverage providers in certain states; and self-funded options for groups with more than 200 employees.

We offer comprehensive employer-sponsored fully-insured vision plans with a wide range of benefits for protecting employees' and their covered dependents' sight and vision health. All plans provide access to a national network of providers, with in and out-of-network benefits.

Accident and Critical Illness Insurance

We offer employer-sponsored group accident insurance products for employees and their covered dependents. This product is predominantly purchased on an employee-paid basis. Accident insurance provides scheduled benefits for over 30 types of benefit triggers related to accidental causes, and it is available for non-occupational accidents exclusively or on a 24-hour coverage basis.

We also offer employer-sponsored group critical illness insurance to employees and their covered dependents. This product is predominantly purchased on an employee-paid basis. The coverage provides for lump sum payouts upon the occurrence of one of the specified critical illness benefit triggers covered within a critical illness insurance policy. This product also includes benefits and services that assist employees and their family members in prevention, early detection and treatment of critical illness events.

Distribution

The Group Protection segment's products are marketed primarily through a national distribution system. The managers and marketing representatives develop business through employee benefit brokers, consultants, TPAs and other employee benefit firms that work with employers to provide access to our products.

Competition

The group protection marketplace is very competitive. Principal competitive factors include particular product features, price, quality of customer service and claims management, technological capabilities, quality and efficiency of distribution and financial strength ratings. In this market, the Group Protection segment competes with a number of major companies and regionally with other companies offering all or some of the products within our product set. In addition, there is competition in attracting brokers to actively market our products and attracting and retaining sales representatives to sell our products. Key competitive factors in attracting brokers and sales representatives include product offerings and features, financial strength, support services and compensation.

Underwriting

The Group Protection segment's underwriters evaluate the risk characteristics of each employer group. Generally, the relevant characteristics evaluated include employee census information (such as age, gender, income and occupation), employer industry classification, geographic location, benefit design elements and other factors. The segment employs detailed underwriting policies, guidelines and procedures designed to assist the underwriter to properly assess and quantify risks. Individual underwriting techniques (including evaluation of individual medical history information) may be used on certain covered individuals selecting larger benefit amounts. For voluntary and other forms of employee paid coverages, minimum participation requirements are used to obtain a better spread of risk and minimize the risk of anti-selection.

Claims Administration

Claims for the Group Protection segment are managed by in-house claim specialists. Claims are evaluated for eligibility and payment of benefits pursuant to the group insurance contract and in compliance with federal and state regulations. Disability claims management is especially important to segment results, as results depend on both the incidence and the length of approved disability claims. The segment employs a variety of clinical experts, including employee and contract medical professionals and rehabilitation specialists, to evaluate medically supported functional capabilities, assess employability and develop return to work plans. The accuracy and speed of life claims are important customer service and risk management factors. Some life policies provide for the waiver of premium coverage in the event of the insured's disability where our disability claims management expertise is utilized. Dental claims management focuses on assisting plan administrators and members with the rising costs of insurance by utilizing tools to optimize dental claims payment accuracy through advanced claims review and validation, improved data analysis, enhanced clinical review of claims and provider utilization monitoring.

OTHER OPERATIONS

Other Operations includes the financial data for operations that are not directly related to the business segments. Other Operations includes investments related to the excess capital in our insurance subsidiaries; corporate investments; benefit plan net liability; the unamortized deferred gain on indemnity reinsurance related to the sale to Swiss Re Life & Health America, Inc. ("Swiss Re") in 2001; the results of certain disability income business; our run-off Institutional Pension business in the form of group annuity and insured funding-type of contracts; debt; and strategic digitization expense. For more information on our strategic digitization initiative, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Introduction – Executive Summary – Significant Operational Matters."

REINSURANCE

Our reinsurance strategy is designed to protect our insurance subsidiaries against the severity of losses on individual claims and unusually serious occurrences in which a number of claims produce an aggregate extraordinary loss. Although reinsurance does not discharge the insurance subsidiaries from their primary liabilities to their contract holders for losses insured under the insurance policies, it does make the assuming reinsurer liable to the insurance subsidiaries for the reinsured portion of the risk. Because we bear the risk of nonpayment by one or more of our reinsurers, we primarily cede reinsurance to well-capitalized, highly rated unaffiliated reinsurers. We also utilize inter-company reinsurance agreements to manage our statutory capital position as well as our hedge program for variable annuity guarantees. These inter-company agreements do not have an effect on our consolidated financial statements.

As of December 31, 2019, the policy for our reinsurance program was to retain up to $20 million on a single insured life. As the amount we retain varies by policy, we reinsured approximately 25% of the mortality risk on newly issued life insurance contracts in 2019. As of December 31, 2019, 34% of our total individual life in-force amount was reinsured.

Some portions of our annuity business have been reinsured on either a coinsurance or a modified coinsurance ("Modco") basis with other companies to limit our exposure associated with fixed and variable annuities. In a coinsurance program, the reinsurer shares proportionally in all financial terms of the reinsured policies (i.e., premiums, expenses, claims, etc.) based on their respective percentage of the risk. In a Modco program, we as the ceding company retain the reserves, as well as the assets backing those reserves, and the reinsurer shares proportionally in all financial terms of the reinsured policies based on their respective percentage of the risk.

In addition, we acquire other reinsurance to cover products other than as discussed above with retentions and limits that management believes are appropriate for the circumstances. For example, we use reinsurance to cover larger life and disability claims in our Group Protection business.

We obtain reinsurance from a diverse group of reinsurers, and we monitor concentration and financial strength ratings of our principal reinsurers. Protective, Athene Holding Ltd. ("Athene") and Swiss Re represent our largest reinsurance exposures. As of December 31, 2019 and 2018, $11.8 billion and $12.1 billion, respectively, was recoverable from Protective for the Liberty Life Business and reflected within reinsurance recoverables on our Consolidated Balance Sheets. As a result of our Modco agreement with Athene to reinsure fixed and fixed indexed annuity products, as of December 31, 2019 and 2018, a $6.6 billion and $7.5 billion deposit asset, respectively, was reflected within other assets on our Consolidated Balance Sheets. As of December 31, 2019 and 2018, $1.3 billion and $1.5 billion, respectively, was recoverable from Swiss Re related to the sale of our reinsurance business to Swiss Re.

For more information regarding reinsurance, see "Reinsurance" in the MD&A and Note 9. For risks involving reinsurance, see "Item 1A. Risk Factors – Operational Matters – We face risks of non-collectability of reinsurance and increased reinsurance rates, which could materially affect our results of operations."

RESERVES

The applicable insurance laws under which insurance companies operate require that they report, as liabilities, policy reserves to meet future obligations on their outstanding policies. These reserves are the amounts that, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the reserves shall not be less than reserves calculated using certain specified mortality and morbidity tables, interest rates and methods of valuation. From time to time, the insurance laws, regulations, or regulatory guidance that specify the mortality and morbidity tables, interest rates and methods of valuation may be changed or interpreted differently, which may result in changes in the required reserves of our insurance subsidiaries. For more information on reserves, see "Critical Accounting Policies and Estimates – Derivatives – GLB" and "Critical Accounting Policies and Estimates – Future Contract Benefits and Other Contract Holder Obligations" in the MD&A. For information on risks regarding changes in regulations, see "Item 1A. Risk Factors – Legislative, Regulatory and Tax – Our businesses are heavily regulated and changes in regulations may affect our insurance subsidiary capital requirements or reduce our profitability."

See "Regulatory" below for information on permitted practices and proposed regulations that may impact the amount of statutory reserves necessary to support our current insurance liabilities.

For risks related to reserves, see "Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals," "Item 1A. Risk Factors – Legislative, Regulatory and Tax – Attempts to mitigate the impact of Regulation XXX and Actuarial Guideline 38 may fail in whole or in part resulting in an adverse effect on our financial condition and results of operations" and "Item 1A. Risk Factors – Operational Matters – We face risks of non-collectability of reinsurance and increased reinsurance rates, which could materially affect our results of operations."

INVESTMENTS

An important component of our financial results is the return on investments. Our investment strategy is to balance the need for current income with prudent risk management, with an emphasis on generating sufficient current income to meet our obligations. This approach requires the evaluation of risk and expected return of each asset class utilized, while still meeting our income objectives. This approach also permits us to be more effective in our asset-liability management because decisions can be made based upon both the economic and current investment income considerations affecting assets and liabilities. Investments by our insurance subsidiaries must comply with the insurance laws and regulations of the states of domicile.

Derivatives are used primarily for hedging purposes and, to a lesser extent, income generation. Hedging strategies are employed for a number of reasons including, but not limited to, hedging certain portions of our exposure to changes in our GDB, GWB and GIB liabilities, interest rate fluctuations, the widening of bond yield spreads over comparable maturity U.S. government obligations and credit, foreign exchange and equity risks. Income generation strategies include credit default swaps through replication synthetic asset transactions. These derivatives synthetically create exposure in the general account to corporate debt, similar to investing in the credit markets.

For additional information on our investments, including carrying values by category, quality ratings and net investment income, see "Consolidated Investments" in the MD&A, as well as Notes 1 and 5.

FINANCIAL STRENGTH RATINGS

The Nationally Recognized Statistical Ratings Organizations rate the financial strength of our principal insurance subsidiaries. Rating agencies rate insurance companies based on financial strength and the ability to pay claims, factors more relevant to contract holders than investors. We believe that the ratings assigned by nationally recognized, independent rating agencies are material to our operations. There may be other rating agencies that also rate our insurance companies, which we do not disclose in our reports.

Insurer Financial Strength Ratings

The insurer financial strength rating scales of A.M. Best, Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and S&P are characterized as follows:

- A.M. Best – A++ to D
- Fitch – AAA to C
- Moody's – Aaa to C
- S&P – AAA to D

As of February 14, 2020, the financial strength ratings of our principal insurance subsidiaries, as published by the principal rating agencies that rate us, were as follows:

	A.M. Best	Fitch	Moody's	S&P
Insurer Financial Strength Ratings				
The Lincoln National Life Insurance Company ("LNL")	A+ (2nd of 16)	A+ (5th of 19)	A1 (5th of 21)	AA- (4th of 21)
Lincoln Life & Annuity Company of New York ("LLANY")	A+ (2nd of 16)	A+ (5th of 19)	A1 (5th of 21)	AA- (4th of 21)
Lincoln Life Assurance Company of Boston ("LLACB")	A (3rd of 16)	N/A	N/A	AA- (4th of 21)
First Penn-Pacific Life Insurance Company ("FPP")	A (3rd of 16)	A+ (5th of 19)	A1 (5th of 21)	A- (7th of 21)

A downgrade of the financial strength rating of one of our principal insurance subsidiaries could affect our competitive position in the insurance industry and make it more difficult for us to market our products, as potential customers may select companies with higher financial strength ratings. Ratings are not recommendations to buy our securities.

All of our financial strength ratings are on outlook stable, except Fitch ratings, which are on outlook positive. All of our ratings are subject to revision or withdrawal at any time by the rating agencies, and therefore, no assurance can be given that our principal insurance subsidiaries can maintain these ratings. Each rating should be evaluated independently of any other rating. See "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow" in the MD&A for a discussion of our credit ratings.

REGULATORY

Insurance Regulation

Our insurance subsidiaries, like other insurance companies, are subject to regulation and supervision by the states, territories and countries in which they are licensed to do business. The extent of such regulation varies, but generally has its source in statutes that delegate regulatory, supervisory and administrative authority to supervisory agencies. In the U.S., this power is vested in state insurance departments.

In supervising and regulating insurance companies, state insurance departments, charged primarily with protecting contract holders and the public rather than investors, enjoy broad authority and discretion in applying applicable insurance laws and regulation for that purpose. Our principal insurance subsidiaries, LNL, LLANY, LLACB and FPP, are domiciled in the states of Indiana, New York, New Hampshire and Indiana, respectively.

The insurance departments of the domiciliary states exercise principal regulatory jurisdiction over our insurance subsidiaries. The extent of regulation by the states varies, but in general, most jurisdictions have laws and regulations governing standards of solvency, adequacy of reserves, reinsurance, capital adequacy, licensing of companies and agents to transact business, prescribing and approving policy forms, regulating premium rates for some lines of business, prescribing the form and content of financial statements and reports, regulating the type and amount of investments permitted and standards of business conduct. Insurance company regulation is discussed further in this section under "Insurance Holding Company Regulation."

As part of their regulatory oversight process, state insurance departments conduct periodic examinations, generally once every three to five years, of the books, records, accounts and business practices of insurers domiciled in their states. Examinations are generally carried out in cooperation with the insurance regulators of other states under guidelines promulgated by the National Association of Insurance Commissioners ("NAIC"). State and federal insurance and securities regulatory authorities and other state law enforcement agencies and Attorneys General also, from time to time, make inquiries and conduct examinations or investigations regarding the compliance by our company, as well as other companies in our industry, with, among other things, insurance laws and securities laws. Our captive reinsurance and reinsurance subsidiaries are subject to periodic financial examinations by their respective domiciliary state insurance regulators. We have not received any material adverse findings resulting from state insurance department examinations of our insurance, reinsurance and captive reinsurance subsidiaries conducted during the three-year period ended December 31, 2019.

State insurance laws and regulations require our U.S. insurance companies to file financial statements with state insurance departments everywhere they do business, and the operations of our U.S. insurance companies and accounts are subject to examination by those departments at any time. Our U.S. insurance companies prepare statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these departments. The NAIC has approved a series of statutory accounting principles that have been adopted, in some cases with minor modifications, by virtually all state insurance departments. Changes in these statutory accounting principles can significantly affect our capital and surplus. For more information, see "Item 1A. Risk Factors – Legislative, Regulatory and Tax – Attempts to mitigate the impact of Regulation XXX and Actuarial Guideline 38 may fail in whole or in part resulting in an adverse effect on our financial condition and results of operations."

The NAIC's adoption of the Valuation Manual that defines a principles-based reserving framework for newly issued life insurance policies was effective January 1, 2017. Principles-based reserving places a greater weight on our past experience and anticipated future experience and considers current economic conditions in calculating life insurance product reserves in accordance with statutory accounting principles. We adopted the framework for our newly issued term business in 2017 and phased in the framework through January 1, 2020, for all other newly issued life insurance products. We believe that these changes may reduce our future use of captive reinsurance and reinsurance subsidiaries for reserve financing transactions for our life insurance business. In addition, the NAIC recently implemented changes to the statutory reserving, capital and accounting framework for variable annuities that went into effect as of January 1, 2020. For more information, see "Item 1A. Risk Factors – Legislative, Regulatory and Tax – Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements."

For more information on statutory reserving and our use of captive reinsurance structures, see "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow – Insurance Subsidiaries' Statutory Capital and Surplus" in the MD&A.

Insurance Holding Company Regulation

LNC and its primary insurance subsidiaries are subject to regulation pursuant to the insurance holding company laws of the states of Indiana, New York and New Hampshire. These insurance holding company laws generally require an insurance holding company and insurers that are members of such insurance holding company's system to register with the insurance department authorities, to file with it certain reports disclosing information, including their capital structure, ownership, management, financial condition and certain inter-company transactions, including material transfers of assets and inter-company business agreements, and to report material changes in that information. These laws also require that inter-company transactions be fair and reasonable and, under certain circumstances, prior approval of the insurance departments must be received before entering into an inter-company transaction. Further, these laws require that an insurer's contract holders' surplus following any dividends or distributions to shareholder affiliates is reasonable in relation to the insurer's outstanding liabilities and adequate for its financial needs.

In general, under state holding company regulations, no person may acquire, directly or indirectly, a controlling interest in our capital stock unless such person, corporation or other entity has obtained prior approval from the applicable insurance commissioner for such acquisition of control. Pursuant to such laws, in general, any person acquiring, controlling or holding the power to vote, directly or indirectly, 10% or more of the voting securities of an insurance company, is presumed to have "control" of such company. This presumption may be rebutted by a showing that control does not exist in fact. The insurance commissioner, however, may find that "control" exists in circumstances in which a person owns or controls a smaller amount of voting securities. To obtain approval from the insurance commissioner of any acquisition of control of an insurance company, the proposed acquirer must file with the applicable commissioner an application containing information regarding: the identity and background of the acquirer and its affiliates; the nature, source and amount of funds to be used to carry out the acquisition; the financial statements of the acquirer and its affiliates; any potential plans for disposition of the securities or business of the insurer; the number and type of securities to be acquired; any contracts with respect to the securities to be acquired; any agreements with broker-dealers; and other matters.

Other jurisdictions in which our insurance subsidiaries are licensed to transact business may have similar or additional requirements for prior approval of any acquisition of control of an insurance or reinsurance company licensed or authorized to transact business in those jurisdictions. Additional requirements in those jurisdictions may include re-licensing or subsequent approval for renewal of existing licenses upon an acquisition of control. In addition, laws that govern the holding company structure also govern payment of dividends to us by our insurance subsidiaries. See "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow" in the MD&A for a discussion of restrictions on subsidiaries' dividends and other payments.

Risk-Based Capital

The NAIC has adopted risk-based capital ("RBC") requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile. There are five major risks involved in determining the requirements:

Category	Name	Description
Asset risk – affiliates	C-0	Risk of assets' default for certain affiliated investments
Asset risk – others	C-1	Risk of assets' default of principal and interest or fluctuation in fair value
Insurance risk	C-2	Risk of underestimating liabilities from business already written or inadequately pricing business to be written in the future
Interest rate risk, health credit risk and market risk	C-3	Risk of losses due to changes in interest rate levels, risk that health benefits prepaid to providers become the obligation of the health insurer once again and risk of loss due to changes in market levels associated with variable products with guarantees
Business risk	C-4	Risk of general business

A company's risk-based statutory surplus is calculated by applying factors and performing calculations relating to various asset, premium, claim, expense and reserve items. Regulators can then measure adequacy of a company's statutory surplus by comparing it to the RBC determined by the formula. Under RBC requirements, regulatory compliance is determined by the ratio of a company's total adjusted capital, as defined by the NAIC, to its company action level of RBC (known as the RBC ratio), also as defined by the NAIC.

Accordingly, factors that have an impact on the total adjusted capital of our insurance subsidiaries, such as the permitted practices discussed above, will also affect their RBC levels. Four levels of regulatory attention may be triggered if the RBC ratio is insufficient:

- "Company action level" – If the RBC ratio is between 75% and 100%, then the insurer must submit a plan to the regulator detailing corrective action it proposes to undertake;
- "Regulatory action level" – If the RBC ratio is between 50% and 75%, then the insurer must submit a plan, but a regulator may also issue a corrective order requiring the insurer to comply within a specified period;
- "Authorized control level" – If the RBC ratio is between 35% and 50%, then the regulatory response is the same as at the "Regulatory action level," but, in addition, the regulator may take action to rehabilitate or liquidate the insurer; and
- "Mandatory control level" – If the RBC ratio is less than 35%, then the regulator must rehabilitate or liquidate the insurer.

As of December 31, 2019, the RBC ratios of LNL, LLANY, LLACB and FPP reported to their respective states of domicile and the NAIC all exceeded the "company action level." We believe that we will be able to maintain the RBC ratios of our insurance subsidiaries in excess of "company action level" through prudent underwriting, claims handling, investing and capital management. However, no assurances can be given that developments affecting the insurance subsidiaries, many of which could be outside of our control, will not cause the RBC ratios to fall below our targeted levels. These developments may include, but may not be limited to: changes to the manner in which the RBC ratio is calculated; new regulatory requirements for calculating reserves, such as principles-based reserving; economic conditions leading to higher levels of impairments of securities in our insurance subsidiaries' general accounts; and an inability to finance life reserves such as the issuance of letters of credit ("LOCs") supporting inter-company reinsurance structures.

See "Item 1A. Risk Factors – Liquidity and Capital Position – A decrease in the capital and surplus of our insurance subsidiaries may result in a downgrade to our credit and insurer financial strength ratings" and "Item 1A. Risk Factors – Legislative, Regulatory and Tax – Our businesses are heavily regulated and changes in regulation may affect our insurance subsidiary capital requirements or reduce our profitability."

Privacy Regulations

In the course of our business, we collect and maintain personal data from our customers including personally identifiable non-public financial and health information, which subjects us to regulation under global, federal and state privacy laws. These laws require that we institute certain policies and procedures in our business to safeguard this information from improper use or disclosure. While we employ a robust and tested information security program, as regulators establish further regulations for addressing customer privacy, we may need to amend our policies and adapt our internal procedures. See "Item 1A. Risk Factors – Legislative, Regulatory and Tax – State Regulation – Compliance with existing and emerging privacy regulations could result in increased compliance costs and/or lead to changes in business practices and policies, and any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations." For information regarding cybersecurity risks, see "Item 1A. Risk Factors – Operational Matters – Our information systems may experience interruptions, breaches in security and/or a failure of disaster recovery systems that could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively."

Federal Initiatives

The U.S. federal government does not directly regulate the insurance industry; however, federal initiatives from time to time can impact the insurance industry. The marketplace continues to evolve in the changing regulatory environment.

Financial Reform Legislation

Since it was enacted in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") has imposed considerable reform in the financial services industry. The ongoing implementation continues to present challenges and uncertainties for financial market participants. For instance, the Dodd-Frank Act and corresponding global initiatives imposed significant changes to the regulation of derivatives transactions, which we use to mitigate many types of risk in our business.

Significantly, swap documentation and processing requirements continue to change in light of rules for margining uncleared swaps. As we prepare to comply with requirements to post initial margin beginning in September 2020, we continue to evaluate the ways we will be required to manage our derivatives trading and the attendant liquidity requirements. Although these rules provide some flexibility in the categories of eligible collateral, we may be required to hold more of our assets in cash and other low-yielding investments in order to satisfy margin requirements. Operational requirements attendant to the new margining regime are potentially burdensome and costly. Swaps clearing requirements may reduce the level of risk exposure we have to our derivatives counterparties (currently managed by holding collateral), but have increased our exposure to central clearinghouses and clearing members with which we transact. Central clearinghouses and regulators alike continue to evaluate the appropriate allocation of risk in the event of the failure of a clearing member or clearinghouse, and the results of these deliberations may change our use of derivatives in ways we cannot yet determine. The standardization of derivatives products for clearing may make customized products unavailable or uneconomical, potentially decreasing the effectiveness of some of our hedging activities.

Our trading activities are also affected by the scheduled phaseout of LIBOR by the end of 2021 and the use of alternative reference rates and related adjustments. We continue to monitor developments regarding these changes in order to reduce potential disruptions. As financial services regulatory reform continues to evolve in the U.S. and abroad, and the marketplace continues to respond, the extent to which our derivatives costs and strategies may change and the extent to which those changes may affect the range or pricing of our products remains uncertain.

In addition, the Dodd-Frank Act directed the Securities and Exchange Commission ("SEC") to study the implications resulting from the different standards applicable to broker-dealers and investment advisers and empowered the SEC to adopt a uniform fiduciary standard. In January 2011, the SEC released its study on the obligations and standards of conduct of financial professionals. The SEC staff initially recommended establishing a uniform fiduciary standard for investment advisers and broker-dealers when providing investment advice about securities, including guidance for principal trading and definitions of the duties of loyalty and care owed to retail customers that would be consistent with the standard that currently applies to investment advisers. Then, in June 2019, pursuant to the authority granted by the Dodd-Frank Act, the SEC adopted "Regulation Best Interest," which established a higher standard of care and disclosure for broker-dealers when making recommendations to retail customers, but did not create an explicit fiduciary duty. For more information, see "SEC Rules and Other Regulations relating to the Standard of Care Applicable to Investment Advisers and Broker-Dealers" below.

Additional provisions of the Dodd-Frank Act include, among other things, the creation of a new Consumer Financial Protection Bureau to protect consumers of certain financial products; and changes to certain corporate governance rules. The Federal Insurance Office established under the Dodd-Frank Act issues annually a wide-ranging report on the state of insurance regulation in the U.S., together with a series of recommendations on ways to monitor and improve the regulatory environment. The ultimate impact of these recommendations on our business is undeterminable at this time.

SEC Rules and Other Regulations relating to the Standard of Care Applicable to Investment Advisers and Broker-Dealers

In 2016, the Department of Labor ("DOL") released the DOL Fiduciary Rule, which became effective in 2017 and substantially expanded the range of activities considered to be fiduciary investment advice under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code. The DOL Fiduciary Rule was subsequently vacated by the U.S. Court of Appeals for the Fifth Circuit (the "Fifth Circuit") in March 2018, and in June 2018, the Fifth Circuit issued a mandate stating that the original definition of "fiduciary," including the original five-part test, would apply going forward.

On June 5, 2019, the SEC approved a final "Regulation Best Interest," including a new standard of conduct for broker-dealers under the Securities Exchange Act of 1934, which requires a broker-dealer to act in the best interest of a retail customer when making a recommendation of any securities transaction, without putting its financial interests ahead of the interests of a retail customer. The final rule includes guidance on what constitutes a "recommendation" and a definition of who would be a "retail customer" in addition to provisions setting forth certain required disclosures, policies and procedures to identify conflicts of interest, and customer-specific best interest obligations.

In addition, the SEC approved the use of a new disclosure document, the customer or client relationship summary, or Form CRS. Form CRS is intended to provide retail investors with information about the nature of their relationship with their investment professional and supplements other more detailed disclosures, including existing Form ADV for advisers and the new disclosures under Regulation Best Interest for broker-dealers. Regulation Best Interest and Form CRS became effective as of September 10, 2019, with a transition period for compliance through June 30, 2020.

Finally, the SEC issued interpretative guidance regarding an investment adviser's fiduciary obligation under the Advisers Act. The guidance indicates that investment advisers have a fiduciary duty to their clients that includes both a duty of care and a duty of loyalty and further describes an investment adviser's responsibilities under these fiduciary duties. In addition to the SEC rules, the NAIC and several states, including Massachusetts, Nevada, New Jersey and New York, have proposed and/or enacted laws and regulations requiring investment advisers, broker-dealers and/or agents to disclose conflicts of interest to clients and/or to meet a higher standard of care when providing advice to their clients. The recently enacted state laws and regulations have resulted in, and upon adoption by other states such laws and regulations may result in, additional requirements related to the sale of our products. Additional disclosure and other requirements could adversely affect our business by causing us to reevaluate or change certain business practices or otherwise.

It is uncertain at this point how the original DOL definition of "fiduciary," or any new fiduciary rule proposed by the DOL, will work in conjunction with the final rules adopted by the SEC, the NAIC or any individual state. While we continue to monitor and evaluate the various proposals, we cannot predict what other proposals may be made, or what new legislation or regulation may be introduced or become law. Therefore, until such time as final rules or laws are in place, the potential impact on our business is uncertain.

Federal Tax Legislation

In late 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act resulted in significant reforms for corporations (in addition to individuals), including the reduction in the corporate tax rate to 21% and the expansion of the tax base through the elimination or reduction of specified deductions and credits and incentives related to growth and development. The vast majority of the provisions in the Tax Act became effective January 1, 2018.

The Tax Act contains a number of provisions that directly impacted insurance companies. Specifically, the Tax Act changed the calculation of tax reserves associated with policyholder liabilities, modified the computations of capitalized expenses for tax purposes of amounts incurred to originate or acquire insurance contracts (commonly referred to as the DAC tax), changed the proration formula used to determine the amount of dividends eligible to be included in the dividends-received deduction and added new rules related to reporting life settlement transactions.

We have done significant work in many areas of our business to implement the tax changes required by the Tax Act. The Internal Revenue Service ("IRS") and Treasury continue to issue guidance in order to clarify the new rules, including Notices, Proposed and Final Regulations related to executive compensation and other business activities, and the deduction related to Qualified Business Income, as well as life settlement reporting and various international tax provisions. The current IRS Priority Guidance Plan includes numerous additional guidance items, some pertaining to insurance companies, needed to implement changes required by the Tax Act. We continue to actively participate with others in the industry to review and provide comments on the Proposed Regulations and other guidance.

Although the IRS and Treasury have issued guidance on a variety of issues, Congress has not yet passed a technical corrections bill to address certain issues in the original provisions of the Tax Act. The House Ways and Means Committee originally circulated a draft technical corrections package in early 2019, but Congress has not yet passed any such legislation. There are no proposals in the draft technical corrections package, nor in any pending formal legislative proposals, that we believe would have a significant impact on our business.

Outside of tax reform, the uncertainty of federal funding and the future of the Social Security Disability Insurance ("SSDI") program can have a substantial impact on the entire group benefit market because SSDI benefits are a direct offset to the benefits paid under group disability policies. Congress alleviated some of this uncertainty by passing the Bipartisan Budget Act of 2015. As a result, the Social Security Administration's 2019 Annual Report projects that the SSDI reserves will not be depleted until 2035.

Health Care Reform Legislation

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, which was subsequently amended by the Health Care and Education Reconciliation Act. This legislation, as well as subsequent state and federal laws and regulations, includes provisions that provide for additional taxes to help finance the cost of these reforms and substantive changes and additions to health care and related laws, which could potentially impact some of our lines of business. We continue to monitor any efforts by the government to repeal or replace provisions of the Patient Protection and Affordable Care Act and the effect those efforts may have on our businesses.

Patriot Act

The USA PATRIOT Act of 2001 includes anti-money laundering and financial transparency laws as well as various regulations applicable to broker-dealers and other financial services companies, including insurance companies. Financial institutions are required to collect information regarding the identity of their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies and share information with other financial institutions. As a result, we are required to maintain certain internal compliance practices, procedures and controls.

SECURE Act

In May 2019, the U.S. House of Representatives (the "House") passed the Setting Every Community Up for Retirement Enhancement Act (the "SECURE Act"), which was then attached to a year-end spending bill, the Further Consolidated Appropriations Act, 2020, that was approved by the House and U.S. Senate and then signed into law on December 20, 2019. Most of the provisions of the SECURE Act are effective for plan years beginning after December 31, 2019. Among other things, the provisions of the SECURE Act will make it easier for employers to offer lifetime income options in defined contribution retirement plans, facilitate the ability of small employers to offer access to retirement savings vehicles to their employees and increase opportunities for workers to save by enhancing retirement plan automatic enrollment and escalation features. We are still evaluating the impact the SECURE Act will have on our business operations, but we believe that the financial services industry will benefit from the adoption of the SECURE Act through continued or increased savings in retirement and annuity solutions, including through the utilization of Lincoln's suite of offerings.

ERISA Considerations

ERISA is a comprehensive federal statute that applies to U.S. employee benefit plans sponsored by private employers and labor unions. Plans subject to ERISA include pension and profit-sharing plans and welfare plans, including health, life and disability plans. ERISA provisions include reporting and disclosure rules, standards of conduct that apply to plan fiduciaries and prohibitions on transactions known as "prohibited transactions," such as conflict-of-interest transactions and certain transactions between a benefit plan and a party in interest. ERISA also provides for a scheme of civil and criminal penalties and enforcement. Our insurance, asset management, plan administrative services and other businesses provide services to employee benefit plans subject to ERISA, including services where we may act as an ERISA fiduciary. In addition, because certain of our businesses provide products and services to ERISA plans, transactions with those plans are subject to ERISA's prohibited transaction rules, which may affect our ability to enter into transactions, or the terms on which transactions may be entered into, with such plans, even if the business entering into the transaction is unrelated to the business giving rise to party-in-interest status.

Broker-Dealer and Securities Regulation

In addition to being registered under the Securities Act of 1933, some of our separate accounts as well as mutual funds that we sponsor are registered as investment companies under the Investment Company Act of 1940, and the shares of certain of these entities are qualified for sale in some or all states and the District of Columbia. We also have subsidiaries that are registered as broker-dealers under the Securities Exchange Act of 1934, as amended ("Exchange Act") and are subject to federal and state regulation, including, but not limited to, the Financial Industry Regulation Authority's ("FINRA") net capital rules. In addition, we have subsidiaries that are registered investment advisers under the Investment Advisers Act of 1940. Agents, advisers and employees registered or associated with any of our broker-dealer subsidiaries are subject to the Exchange Act and to examination requirements and regulation by the SEC, FINRA and state securities commissions. Regulation also extends to various LNC entities that employ or control those individuals. The SEC and other governmental agencies and self-regulatory organizations, as well as state securities commissions in the U.S., have the power to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or suspension and termination or limitation of the activities of the regulated entity or its employees. For more information about regulatory and litigation matters, see Note 14.

Environmental Considerations

Federal, state and local environmental laws and regulations apply to our ownership and operation of real property. Inherent in owning and operating real property are the risks of hidden environmental liabilities and the costs of any required clean-up. Under the laws of certain states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of clean-up, which could adversely affect our commercial mortgage lending. In several states, this lien has priority over the lien of an existing mortgage against such property. In addition, in some states and under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), we may be liable, as an "owner" or "operator," for costs of cleaning-up releases or threatened releases of hazardous substances at a property mortgaged to us. We also risk environmental liability when we foreclose on a property mortgaged to us. Federal legislation provides for a safe harbor from CERCLA liability for secured lenders that foreclose and sell the mortgaged real estate, provided that certain requirements are met. However, there are circumstances in which actions taken could still expose us to CERCLA liability. Application of various other federal and state environmental laws could also result in the imposition of liability on us for costs associated with environmental hazards.

We routinely conduct environmental assessments for real estate we acquire for investment and before taking title through foreclosure to real property collateralizing mortgages that we hold. Although unexpected environmental liabilities can always arise, based on these environmental assessments and compliance with our internal procedures, we believe that any costs associated with compliance with environmental laws and regulations or any clean-up of properties would not have a material adverse effect on our results of operations.

Intellectual Property

We rely on a combination of copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. We have implemented a patent strategy designed to protect innovative aspects of our products and processes which we believe distinguish us from competitors. We currently own several issued U.S. patents.

We have an extensive portfolio of trademarks and service marks that we consider important in the marketing of our products and services, including, among others, the trademarks of the Lincoln National and Lincoln Financial names, the Lincoln silhouette logo and the combination of these marks. Trademark registrations may be renewed indefinitely subject to continued use and registration requirements. We regard our trademarks as valuable assets in marketing our products and services and intend to protect them against infringement and dilution.

EMPLOYEES

As of December 31, 2019, we had a total of 11,357 employees. In addition, we had a total of 1,375 planners and agents who had active sales contracts with one of our insurance subsidiaries. None of our employees are represented by a labor union, and we are not a party to any collective bargaining agreements. We consider our employee relations to be good.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other documents with the SEC under the Exchange Act. The SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers, including LNC, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

We also make available, free of charge, on or through our website, www.lfg.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

The information contained on our website is not included as part of, or incorporated by reference into, this report.

Item 1A. Risk Factors

You should carefully consider the risks described below before investing in our securities. The risks and uncertainties described below 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 our securities could decline substantially.

Legislative, Regulatory and Tax

Our businesses are heavily regulated and changes in regulation may affect our insurance subsidiary capital requirements or reduce our profitability.

State Regulation

Our insurance subsidiaries are subject to extensive supervision and regulation in the states in which we do business. The supervision and regulation relate to numerous aspects of our business and financial condition. The primary purpose of the supervision and regulation is the protection of our insurance contract holders and the public, rather than our investors. The extent of regulation varies, but generally is governed by state statutes. These statutes delegate regulatory, supervisory and administrative authority to state insurance departments. This system of supervision and regulation covers, among other things:

- Market conduct standards;
- Standards of minimum capital requirements and solvency, including RBC measurements;
- Restrictions on certain transactions, including, but not limited to, reinsurance between our insurance subsidiaries and their affiliates;
- Restrictions on the nature, quality and concentration of investments;
- Restrictions on the receipt of reinsurance credit;
- Restrictions on the types of terms and conditions that we can include in the insurance policies offered by our primary insurance operations;
- Limitations on the amount of dividends that insurance subsidiaries can pay;
- Licensing status of the company;
- Certain required methods of accounting pursuant to statutory accounting principles ("SAP");
- Reserves for unearned premiums, losses and other purposes;
- Payment of policy benefits (claims); and
- Assignment of residual market business and potential assessments for the provision of funds necessary for the settlement of covered claims under certain policies provided by impaired, insolvent or failed insurance companies.

State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, sometimes lead to changes in business practices or additional expense, statutory reserves and/or RBC requirements for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations. For example, the NAIC recently implemented changes to the accounting, reserve and RBC regulations related to the variable annuity business that went into effect in 2020, which could impact the level of reserves and C-3 capital we are required to hold on variable annuities (although we do not expect the impacts to be material upon adoption). The NAIC is also considering modifications to: (i) the NAIC RBC C-1 capital charges for bonds, which may impact the level of the C-1 related RBC we are required to hold, and (ii) Actuarial Guideline XLIX ("AG 49") that would affect the way insurance companies are permitted to illustrate certain IUL products, which could impact our sales of such products. We are monitoring all potential changes and evaluating the potential impact they could have on our product offerings and financial condition and results of operations.

Although we endeavor to maintain all required licenses and approvals, our businesses may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations, which may change from time to time. Also, regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or impose substantial fines. Further, insurance regulatory authorities have relatively broad discretion to issue orders of supervision, which permit such authorities to supervise the business and operations of an insurance company. As of December 31, 2019, no state insurance regulatory authority had imposed on us any material fines or revoked or suspended any of our licenses to conduct insurance business in any state or issued an order of supervision with respect to our insurance subsidiaries that would have a material adverse effect on our results of operations or financial condition.

Attempts to mitigate the impact of Regulation XXX and Actuarial Guideline 38 may fail in whole or in part resulting in an adverse effect on our financial condition and results of operations.

The Valuation of Life Insurance Policies Model Regulation ("XXX") requires insurers to establish additional statutory reserves for term life insurance policies with long-term premium guarantees and UL policies with secondary guarantees. In addition, Actuarial Guideline 38 ("AG38") clarifies the application of XXX with respect to certain UL insurance policies with secondary guarantees. A portion of our newly issued term and UL insurance products are affected by XXX and AG38; certain term policies issued in 2017 and later and certain UL insurance products are now reserved under principles-based reserves. The application of both AG38 and XXX involve numerous interpretations. If state insurance departments do not agree with our interpretations, we may have to increase reserves related to such policies. For example, the New York State Department of Financial Services did not recognize the NAIC revisions to AG38 in applying the New York law governing the reserves to be held for UL and VUL products containing secondary guarantees. The change, which was effective as of December 31, 2013, impacted our New York-domiciled insurance subsidiary, LLANY. Although LLANY discontinued the sale of these products in early 2013, the change affected those policies previously sold. As a result, we phased in a $450 million increase in reserves over five years, from 2013 to 2017.

We have implemented, and plan to continue to implement, reinsurance and capital management transactions to mitigate the capital impact of XXX and AG38, including the use of captive reinsurance subsidiaries. The NAIC adopted Actuarial Guideline 48 ("AG48") regulating the terms of these arrangements that are entered into or amended in certain ways after December 31, 2014. This guideline imposed restrictions on the types of assets that can be used to support the reinsurance in these kinds of transactions. While we have executed AG48 compliant reserve financing transactions, we cannot provide assurance that in light of AG48 and/or future rules and regulations or changes in interpretations by state insurance departments that we will be able to continue to efficiently implement transactions or take other actions to mitigate the impact of XXX or AG38 on future sales of term and UL insurance products and any required reserves. If we are unable to continue to efficiently implement such solutions for any reason, we may realize lower than anticipated returns and/or reduced sales on such products.

Compliance with existing and emerging privacy regulations could result in increased compliance costs and/or lead to changes in business practices and policies, and any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations.

The collection and maintenance of personal data from our customers, including personally identifiable non-public financial and health information, subjects us to regulation under global, federal and state privacy laws. These laws require that we institute certain policies and procedures in our business to safeguard personal data from our customers from improper use or disclosure. The laws vary by jurisdiction, and it is expected that additional regulations will continue to be enacted. In March 2017, New York's cybersecurity regulation for financial services institutions, including banking and insurance entities, became effective, and on October 24, 2017, the NAIC adopted the Insurance Data Security Model Law, which states are adopting versions of, establishing new standards for data security and for the investigation of and notification to insurance commissioners of cybersecurity events. Other states have proposed or adopted broad privacy legislation that applies to all types of businesses, including California, which passed the California Consumer Right to Privacy Act in June 2018, granting new data protections and rights to California consumers. In addition, the European General Data Protection Regulation ("GDPR") adopted by the European Commission became effective in May 2018. GDPR includes numerous protections for EU data subjects, including but not limited to notification requirements for data breaches, the right to access personal data, and the right to be forgotten. Complying with these and other existing, emerging and changing privacy requirements could cause us to incur substantial costs or require us to change our business practices and policies. Non-compliance could result in monetary penalties or significant legal liability.

Many of the associates who conduct our business have access to, and routinely process, personal information of clients through a variety of media, including information technology systems. We rely on various internal processes and controls to protect the confidentiality of client information that is accessible to, or in the possession of, our company and our associates. It is possible that an associate could, intentionally or unintentionally, disclose or misappropriate confidential client information or our data could be the subject of a cybersecurity attack. If we fail to maintain adequate internal controls or if our associates fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of client information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation or lead to regulatory, civil or criminal investigations and penalties, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

In addition, we analyze customer data to better manage our business. There has been increased scrutiny, including from U.S. state and federal regulators, regarding the use of "big data" techniques such as price optimization. We cannot predict what, if any, actions may be taken with regard to "big data," but any inquiries could cause reputational harm, and any limitations could have a material impact on our business, financial condition and results of operations.

Federal Regulation

In addition, our broker-dealer and investment adviser subsidiaries as well as our variable annuities and variable life insurance products, are subject to regulation and supervision by the SEC and FINRA. Applicable laws and regulations generally grant supervisory agencies and self-regulatory organizations broad administrative powers, including the power to limit or restrict the subsidiaries from carrying on their businesses in the event that they fail to comply with such laws and regulations. The foregoing regulatory or governmental bodies, as well as the DOL and others, have the authority to review our products and business practices and those of our agents, advisers, registered representatives, associated persons and employees. In recent years, there has been increased scrutiny of insurance companies and their affiliates by these bodies, which has included more extensive examinations, regular sweep inquiries and more detailed review of disclosure documents. These regulatory or governmental bodies may bring regulatory or other legal actions against us if, in their view, our practices, or those of our agents or employees, are improper. These actions can result in substantial fines, penalties or prohibitions or restrictions on our business activities and could have a material adverse effect on our business, results of operations or financial condition.

Regulations adopted relating to the standard of care applicable to investment advisers and broker-dealers have resulted in, and additional regulations could result in, additional disclosure and other requirements related to the sale and delivery of our products and services, which may adversely affect our business.

In 2016, the DOL released the DOL Fiduciary Rule, which became effective in 2017 and substantially expanded the range of activities considered to be fiduciary investment advice under ERISA and the Internal Revenue Code. The DOL Fiduciary Rule was subsequently vacated by the Fifth Circuit in March 2018, and in June 2018, the Fifth Circuit issued a mandate stating that the original definition of "fiduciary," including the original five-part test, would apply going forward.

On June 5, 2019, the SEC approved a final "Regulation Best Interest," including a new standard of conduct for broker-dealers under the Securities Exchange Act of 1934, which requires a broker-dealer to act in the best interest of a retail customer when making a recommendation of any securities transaction, without putting its financial interests ahead of the interests of a retail customer. The final rule includes guidance on what constitutes a "recommendation" and a definition of who would be a "retail customer" in addition to provisions setting forth certain required disclosures, policies and procedures to identify conflicts of interest, and customer-specific best interest obligations.

In addition, the SEC approved the use of a new disclosure document, the customer or client relationship summary, or Form CRS. Form CRS is intended to provide retail investors with information about the nature of their relationship with their investment professional and supplements other more detailed disclosures, including existing Form ADV for advisers and the new disclosures under Regulation Best Interest for broker-dealers. Regulation Best Interest and Form CRS became effective as of September 10, 2019, with a transition period for compliance through June 30, 2020.

Finally, the SEC issued interpretative guidance regarding an investment adviser's fiduciary obligation under the Advisers Act. The guidance indicates that investment advisers have a fiduciary duty to their clients that includes both a duty of care and a duty of loyalty and further describes an investment adviser's responsibilities under these fiduciary duties.

In addition to the SEC rules, the NAIC and several states, including Massachusetts, Nevada, New Jersey and New York, have proposed and/or enacted laws and regulations requiring investment advisers, broker-dealers and/or agents to disclose conflicts of interest to clients and/or to meet a higher standard of care when providing advice to their clients. The recently enacted state laws and regulations have resulted in, and upon adoption by other states such laws and regulations may result in, additional requirements related to the sale of our products. Additional disclosure and other requirements could adversely affect our business by causing us to reevaluate or change certain business practices or otherwise.

It is uncertain at this point how the original DOL definition of "fiduciary," or any new fiduciary rule proposed by the DOL, will work in conjunction with the final rules adopted by the SEC, the NAIC or any individual state. While we continue to monitor and evaluate the various proposals, we cannot predict what other proposals may be made, or what new legislation or regulation may be introduced or become law. Therefore, until such time as final rules or laws are in place, the potential impact on our business is uncertain.

Changes in U.S. federal income tax law could impact our tax costs and the products that we sell.

In late 2017, President Trump signed the Tax Act into law. The Tax Act included tax rate reductions for both individuals and businesses (corporations and unincorporated entities), with the reduction in the U.S. marginal tax rate for corporations from 35% to 21% being one of the central provisions of the Tax Act. The Tax Act also expanded the tax base through the elimination or reduction of specified deductions and credits and provided incentives related to growth and development.

The changes made by the Tax Act continue to have numerous impacts on our business. Notably, the change to the new 21% marginal corporate income tax rate has resulted in a lower overall effective tax rate as applied to our financial earnings as compared to years prior to the change. The marginal rate change resulted in a reduction in our recorded deferred tax liability for GAAP purposes, a reduction in our admitted deferred tax asset recorded for statutory reporting and, beginning with year-end 2018 reporting, changes to the factors used in determining our required surplus for statutory purposes and related RBC percentage. Any future change in the marginal corporate tax rate will have an impact on our financial results.

In addition to the corporate tax rate reduction provided by the Tax Act, there were several provisions that are specific to insurance companies, namely changes to the proration formula used to determine the amount of dividends eligible for the dividends-received deduction, modifications to the calculation of tax reserves associated with policyholder liabilities, changes to the computations of capitalized expenses for tax purposes of amounts incurred to originate or acquire insurance contracts (commonly referred to as the DAC tax) and the imposition of new life settlement reporting rules. As a result of one of the specific Tax Act changes, the recorded tax benefit for the separate account dividends-received deduction included in our 2019 and 2018 income tax provision was $81 million and $78 million, respectively, as compared to $210 million for 2017. These provisions as a whole resulted in changes to our overall cash tax obligations beginning in 2018.

The IRS and Treasury have issued guidance in regard to specific provisions contained in the Tax Act. The released guidance has been in the form of notices, proposed regulations and, in certain instances, final regulations. We continue to review and analyze the guidance as it is released in order to ensure that our initial interpretations of the law changes were appropriate and that our estimates of the post-enactment impacts were reasonable. Should final guidance in any form differ from preliminary guidance or from our initial interpretations, it could have an impact on our financial results and other related key financial measures. Specifically, in the event that final guidance related to the Tax Act differs from our current interpretation of the provisions, or if additional tax legislation is enacted (inclusive or exclusive of a change in the marginal corporate tax rate), there could be an impact on our future earnings, GAAP equity and statutory RBC, free cash flows and the sales, pricing and profitability of our products.

Legal and regulatory actions are inherent in our businesses and could result in financial losses or harm our businesses.

We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our business. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to us and proceedings that are typical of the businesses in which we operate. Some of these legal proceedings have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages. Substantial legal liability in these or future legal or regulatory actions could have a material financial effect or cause significant harm to our reputation, which in turn could materially harm our business prospects. See Note 14 for a description of legal and regulatory proceedings and actions.

Implementation of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act may subject us to substantial additional federal regulation, and we cannot predict the effect on our business, results of operations, cash flows or financial condition.

Since it was enacted in 2010, the Dodd-Frank Act has brought wide-ranging changes to the financial services industry, including changes to the rules governing derivatives; a study by the SEC of the rules governing broker-dealers and investment advisers with respect to individual investors and investment advice, followed by proposed rulemaking; the creation of a Federal Insurance Office within the U.S. Treasury to gather information and make recommendations regarding regulation of the insurance industry; the creation of a resolution authority to unwind failing institutions; the creation of a Consumer Financial Protection Bureau to protect consumers of certain financial products; and changes to executive compensation and certain corporate governance rules, among other things.

Significant rulemaking across numerous agencies within the federal government has been implemented since the enactment of the Dodd-Frank Act. Complete implementation has yet to take place, given shifting priorities following the U.S. 2016 election; therefore, the ultimate impact of these provisions on our businesses (including product offerings), results of operations and liquidity and capital resources remains uncertain.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are prepared in accordance with GAAP as identified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC"). From time to time, we are required to adopt new or revised accounting standards or guidance that are incorporated into the FASB ASC. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

Specifically, in August 2018, the FASB released Accounting Standards Update ("ASU") 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, that is expected to result in significant changes to how we account for and report our insurance contracts (both in-force and new business), including updating assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts, measurement of market risk benefits and amortization of deferred acquisition costs ("DAC"). These changes may impose special demands on companies in the areas of employee training, internal controls, contract fulfillment and disclosure and may affect how we manage our business, including business processes such as design of compensation plans, product design, etc. In October 2019, the effective date of ASU 2018-12 was deferred to January 1, 2022, and there are various transition methods by topic that we may elect upon adoption. We will report results under the new accounting method as of the effective date. We are currently evaluating the impact of adopting this ASU on our consolidated financial condition and results of operations. See Note 2 for more information.

Our domestic insurance subsidiaries are subject to SAP. Any changes in the method of calculating reserves for our life insurance and annuity products under SAP may result in increased reserve requirements.

The NAIC adopted an updated framework for the statutory accounting and capital requirements for variable annuities in the summer of 2018. Revised regulations to implement the updated framework were adopted by the NAIC in the summer of 2019 and became effective January 1, 2020, with an optional phase-in period and early adoption permitted. The resulting new variable annuity framework will likely result in changes in reserve and/or capital requirements and statutory surplus, which could impact the volatility of those item(s), particularly in response to changes in interest rates. However, we do not expect the impact of these changes on our financial condition and results of operations to be material upon adoption. The NAIC is also considering modifications to the NAIC RBC C-1 capital charges for bonds, which may impact the level of the C-1 related RBC we are required to hold.

Anti-takeover provisions could delay, deter or prevent our change in control, even if the change in control would be beneficial to LNC shareholders.

We are an Indiana corporation subject to Indiana state law. Certain provisions of Indiana law could interfere with or restrict takeover bids or other change in control events affecting us. Under Indiana law, directors may, in considering the best interests of a corporation, consider the effects of any action on shareholders, employees, suppliers and customers of the corporation and the communities in which offices and other facilities are located, and other factors the directors consider pertinent. One statutory provision prohibits, except under specified circumstances, LNC from engaging in any business combination with any shareholder who owns 10% or more of our common stock (which shareholder, under the statute, would be considered an "interested shareholder") for a period of five years following the time that such shareholder became an interested shareholder, unless such business combination is approved by the Board of Directors prior to such person becoming an interested shareholder.

In addition to the anti-takeover provisions of Indiana law, there are other factors that may delay, deter or prevent our change in control. As an insurance holding company, we are regulated as an insurance holding company and are subject to the insurance holding company acts of the states in which our insurance company subsidiaries are domiciled. The insurance holding company acts and regulations restrict the ability of any person to obtain control of an insurance company without prior regulatory approval. Under those statutes and regulations, without such approval (or an exemption), no person may acquire any voting security of a domestic insurance company, or an insurance holding company which controls an insurance company, or merge with such a holding company, if as a result of such transaction such person would "control" the insurance holding company or insurance company. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

Market Conditions

Weak conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations.

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. Major central bank policy actions, slowing of global growth, and trade policy uncertainty remain key challenges for markets and our business. These macro-economic conditions may have an adverse effect on us given our credit and equity market exposure. In the event of extreme prolonged market events, such as the global credit crisis and recession that occurred during 2008 and 2009, we could incur significant losses. Even in the absence of a market downturn, we are exposed to substantial risk of loss and downgrades due to market volatility.

Factors such as consumer spending, business investment, domestic and foreign government spending, the volatility and strength of the capital markets, the potential for inflation or deflation and uncertainty over domestic and foreign government actions 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 disposable 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.

Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals.

Interest rate fluctuations and/or a sustained period of low interest rates could negatively affect our profitability. Some of our products, principally fixed annuities and UL, including linked-benefit UL, have interest rate guarantees that expose us to the risk that changes in interest rates will reduce our spread, or the difference between the amounts that we are required to pay under the contracts and the amounts we are able to earn on our general account investments intended to support our obligations under the contracts. Spreads are an important component of our net income. Declines in our spread or instances where the returns on our general account investments are not enough to support the interest rate guarantees on these products could have a material adverse effect on our businesses or results of operations. In addition, low rates increase the cost of providing variable annuity living benefit guarantees, which could negatively affect our variable annuity profitability.

In periods when interest rates are declining or remain at low levels, we may have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments reducing our spread. Moreover, borrowers may prepay fixed-income securities, commercial mortgages and mortgage-backed securities in our general account in order to borrow at lower market rates, which exacerbates this risk. Lowering interest crediting rates helps to mitigate the effect of spread compression on some of our products. However, because we are entitled to reset the interest rates on our fixed-rate annuities only at limited, pre-established intervals, and since many of our contracts have guaranteed minimum interest or crediting rates, our spreads could still decrease. As of December 31, 2019, 35% of our annuities business, 79% of our retirement plan services business and 89% of our life insurance business with guaranteed minimum interest or crediting rates were at their guaranteed minimums.

Our expectation for future spreads is an important component in the amortization of DAC and value of business acquired ("VOBA") as it affects the future profitability of the business. Currently, new money rates continue to be near historically low levels, with the Federal Reserve decreasing the target range for the federal funds rate by 25 basis points three times during 2019 to a range of 1.50% to 1.75%. Due to the low interest rate environment, in 2019 we updated our interest rate assumptions, which included lowering starting new money rates, reducing our long-term new money investment yield assumption and extending the grade-in period from current rates to long-term rates. As a result of these updates, we recorded unfavorable after-tax unlocking during 2019, which was most pronounced in our Life Insurance segment. We cannot give assurance that persistent low interest rates will not result in future unfavorable unlocking. For additional information on interest rate risks, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk."

A decline in market interest rates could also reduce our return on investments that do not support particular policy obligations. During periods of sustained lower interest rates, our recorded policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened, thereby reducing net income in the affected reporting period. Accordingly, declining interest rates may materially affect our results of operations, financial condition and cash flows and significantly reduce our profitability. In addition, a decline in market interest rates may make it more challenging for us to pass certain asset adequacy tests related to statutory reserves, given the required conservatism of some of the regulations with which we must comply. To meet these requirements, we may be required to post asset adequacy reserves, which, depending on the size of the reserve, could materially affect our financial results.

Increases in market interest rates may also negatively affect our profitability. In periods of rapidly increasing interest rates, we may not be able to replace the assets in our general account with higher yielding assets needed to fund the higher crediting rates necessary to keep our interest-sensitive products competitive. We, therefore, may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts and related assets. Increases in interest rates may cause increased surrenders and withdrawals of insurance products. In periods of increasing interest rates, policy loans and surrenders and withdrawals of life insurance policies and annuity contracts may increase as contract holders seek to buy products with perceived higher returns. This process may lead to a flow of cash out of our businesses. These outflows may require investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. A sudden demand among consumers to change product types or withdraw funds could lead us to sell assets at a loss to meet the demand for funds. Furthermore, unanticipated increases in withdrawals and termination may cause us to unlock our DAC and VOBA assets, which would reduce net income. An increase in market interest rates could also have a material adverse effect on the value of our investment portfolio, for example, by decreasing the estimated fair values of the fixed-income securities that comprise a substantial portion of our investment portfolio. An increase in interest rates could also result in decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed-income funds.

Because the equity markets and other factors impact the profitability and expected profitability of many of our products, changes in equity markets and other factors may significantly affect our business and profitability.

The fee income that we earn on variable annuities is based primarily upon account values, and the fee income that we earn on VUL insurance policies is partially based upon account values. Because strong equity markets result in higher account values, strong equity markets positively affect our net income through increased fee income. Conversely, a weakening of the equity markets results in lower fee income and may have a material adverse effect on our results of operations and capital resources.

The increased fee income resulting from strong equity markets increases the estimated gross profits ("EGPs") from variable insurance products as do better than expected lapses, mortality rates and expenses. As a result, higher EGPs may result in lower net amortized costs related to DAC, deferred sales inducements ("DSI"), VOBA, deferred front-end loads ("DFEL") and changes in future contract benefits. However, a decrease in the equity markets, as well as worse than expected lapses, mortality rates and expenses, depending upon their significance, may result in higher net amortized costs associated with DAC, DSI, VOBA, DFEL and changes in future contract benefits and may have a material adverse effect on our results of operations and capital resources. If we had unlocked our reversion to the mean ("RTM") assumption in the corridor as of December 31, 2019, we would have recorded favorable unlocking of approximately $185 million, pre-tax, for our Annuities segment, approximately $30 million, pre-tax, for our Retirement Plan Services segment and none for our Life Insurance segment. For further information about our RTM process, see "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Reversion to the Mean" in the MD&A.

Changes in the equity markets, interest rates and/or volatility affect the profitability of our products with guaranteed benefits; therefore, such changes may have a material adverse effect on our business and profitability.

Certain of our variable annuity and fixed indexed annuity products include optional guaranteed benefit riders. These include GDB (variable annuity only), GWB and GIB riders. Our GWB, GIB and 4LATER® (a form of GIB rider) features have elements of both insurance benefits accounted for under the Financial Services – Insurance – Claim Costs and Liabilities for Future Policy Benefits Subtopic of the FASB ASC ("benefit reserves") and embedded derivatives accounted for under the Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the FASB ASC ("embedded derivative reserves"). We calculate the value of the embedded derivative reserve and the benefit reserves based on the specific characteristics of each GLB feature. The amount of reserves related to GDB is related to the difference between the value of the underlying accounts and the GDB, calculated using a benefit ratio approach. The GDB reserves take into account the present value of total expected GDB payments, the present value of total expected GDB assessments over the life of the contract, claims paid to date and assessments to date. Reserves for our GIB and certain GWB with lifetime benefits are based on a combination of fair value of the underlying benefit and a benefit ratio approach. The benefit ratio approach takes into account, among other things, the present value of expected GIB payments, the present value of total expected GIB assessments over the life of the contract, claims paid to date and assessments to date. For variable annuities, the amount of reserves related to those GWB that do not have lifetime benefits is based on the fair value of the underlying benefit.

Both the level of expected payments and expected total assessments used in calculating the benefit reserves are affected by the equity markets. The liabilities related to fair value are impacted by changes in equity markets, interest rates, volatility, foreign exchange rates and credit spreads. Accordingly, strong equity markets, increases in interest rates and decreases in volatility will generally decrease the reserves calculated using fair value. Conversely, a decrease in the equity markets along with a decrease in interest rates and an increase in volatility will generally result in an increase in the reserves calculated using fair value.

Increases in reserves would result in a charge to our earnings in the quarter in which the increase occurs. Therefore, we maintain a customized dynamic hedge program that is designed to mitigate the risks associated with income volatility around the change in reserves on guaranteed benefits. However, the hedge positions may not be effective to exactly offset the changes in the carrying value of the guarantees due to, among other things, the time lag between changes in their values and corresponding changes in the hedge positions, high levels of volatility in the equity markets and derivatives markets, extreme swings in interest rates, contract holder behavior different than expected, a strategic decision to adjust the hedging strategy in reaction to extreme market conditions or inconsistencies between economic and statutory reserving guidelines and divergence between the performance of the underlying funds and hedging indices.

In addition, we remain liable for the guaranteed benefits in the event that derivative or reinsurance counterparties are unable or unwilling to pay, and we are also subject to the risk that the cost of hedging these guaranteed benefits increases, resulting in a reduction to net income. These, individually or collectively, may have a material adverse effect on net income, financial condition or liquidity.

Liquidity and Capital Position

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

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. When considering our liquidity and capital position, it is important to distinguish between the needs of our insurance subsidiaries and the needs of the holding company. For our insurance and other subsidiaries, the principal sources of liquidity are insurance premiums 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.

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 "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow" in the MD&A for a description of our credit 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. Our results of operations, financial condition, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

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. 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, LNL, may pay dividends to us without prior approval of the Indiana insurance commissioner (the "Commissioner") only from unassigned surplus, or must receive prior approval of the Commissioner to pay a dividend if such dividend, along with all other dividends paid within the preceding 12 consecutive months, would exceed the statutory limitation. The current 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 previous 12 months, but in no event to exceed statutory unassigned surplus. LNL's subsidiaries, LLANY and LLACB, are bound by similar restrictions under the laws of New York and New Hampshire, respectively.

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, or reinterpretations of, 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. Requiring our insurance subsidiaries to hold additional reserves has the potential to constrain their ability to pay dividends to the holding company. See "Legislative, Regulatory and Tax – Attempts to mitigate the impact of Regulation XXX and Actuarial Guideline 38 may fail in whole or in part resulting in an adverse effect on our financial condition and results of operations" above for additional information on potential changes in these laws.

The earnings of our insurance subsidiaries impact contract holders' surplus. 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.

A decrease in the capital and surplus of our insurance subsidiaries may result in a downgrade to our credit and insurer financial strength ratings.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by our insurance subsidiaries (which itself is sensitive to equity market and credit market conditions), the amount of additional capital our insurance subsidiaries must hold to support business growth, changes in reserving requirements, such as principles-based reserving, our inability to obtain reserve relief, changes in equity market levels, the value of certain fixed-income and equity securities in our investment portfolio, the value of certain derivative instruments that do not get hedge accounting treatment, changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. The RBC ratio is also affected by the product mix of the in-force book of business (i.e., the amount of business without guarantees is not subject to the same level of reserves as the business with guarantees). Most of these factors are outside of our control. Our credit and insurer financial strength ratings are significantly influenced by the statutory surplus amounts and RBC ratios of our insurance company subsidiaries. The RBC ratio of LNL is an important factor in the determination of the credit and financial strength ratings of LNC and its subsidiaries. In addition, rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of statutory capital we must hold in order to maintain our current ratings. In extreme scenarios of equity market declines, the amount of additional statutory reserves that we are required to hold for our variable annuity guarantees may increase at a rate greater than the rate of change of the markets. Increases in reserves reduce the statutory surplus used in calculating our RBC ratios. To the extent that our statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more rating agencies, we may seek to raise additional capital through public or private equity or debt financing, which may be on terms not as favorable as in the past.

Alternatively, if we were not to raise additional capital in such a scenario, either at our discretion or because we were unable to do so, our financial strength and credit ratings might be downgraded by one or more rating agencies. For more information on risks regarding our ratings, see "Covenants and Ratings – 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" below.

An inability to access our credit facilities could result in a reduction in our liquidity and lead to downgrades in our credit and financial strength ratings.

We have a $2.25 billion unsecured facility, which expires on July 31, 2024. We also have other facilities that we enter into in the ordinary course of business. See "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow – Financing Activities" in the MD&A and Note 13.

We rely on our credit facilities as a potential source of liquidity. We also use the credit facility as a potential backstop to provide variable annuity statutory reserve credit. While our variable annuity hedge assets available to provide reserve credit have normally exceeded the statutory reserves, in certain stressed market conditions, it is possible that these assets could be less than the statutory reserve. Our credit facility is available to provide reserve credit to LNL in such a case. If we were unable to access our facility in such circumstances, it could materially impact LNL's capital position. The availability of these facilities could be critical to our credit and financial strength ratings and our ability to meet our obligations as they come due in a market when alternative sources of credit are tight. The credit facilities contain certain administrative, reporting, legal and financial covenants. We must comply with covenants under our credit facilities, including a requirement to maintain a specified minimum consolidated net worth.

Our right to borrow funds under these facilities is subject to the fulfillment of certain important conditions, including our compliance with all covenants, and our ability to borrow under these facilities is also subject to the continued willingness and ability of the lenders that are parties to the facilities to provide funds. Our failure to comply with the covenants in the credit facilities or fulfill the conditions to borrowings, or the failure of lenders to fund their lending commitments (whether due to insolvency, illiquidity or other reasons) in the amounts provided for under the terms of the facilities, would restrict our ability to access these credit facilities when needed and, consequently, could have a material adverse effect on our financial condition and results of operations.

Assumptions and Estimates

As a result of changes in assumptions, estimates and methods in calculating reserves, 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 policies, the timing of the events covered by the insurance policies, 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.

The sensitivity of our statutory reserves and surplus established for our variable annuity base contracts and riders to changes in the equity markets will vary depending on the magnitude of the decline. The sensitivity will be affected by the level of account values relative to the level of guaranteed amounts, product design and reinsurance. Statutory reserves for variable annuities depend upon the cumulative equity market impacts on the business in force, and therefore, result in non-linear relationships with respect to the level of equity market performance within any reporting period.

The assumptions and estimates we use in connection with establishing and carrying our reserves are inherently uncertain. Accordingly, we cannot determine with precision the ultimate amount or the timing of the payment of actual benefits and claims or whether the assets supporting the policy liabilities will grow to the level we assume prior to payment of benefits or claims. If our actual experience is different from our assumptions or estimates, our reserves may prove to be inadequate in relation to our estimated future benefits and claims. Increases in reserves have a negative effect on income from operations in the quarter incurred.

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. We test goodwill at least annually for indications of value impairment with consideration given to financial performance, mergers and acquisitions and other relevant factors. In addition, certain events, including a significant and adverse change in regulations, including tax law changes, legal factors, accounting standards 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. During the fourth quarter of 2017, we recorded goodwill impairment of $905 million related to our Life Insurance segment. Future reviews of goodwill could result in an impairment of goodwill, and such write-downs could have a material adverse effect on our net income and book value, but will not affect the statutory capital of our insurance subsidiaries. As of December 31, 2019, we had a total of $1.8 billion of goodwill on our Consolidated Balance Sheets. For more information on goodwill, see "Critical Accounting Policies and Estimates – Goodwill and Other Intangible Assets" in the MD&A and Note 10.

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. As of December 31, 2019, we had a deferred tax asset of $1.2 billion. 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 established with a corresponding charge to net income. Such valuation allowance could have a material adverse effect on our results of operations and financial condition.

The determination of the amount of allowances and impairments taken on our investments is highly subjective and could materially impact our results of operations or financial condition.

The determination of the amount of allowances and impairments varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. There can be no assurance that our management has accurately assessed the level of impairments taken and allowances reflected in our financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.
We regularly review our fixed maturity available-for-sale ("AFS") securities (also referred to as "debt securities") for declines in fair value that we determine to be other-than-temporary.

If we intend to sell a debt security or it is more likely than not we will be required to sell a debt security before recovery of its amortized cost basis and the fair value of the debt security is below amortized cost, we conclude that an other-than-temporary impairment ("OTTI") has occurred and the amortized cost is written down to current fair value, with a corresponding change to realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). If we do not intend to sell a debt security or it is not more likely than not we will be required to sell a debt security before recovery of its amortized cost basis but the present value of the cash flows expected to be collected is less than the amortized cost of the debt security (referred to as the credit loss), we conclude that an OTTI has occurred, and the amortized cost is written down to the estimated recovery value with a corresponding change to realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss), as this is also deemed the credit portion of the OTTI. The remainder of the decline to fair value is recorded in other comprehensive income (loss) ("OCI") to unrealized OTTI on AFS securities on our Consolidated Statements of Stockholders' Equity, as this is considered a noncredit (i.e., recoverable) impairment.

We adopted amendments to the accounting guidance for measuring credit losses on financial instruments effective January 1, 2020. For more information regarding the new accounting standard, see "ASU 2016-13, Measurement of Credit Losses on Financial Instruments" in Note 2.

Related to our unrealized losses, we establish deferred tax assets for the tax benefit we may receive in the event that losses are realized. The realization of significant realized losses could result in an inability to recover the tax benefits and may result in the establishment of valuation allowances against our deferred tax assets. Realized losses or impairments may have a material adverse impact on our results of operations and financial condition.

Our valuation of fixed maturity, trading and equity securities may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition.

Fixed maturity, trading and equity securities and short-term investments, which are reported at fair value on our Consolidated Balance Sheets, represented the majority of our total investments and cash and invested cash. We have categorized these securities into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The determination of fair values in the absence of quoted market prices is based on valuation methodologies, securities we deem to be comparable and assumptions deemed appropriate given the circumstances. The fair value estimates are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. Factors considered in estimating fair value include coupon rate, maturity, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer and quoted market prices of comparable securities. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption, including periods of significantly increasing/decreasing or high/low interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain securities if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation, as well as valuation methods which are more sophisticated or require greater estimation, thereby resulting in values which may be less than the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

Significant adverse mortality experience may result in the loss of, or higher prices for, reinsurance.

We reinsure a significant amount of the mortality risk on fully underwritten, newly issued, individual life insurance contracts. We regularly review retention limits for continued appropriateness and they may be changed in the future. If we were to experience adverse mortality or morbidity experience, a significant portion of that would be reimbursed by our reinsurers. Prolonged or severe adverse mortality or morbidity experience could result in increased reinsurance costs and, ultimately, reinsurers being unwilling to offer coverage. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection at comparable rates to what we are paying currently, we may have to accept an increase in our net exposures or revise our pricing to reflect higher reinsurance premiums or both. If this were to occur, we may be exposed to reduced profitability and cash flow strain or we may not be able to price new business at competitive rates.

Catastrophes may adversely impact liabilities for contract holder claims.

Our insurance operations are exposed to the risk of catastrophic mortality, such as a pandemic, an act of terrorism, natural disaster or other event that causes a large number of deaths or injuries. Significant influenza pandemics have occurred three times in the last century, but the likelihood, timing or severity of a future pandemic cannot be predicted. Additionally, the impact of climate change could cause changes in weather patterns, resulting in more severe and more frequent natural disasters such as forest fires, hurricanes, tornados, floods and storm surges. In our group insurance operations, a localized event that affects the workplace of one or more of our group insurance customers could cause a significant loss due to mortality or morbidity claims. These events could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Pandemics, natural disasters and man-made catastrophes, including terrorism, may produce significant damage in larger areas, especially those that are heavily populated. Claims resulting from natural or man-made catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Also, catastrophic events could harm the financial condition of our reinsurers and thereby increase the probability of default on reinsurance recoveries. Accordingly, our ability to write new business could also be affected.

Consistent with industry practice and accounting standards, we establish liabilities for claims arising from a catastrophe only after assessing the probable losses arising from the event. We cannot be certain that the liabilities we have established or applicable reinsurance will be adequate to cover actual claim liabilities, and a catastrophic event or multiple catastrophic events could have a material adverse effect on our business, results of operations and financial condition.

Operational Matters

Our enterprise risk management policies and procedures may leave us exposed to unidentified or unanticipated risk, which could negatively affect our businesses or result in losses.

We have devoted significant resources to develop our enterprise risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective. Many of our methods of managing risk and exposures are based upon our use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than the historical measures indicate, such as the risk of pandemics causing a large number of deaths. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us, which may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

We face risks of non-collectability of reinsurance and increased reinsurance rates, which could materially affect our results of operations.

We follow the insurance practice of reinsuring with other insurance and reinsurance companies a portion of the risks under the policies written by our insurance subsidiaries (known as “ceding”). As of December 31, 2019, we ceded $628.7 billion of life insurance in force to reinsurers for reinsurance protection. Although reinsurance does not discharge our subsidiaries from their primary obligation to pay contract holders for losses insured under the policies we issue, reinsurance does make the assuming reinsurer liable to the insurance subsidiaries for the reinsured portion of the risk. As of December 31, 2019, we had $17.1 billion of reinsurance receivables from reinsurers for paid and unpaid losses, for which they are obligated to reimburse us under our reinsurance contracts. Of this amount, $11.8 billion related to reinsurance agreements entered into with Protective in May 2018, providing for the reinsurance and administration of the Liberty Life Business sold to Protective in connection with the Liberty acquisition. To support its obligations under the reinsurance agreements, Protective has established trust accounts for our benefit that fully collateralize the related reinsurance recoverable. In addition, $1.3 billion related to the sale of our reinsurance business to Swiss Re in 2001 through an indemnity reinsurance agreement. Swiss Re has funded a trust to support this business. The balance in the Swiss Re trust changes as a result of ongoing reinsurance activity and was $2.7 billion as of December 31, 2019. Furthermore, we hold trading securities to support the $164 million of funds withheld liabilities related to the Swiss Re treaties for which we would have the right of offset to the corresponding reinsurance receivables in the event of a default by Swiss Re. In addition, our Modco reinsurance agreement with Athene resulted in a $6.6 billion deposit asset as of December 31, 2019, which is fully collateralized. For more information regarding reinsurance, see “Reinsurance” in the MD&A and Note 9.

The balance of the reinsurance is due from a diverse group of reinsurers. The collectability of reinsurance is largely a function of the solvency of the individual reinsurers. We perform due diligence on all reinsurers, including, but not limited to, a review of creditworthiness prior to entering into any reinsurance transaction, and we review our reinsurers on an ongoing basis to monitor credit ratings. To support balances due and allow reserve credit when reinsurance is obtained from reinsurers not authorized to transact business in the applicable jurisdictions, we also require assets in trust, LOCs or other acceptable collateral. Despite these measures, the insolvency, inability or unwillingness to make payments under the terms of a reinsurance contract by a large reinsurer or multiple reinsurers could have a material adverse effect on our results of operations and financial condition.

We adopted amendments to the accounting guidance for measuring credit losses on financial instruments effective January 1, 2020. For more information regarding the new accounting standard, see "ASU 2016-13, Measurement of Credit Losses on Financial Instruments" in Note 2.

Reinsurers also may attempt to increase rates with respect to our existing reinsurance arrangements. The ability of our reinsurers to increase rates depends upon the terms of each reinsurance contract. Some of our reinsurance contracts contain provisions that limit the reinsurer's ability to increase rates on in-force business; however, some do not. An increase in reinsurance rates may affect the profitability of our insurance business. Additionally, such a rate increase could result in our recapture of the business, which may result in a need for additional reserves and increase our exposure to claims. While in recent years, we have faced a number of rate increase actions on in-force business, our management of those actions has not had a material effect on our results of operations or financial condition. However, there can be no assurance that the outcome of future rate increase actions would similarly result in no material effect. See Note 14 for a description of reinsurance related actions.

Competition for our employees is intense, and we may not be able to attract and retain the highly skilled people we need to support our business.

Our success depends, in large part, on our ability to attract and retain key people. Intense competition exists for the key employees with demonstrated ability, and we may be unable to hire or retain such employees. The unexpected loss of services of one or more of our key personnel could have a material adverse effect on our operations due to their skills, knowledge of our business, their years of industry experience and the potential difficulty of promptly finding qualified replacement employees. We compete with other financial institutions primarily on the basis of our products, compensation, support services and financial condition. Sales in our businesses and our results of operations and financial condition could be materially adversely affected if we are unsuccessful in attracting and retaining key employees, including financial advisers, wholesalers and other employees, as well as independent distributors of our products.

We may not be able to protect our intellectual property and may be subject to infringement claims.

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we use a broad range of measures to protect our intellectual property rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability, which represents a diversion of resources that may be significant in amount and may not prove successful. Additionally, complex legal and factual determinations and evolving laws and court interpretations make the scope of protection afforded our intellectual property uncertain, particularly in relation to our patents. The loss of intellectual property protection or the inability to secure or enforce the protection of our intellectual property assets could have a material adverse effect on our business and our ability to compete.

We also may be subject to costly litigation in the event that another party alleges our operations or activities infringe upon another party's intellectual property rights. We may be subject to claims by third parties for breach of patent, copyright, trademark, trade secret or license usage rights. Any such claims and any resulting litigation could result in significant liability for damages. If we were found to have infringed a third-party patent or other intellectual property rights, we could incur substantial liability, and in some circumstances could be enjoined from providing certain products or services to our customers or utilizing and benefiting from certain copyrights, trademarks, trade secrets or licenses, or alternatively could be required to enter into costly licensing arrangements with third parties, all of which could have a material adverse effect on our business, results of operations and financial condition.

Our information systems may experience interruptions, breaches in security and/or a failure of disaster recovery systems that could result in a loss or disclosure of confidential information, damage to our reputation and impairment of our ability to conduct business effectively.

Our information systems are critical to the operation of our business. We collect, process, maintain, retain and distribute large amounts of personal financial and health information and other confidential and sensitive data about our customers in the ordinary course of our business. Our business therefore depends on our customers' willingness to entrust us with their personal information. Any failure, interruption or breach in security could result in disruptions to our critical systems and adversely affect our customer relationships.

Publicly reported cyber-security threats and incidents have increased over recent periods. Although hackers have attempted and will likely continue to try to infiltrate our computer systems, to date, we have not had a material security breach. While we employ a robust and tested information security program, the preventative actions we take to reduce cyber incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyberattacks, compromised credentials, fraud, other security breaches or other unauthorized access to our computer systems, and, given the increasing sophistication of cyberattacks, in some cases, such incidents could occur and persist for an extended period of time without detection. As a result, there can be no assurance that any such failure, interruption or security breach will not occur or, if any does occur, that it will be detected in a timely manner or that it can be sufficiently remediated. Such an occurrence may impede or interrupt our business operations and could adversely affect our reputation, business, financial condition and results of operations.

In the event of a disaster such as a natural catastrophe, epidemic, industrial accident, blackout, computer virus, terrorist attack, cyberattack or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial condition, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, in the event that a significant number of our managers were unavailable following a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities.

The failure of our computer systems and/or our disaster recovery plans for any reason could cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. The occurrence of any such failure, interruption or security breach of our systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and financial liability. Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to our customer data, we may also have obligations to notify customers about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident. For more information, see "Legislative, Regulatory and Tax – State Regulation – Compliance with existing and emerging privacy regulations could result in increased compliance costs and/or lead to changes in business practices and policies, and any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operations."

Although we conduct due diligence, negotiate contractual provisions and, in many cases, conduct periodic reviews of our vendors, distributors, and other third parties that provide operational or information technology services to us to confirm compliance with our information security standards, the failure of such third parties' computer systems and/or their disaster recovery plans for any reason might cause significant interruptions in our operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions and legal claims, lead to a loss of customers and revenues and otherwise adversely affect our business and financial results. While we maintain cyber liability insurance that provides both third-party liability and first party liability coverages, our insurance may not be sufficient to protect us against all losses.

Acquisitions of businesses, including our recent acquisition of Liberty Life, may not produce anticipated benefits resulting in operating difficulties, unforeseen liabilities or asset impairments, which may adversely affect our operating results and financial condition.

Our acquisition of Liberty Life was completed in May 2018, and our integration efforts were substantially completed in 2019. Once completed however, an acquired business may not perform as projected, expense and revenue synergies may not materialize as expected and costs associated with the integration may be greater than anticipated. Our financial results could be adversely affected by unanticipated performance issues, unforeseen liabilities, transaction-related charges, diversion of management time and resources to acquisition integration challenges or growth strategies, loss of key employees or customers, amortization of expenses related to intangibles, charges for impairment of long-term assets or goodwill and indemnifications. Factors such as receiving the required governmental or regulatory approvals to merge the acquired entity, delays in implementation or completion of transition activities or a disruption to our or the acquired entity's business could impact our results.

Covenants and Ratings

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.

Nationally recognized rating agencies rate the financial strength of our principal insurance subsidiaries and rate our debt. Ratings are not recommendations to buy our securities. Each of the rating agencies reviews its ratings periodically, and our current ratings may not be maintained in the future.

Our financial strength ratings, which are intended to measure our ability to meet contract holder obligations, are an important factor affecting public confidence in most of our products and, as a result, our competitiveness. A downgrade of the financial strength rating of one of our principal insurance subsidiaries could affect our competitive position in the insurance industry by making it more difficult for us to market our products, as potential customers may select companies with higher financial strength ratings, and by leading to increased withdrawals by current customers seeking companies with higher financial strength ratings. This could lead to a decrease in fees as net outflows of assets increase, and therefore, result in lower fee income and lower spread income. Furthermore, sales of assets to meet customer withdrawal demands could also result in losses, depending on market conditions. The interest rates we pay on our borrowings are largely dependent on our credit ratings. A downgrade of our debt ratings could affect our ability to raise additional debt, including bank lines of credit, with terms and conditions similar to our current debt, and accordingly, likely increase our cost of capital.

All of our ratings and ratings of our principal insurance subsidiaries are subject to revision or withdrawal at any time by the rating agencies, and therefore, no assurance can be given that our principal insurance subsidiaries or we can maintain these ratings. See "Item 1. Business – Financial Strength Ratings" and "Liquidity and Capital Resources – Sources of Liquidity and Cash Flow" in the MD&A for a description of our ratings.

We will be required to pay interest on our capital securities with proceeds from the issuance of qualifying securities if we fail to achieve specified capital adequacy or net income and stockholders' equity levels.

As of December 31, 2019, we had approximately $1.2 billion in principal amount of capital securities outstanding. All of the capital securities contain covenants that require us to make interest payments in accordance with an alternative coupon satisfaction mechanism ("ACSM") if we determine that one of the following triggers exists as of the 30th day prior to an interest payment date, or the "determination date":

1. LNL's RBC ratio is less than 175% (based on the most recent annual financial statement filed with the State of Indiana); or

2. (i) The sum of our consolidated net income for the four trailing fiscal quarters ending on the quarter that is two quarters prior to the most recently completed quarter prior to the determination date is zero or negative, and (ii) our consolidated stockholders' equity (excluding accumulated OCI and any increase in stockholders' equity resulting from the issuance of preferred stock during a quarter), or "adjusted stockholders' equity," as of (x) the most recently completed quarter and (y) the end of the quarter that is two quarters before the most recently completed quarter, has declined by 10% or more as compared to the quarter that is ten fiscal quarters prior to the last completed quarter, or the "benchmark quarter."

The ACSM would generally require us to use commercially reasonable efforts to satisfy our obligation to pay interest in full on the capital securities with the net proceeds from sales of our common stock and warrants to purchase our common stock with an exercise price greater than the market price. We would have to utilize the ACSM until the trigger events above no longer existed, and, in the case of test 2 above, until our adjusted stockholders' equity amount increased or declined by less than 10% as compared to the adjusted stockholders' equity at the end of the benchmark quarter for each interest payment date as to which interest payment restrictions were imposed by test 2 above.

If we were required to utilize the ACSM and were successful in selling sufficient shares of common stock or warrants to satisfy the interest payment, we would dilute the current holders of our common stock. Furthermore, while a trigger event is occurring and if we do not pay accrued interest in full, we may not, among other things, pay dividends on or repurchase our capital stock. Our failure to pay interest pursuant to the ACSM will not result in an event of default with respect to the capital securities, nor will a nonpayment of interest, unless it lasts for ten consecutive years, although such breaches may result in monetary damages to the holders of the capital securities.

The calculations of RBC, net income (loss) and adjusted stockholders' equity are subject to adjustments and the capital securities are subject to additional terms and conditions as further described in supplemental indentures filed as exhibits to this Form 10-K.

Certain blocks of our insurance business purchased from third-party insurers under indemnity reinsurance agreements may require us to place assets in trust, secure letters of credit or return the business, if the financial strength ratings and/or capital ratios of certain insurance subsidiaries are not maintained at specified levels.

Under certain indemnity reinsurance agreements, two of our insurance subsidiaries, LNL and LLANY, provide 100% indemnity reinsurance for the business assumed; however, the third-party insurer, or the "cedent," remains primarily liable on the underlying insurance business. Under these types of agreements, as of December 31, 2019, we held statutory reserves of $5.1 billion. These indemnity reinsurance arrangements require that our subsidiary, as the reinsurer, maintain certain insurer financial strength ratings and capital ratios. If these ratings or capital ratios are not maintained, depending upon the reinsurance agreement, the cedent may recapture the business, or require us to place assets in trust or provide LOCs at least equal to the relevant statutory reserves. Under the LNL reinsurance arrangement, we held approximately $3.1 billion of statutory reserves as of December 31, 2019. LNL must maintain an A.M. Best financial strength rating of at least B++, an S&P financial strength rating of at least BBB- and a Moody's financial strength rating of at least Baa3. This arrangement may require LNL to place assets in trust equal to the relevant statutory reserves. Under LLANY's largest indemnity reinsurance arrangement, we held approximately $1.3 billion of statutory reserves as of December 31, 2019. LLANY must maintain an A.M. Best financial strength rating of at least B+, an S&P financial strength rating of at least BB+ and a Moody's financial strength rating of at least Ba1, as well as maintain an RBC ratio of at least 160% or an S&P capital adequacy ratio of 100%, or the cedent may recapture the business. Under two other LLANY arrangements, by which we established $685 million of statutory reserves as of December 31, 2019, LLANY must maintain an A.M. Best financial strength rating of at least B++, an S&P financial strength rating of at least BBB- and a Moody's financial strength rating of at least Baa3. One of these arrangements also requires LLANY to maintain an RBC ratio of at least 185% or an S&P capital adequacy ratio of 115%. Each of these arrangements may require LLANY to place assets in trust equal to the relevant statutory reserves. As of December 31, 2019, LNL's and LLANY's RBC ratios exceeded the required ratio. See "Item 1. Business – Financial Strength Ratings" for a description of our financial strength ratings.

If the cedent recaptured the business, LNL and LLANY would be required to release reserves and transfer assets to the cedent. Such a recapture could adversely impact our future profits. Alternatively, if LNL and LLANY established a security trust for the cedent, the ability to transfer assets out of the trust could be severely restricted, thus negatively impacting our liquidity.

Investments

Some of our investments are relatively illiquid and are in asset classes that have been experiencing significant market valuation fluctuations.

We hold certain investments that may lack liquidity, such as privately placed securities, mortgage loans on real estate, policy loans, limited partnership interests and other investments. These asset classes represented 29% of the carrying value of our total investments as of December 31, 2019.

If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with our investment portfolio, derivatives transactions or securities lending activities, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The reported value of our relatively illiquid types of investments, our investments in the asset classes described in the paragraph above and, at times, our high quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If we were forced to sell certain of our assets in the current market, there can be no assurance that we would be able to sell them for the prices at which we have recorded them, and we might be forced to sell them at significantly lower prices.

We invest a portion of our investments in investment funds, many of which make private equity investments. The amount and timing of income from such investment funds tends to be uneven as a result of the performance of the underlying investments, including private equity investments. The timing of distributions from the funds, which depends on particular events relating to the underlying investments, as well as the funds' schedules for making distributions and their needs for cash, can be difficult to predict. In addition, because these funds, and private equity investments, do not trade on public markets and indications of realizable market value may not be readily available, valuations can be infrequent and/or more volatile. As a result, the amount of income that we record from these investments can vary substantially from quarter to quarter, and a sudden or sustained decline in the markets or valuation of one or more substantial investments could result in lower than expected returns earned by our investment portfolio and thereby adversely impact our earnings.

Defaults on our mortgage loans and write-downs of mortgage equity may adversely affect our profitability.

Our mortgage loans face default risk and are principally collateralized by commercial properties. The performance of our mortgage loan investments may fluctuate in the future. In addition, some of our mortgage loan investments have balloon payment maturities. An increase in the default rate of our mortgage loan investments could have a material adverse effect on our business, results of operations and financial condition. Further, any geographic or sector exposure in our mortgage loans may have adverse effects on our investment portfolios and consequently on our consolidated results of operations or financial condition. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on the investment portfolios to the extent that the portfolios are exposed.

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 or is liquidated at prices not sufficient to recover the full amount of the related loan or derivative exposure. We also may have exposure to these financial institutions in the form of unsecured debt instruments, derivative transactions and/or equity investments. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, corporate governance issues or other reasons. A downturn in the U.S. or other economies could result in increased impairments. 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.

Our requirements to post collateral or make payments related to declines in market value of specified assets may adversely affect our liquidity and expose us to counterparty credit risk.

Many of our transactions with financial and other institutions, including settling futures positions, specify the circumstances under which the parties are required to post collateral. The amount of collateral we may be required to post under these agreements may increase under certain circumstances, which could adversely affect our liquidity. In addition, under the terms of some of our transactions, we may be required to make payments to our counterparties related to any decline in the market value of the specified assets.

Our investments are reflected within our consolidated financial statements utilizing different accounting bases, and, accordingly, there may be significant differences between cost and fair value that are not recorded in our consolidated financial statements.

Our principal investments are in fixed maturity and equity securities, mortgage loans on real estate, policy loans, short-term investments, derivative instruments, limited partnerships and other investments. The carrying value of such investments is as follows:

- Fixed maturity securities are classified as AFS, except for those designated as trading securities, and are reported at their estimated fair value. The difference between the estimated fair value and amortized cost of such securities (i.e., unrealized investment gains and losses) is recorded as a separate component of OCI, net of adjustments to DAC, contract holder related amounts and deferred income taxes;

- Fixed maturity securities designated as trading securities and equity securities are recorded at fair value with subsequent changes in fair value recognized in realized gain (loss). However, in certain cases, the trading and equity securities support reinsurance arrangements. In those cases, offsetting the changes to fair value of the trading and equity securities are corresponding changes in the fair value of the embedded derivative liability associated with the underlying reinsurance arrangement. In other words, the investment results for the trading and equity securities, including gains and losses from sales, are passed directly to the reinsurers through the contractual terms of the reinsurance arrangements. These types of securities represent 81% of our trading and equity securities as of December 31, 2019;
- Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at amortized cost, which approximates fair value;
- Also, mortgage loans on real estate are carried at unpaid principal balances, adjusted for any unamortized premiums or discounts and deferred fees or expenses, net of valuation allowances;
- Policy loans are carried at unpaid principal balances;
- Real estate joint ventures and other limited partnership interests are carried using the equity method of accounting; and
- Other investments consist principally of derivatives with positive fair values. Derivatives are carried at fair value with changes in fair value reflected in income from non-qualifying derivatives and derivatives in fair value hedging relationships. Derivatives in cash flow hedging relationships are reflected as a separate component of OCI.

Investments not carried at fair value on our consolidated financial statements, principally, mortgage loans, policy loans and real estate, may have fair values that are substantially higher or lower than the carrying value reflected on our consolidated financial statements. In addition, unrealized losses are not reflected in net income unless we realize the losses by either selling the security at below amortized cost or determine that the decline in fair value is deemed to be other-than-temporary (i.e., impaired). Each of such asset classes is regularly evaluated for impairment under the accounting guidance appropriate to the respective asset class.

Competition

Intense competition could negatively affect our ability to maintain or increase our profitability.

Our businesses are intensely competitive. We compete based on a number of factors, including name recognition, service, the quality of investment advice, investment performance, product features, price, perceived financial strength and claims-paying and credit ratings. Our competitors include insurers, broker-dealers, investment advisers, asset managers, hedge funds and other financial institutions. A number of our business units face competitors that have greater market share, offer a broader range of products or have higher financial strength or credit ratings than we do.

In recent years, there has been consolidation and convergence among companies in the financial services industry resulting in increased competition from large, well-capitalized financial services firms. Many of these firms also have been able to increase their distribution systems through mergers or contractual arrangements. Furthermore, larger competitors may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively.

Our sales representatives are not captive and may sell products of our competitors.

We sell our annuity and life insurance products through independent sales representatives. These representatives are not captive, which means they may also sell our competitors' products. If our competitors offer products that are more attractive than ours, or pay higher commission rates to the sales representatives than we do, these representatives may concentrate their efforts in selling our competitors' products instead of ours.

Item 1B. **Unresolved Staff Comments**

None.

Item 2. **Properties**

As of December 31, 2019, LNC and our subsidiaries owned or leased approximately 3.2 million square feet of office and other space. We leased 0.1 million square feet of office space in Philadelphia, Pennsylvania, which includes space for LFN. We leased 0.2 million square feet of office space in Radnor, Pennsylvania, for our corporate center and for LFD. We owned or leased 1.0 million square feet of office space in Fort Wayne, Indiana, primarily for our Annuities and Retirement Plan Services segments. We owned or leased 0.8 million square feet of office space in Greensboro, North Carolina, primarily for our Life Insurance segment. We owned or leased 0.3 million square feet of office space in Omaha, Nebraska, 0.2 million square feet of office space in Atlanta, Georgia, and 0.1 million square feet in Dover, New Hampshire, primarily for our Group Protection segment. An additional 0.5 million square feet of office space is owned or leased in other U.S. cities for branch offices. This discussion regarding properties does not include information on field offices and investment properties.

Item 3. **Legal Proceedings**

For information regarding legal proceedings, see "Regulatory and Litigation Matters" in Note 14, which is incorporated herein by reference.

Item 4. **Mine Safety Disclosures**

Not applicable.

Information About our Executive Officers

Our Executive Officers as of February 14, 2020, were as follows:

Name	Age [1]	Position with LNC and Business Experience During the Past Five Years
Dennis R. Glass	70	President, Chief Executive Officer and Director (since July 2007). President, Chief Operating Officer and Director (April 2006 - July 2007).
Lisa M. Buckingham	54	Executive Vice President and Chief People, Place and Brand Officer (since August 2018). Executive Vice President and Chief Human Resources Officer (March 2011 - August 2018). Senior Vice President and Chief Human Resources Officer (December 2008 - March 2011).
Ellen Cooper	55	Executive Vice President and Chief Investment Officer (since August 2012).
Randal J. Freitag	57	Executive Vice President and Chief Financial Officer (since January 2011) and Head of Individual Life (since June 2017). Senior Vice President, Chief Risk Officer (2007 - December 2010). Senior Vice President, Chief Risk Officer and Treasurer (2007 - October 2009).
Wilford H. Fuller	49	Executive Vice President (since March 2011) and President, Annuity Solutions (since March 2015). President, Lincoln Financial Network [2] (since October 2012). President and CEO, Lincoln Financial Distributors [2] (since February 2009).
Jamie B. Ohl	54	Executive Vice President (since July 2018), President, Retirement Plan Services (since August 2015), and Head of Life and Annuity Operations (since July 2018). General Partner, Edward Jones, a financial services firm (October 2014 - August 2015).
Leon E. Roday	65	Executive Vice President and General Counsel (since December 2018). Executive Vice President (December 2013 - February 2015), and General Counsel and Secretary (May 2004 - February 2015), Genworth Financial, an insurance company.
Kenneth S. Solon	59	Executive Vice President, Chief Information Officer and Head of Digital (since July 2018). Executive Vice President, Chief Information Officer and Head of Administrative Services (January 2016 - July 2018). Senior Vice President, Head of Technology (March 2015 - December 2015). Senior Vice President, Head of Shared Services and Technology (January 2010 - March 2015).

(1) Age shown is based on the officer's age as of February 14, 2020.

(2) Denotes an affiliate of LNC.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Stock Market and Dividend Information

Our common stock is traded on the New York stock exchange under the symbol LNC. As of February 14, 2020, the number of shareholders of record of our common stock was 6,124. The dividend on our common stock is declared each quarter by our Board of Directors if we are eligible to pay dividends and the Board determines that we will pay dividends. In determining dividends, the Board takes into consideration items such as our financial condition, including current and expected earnings, projected cash flows and anticipated financing needs. For potential restrictions on our ability to pay dividends, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" and Note 19 in the accompanying notes to the consolidated financial statements presented in "Item 8. Financial Statements and Supplementary Data."

For information on securities authorized for issuance under equity compensation plans, see "Part III – Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," which is incorporated herein by reference.

(b) Not Applicable

(c) Issuer Purchases of Equity Securities

The following summarizes purchases of equity securities by the issuer during the quarter ended December 31, 2019 (dollars in millions, except per share data):

Period	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2]
10/1/19 – 10/31/19	-	-	-	$ 137
11/1/19 – 11/30/19	1,666,955	60.01	1,666,955	970
12/1/19 – 12/31/19	-	-	-	970

(1) Of the total number of shares purchased, no shares were received in connection with the exercise of stock options and related taxes. For the quarter ended December 31, 2019, there were 1,666,955 shares purchased as part of publicly announced plans or programs.

(2) On November 13, 2019, our Board of Directors authorized an increase in our securities repurchase authorization, bringing the total aggregate repurchase authorization to $1.0 billion. As of December 31, 2019, our remaining security repurchase authorization was $970 million. The security repurchase authorization does not have an expiration date. The amount and timing of share repurchase depends on key capital ratios, rating agency expectations, the generation of free cash flow and an evaluation of the costs and benefits associated with alternative uses of capital. Our stock repurchases may be effected from time to time through open market purchases or in privately negotiated transactions and may be made pursuant to an accelerated share repurchase agreement or Rule 10b5-1 plan.

Item 6. **Selected Financial Data**

The following selected financial data (in millions, except per share data) should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the accompanying notes to the consolidated financial statements presented in "Item 8. Financial Statements and Supplementary Data."

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Total revenues	$ 17,258	$ 16,424	$ 14,257	$ 13,330	$ 13,572
Net income (loss)	886	1,641	2,079	1,192	1,154
Per share data: (1)(2)					
Net income (loss) – basic	4.41	7.60	9.36	5.09	4.60
Net income (loss) – diluted	4.38	7.40	9.22	5.03	4.51
Common stock dividends	1.51	1.36	1.20	1.04	0.85

	As of December 31,				
	2019	2018	2017	2016	2015
Assets	$ 334,761	$ 298,147	$ 281,763	$ 261,627	$ 251,908
Long-term debt:					
Principal	5,827	5,686	4,673	5,123	5,323
Unamortized premiums (discounts), unamortized debt issuance costs, unamortized adjustments from discontinued hedges and fair value hedge on interest rate swap agreements	240	153	221	222	230
Stockholders' equity	19,689	14,350	17,322	14,478	13,617
Per common share data: (1)					
Stockholders' equity, including accumulated other comprehensive income (loss)	100.11	69.71	79.43	63.97	55.84
Stockholders' equity, excluding accumulated other comprehensive income (loss)	71.27	67.73	64.62	57.05	52.38
Market value of common stock	59.01	51.31	76.87	66.27	50.26

(1) Per share amounts were affected by the retirement of 10.4 million, 13.2 million, 10.4 million, 19.3 million and 16.0 million shares of common stock during the years ended December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

(2) To arrive at diluted earnings per share, if the effect of equity classification would result in a more dilutive earnings per share, we adjust the numerator used in the calculation of our diluted earnings per share to remove the mark-to-market adjustment for deferred units of LNC stock in our deferred compensation plans, which amounted to $18 million, $(7) million and $4 million for the years ended December 31, 2018, 2017 and 2015, respectively. There was no such adjustment for the years ended December 31, 2019 and 2016.

Item 7. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial condition as of December 31, 2019, compared with December 31, 2018, and the results of operations in 2019 compared to 2018 of Lincoln National Corporation and its consolidated subsidiaries. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 Form 10-K. Unless otherwise stated or the context otherwise requires, "LNC," "Company," "we," "our" or "us" refers to Lincoln National Corporation and its consolidated subsidiaries.

The MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to the consolidated financial statements ("Notes") presented in "Part II – Item 8. Financial Statements and Supplementary Data," as well as "Part I – Item 1A. Risk Factors" above.

FORWARD-LOOKING STATEMENTS – CAUTIONARY LANGUAGE

Certain statements made in this report and in other written or oral statements made by us or on our behalf are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("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 phrases 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 businesses, 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 are subject to risks and uncertainties. Actual results could differ materially from those expressed in or implied by such forward-looking statements due to a variety of factors, including:

- 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;
- Adverse global capital and credit market conditions could affect our ability to raise capital, if necessary, and may cause us to realize impairments on investments and certain intangible assets, including goodwill and the 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;
- Because of our holding company structure, the inability of our subsidiaries to pay dividends to the holding company in sufficient amounts could harm the holding company's ability to meet its obligations;
- 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; our ability to conduct business and our captive reinsurance arrangements as well as restrictions on the payment of revenue sharing and 12b-1 distribution fees; the impact of U.S. federal tax reform legislation on our business, earnings and capital; and the impact of any "best interest" standards of care adopted by the Securities and Exchange Commission ("SEC") or other regulations adopted by federal or state regulators or self-regulatory organizations relating to the standard of care owed by investment advisers and/or broker-dealers;
- Actions taken by reinsurers to raise rates on in-force business;
- Declines in or sustained low interest rates causing a reduction in investment income, the interest margins of our businesses, estimated gross profits ("EGPs") and demand for our products;
- Rapidly increasing interest rates causing contract holders to surrender life insurance and annuity policies, thereby causing realized investment losses, and reduced hedge performance related to variable annuities;
- Uncertainty about the effect of continuing promulgation and implementation of rules and regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act on us, the economy and the financial services sector in particular;
- 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 class action cases; new decisions that result in changes in law; and unexpected trial court rulings;
- 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 the net amortization of deferred acquisition costs ("DAC"), value of business acquired ("VOBA"), deferred sales inducements ("DSI") and deferred front-end loads ("DFEL"); and an increase in liabilities related to guaranteed benefit features of our subsidiaries' variable annuity products;
- Ineffectiveness of our risk management policies and procedures, including various hedging strategies used to offset the effect 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, in establishing related insurance reserves and in the net amortization of DAC, VOBA, DSI and DFEL, which may reduce future earnings;
- Changes in accounting principles that may affect our financial statements;
- Lowering of one or more of our debt ratings issued by nationally recognized statistical rating organizations and the adverse effect 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 effect such action may have on the premium writings, policy retention, profitability of our insurance subsidiaries and liquidity;
- Significant credit, accounting, fraud, corporate governance or other issues that may adversely affect the value of certain investments in our portfolios, as well as counterparties to which we are exposed to credit risk, requiring that we realize losses on investments;
- Inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others;
- Interruption in telecommunication, information technology or other operational systems or failure to safeguard the confidentiality or privacy of sensitive data on such systems from cyberattacks or other breaches of our data security systems;
- The effect of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including the successful implementation of integration strategies or the achievement of anticipated synergies and operational efficiencies related to an acquisition;
- The adequacy and collectability 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 effect on our subsidiaries' businesses resulting from evolving market preferences and the changing demographics of our client base; and
- The unanticipated loss of key management, financial planners or wholesalers.

The risks and uncertainties included here are not exhaustive. Other sections of this report and other reports that we file with the SEC include additional factors that could affect our businesses and financial performance, including "Part I – Item 1A. Risk Factors" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk," which are incorporated herein by reference. 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 effect of all risk factors on our businesses 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 report.

INTRODUCTION

Executive Summary

We are a holding company that operates multiple insurance and retirement businesses through subsidiary companies. We sell a wide range of wealth protection, accumulation, retirement income and group protection products and solutions through our four business segments:

- Annuities;
- Retirement Plan Services;
- Life Insurance; and
- Group Protection

We also have Other Operations, which includes the financial data for operations that are not directly related to the business segments. See "Part I – Item 1. Business" above for a discussion of our business segments and products.

As discussed in Note 3, on May 1, 2018, we completed the acquisition from Liberty Mutual Insurance Company of 100% of the capital stock of Liberty Life Assurance Company of Boston ("Liberty Life"), an operator of a group benefits business (the "Liberty Group Business") and an individual life and individual and group annuity business. We ceded insurance policies relating to the individual life and individual and group annuity business to third-party reinsurers. The acquisition expanded the scale and capabilities of the Group Protection business while further diversifying the Company's sources of earnings. Effective September 1, 2019, Liberty Life's name was changed to Lincoln Life Assurance Company of Boston ("LLACB").

In this report, in addition to providing consolidated revenues and net income (loss), we also provide segment operating revenues and income (loss) from operations because we believe they are meaningful measures of revenues and the profitability of our operating segments. Operating revenues and income (loss) from operations are the financial performance measures we use to evaluate and assess the results of our segments. Accordingly, we define and report operating revenues and income (loss) from operations by segment in Note 21. Our management believes that operating revenues and income (loss) from operations explain the results of our ongoing businesses in a manner that allows for a better understanding of the underlying trends in our current businesses. Certain items are excluded from operating revenue and income (loss) from operations because they are unpredictable and not necessarily indicative of current operating fundamentals or future performance of the business segments, and, in many instances, decisions regarding these items do not necessarily relate to the operations of the individual segments. In addition, we believe that our definitions of operating revenues and income (loss) from operations will provide investors with a more valuable measure of our performance because it better reveals trends in our businesses.

We provide information about our segments' and Other Operations' operating revenue and expense line items and realized gain (loss), key drivers of changes and historical details underlying the line items below. For factors that could cause actual results to differ materially from those set forth, see "Part I – Item 1A. Risk Factors" and "Forward-Looking Statements – Cautionary Language" above.

Industry Trends

We continue to be influenced by a variety of trends that affect the industry.

Interest Rate Environment

Interest rates continue to remain lower than historical levels, which may continue to negatively impact investment portfolio yields and our interest rate spreads. The level of long-term interest rates and the shape of the yield curve can have a negative effect on the demand for and the profitability of spread-based products such as fixed annuities and universal life insurance ("UL"). Low interest rates can also increase the cost of providing long-term guarantees. A flat or inverted yield curve and low long-term interest rates are affecting new money rates on corporate bonds. For risks related to sustained low interest rates, see "Significant Operational Matters – Low Interest Rate Environment" below and "Part I – Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals."

Regulatory Environment

U.S.-domiciled insurance entities are regulated at the state level, while certain products and services are also subject to federal regulation. Regulators may refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially affect the capital requirements and profitability of the industry and result in increased regulation and oversight for the industry. See "Part I – Item 1. Business – Regulatory" and "Part I – Item 1A. Risk Factors – Legislative, Regulatory and Tax" for a discussion of regulatory developments that may impact the Company and the associated risks.

Competitive Environment

See the "Competition" sections for each of our segments in "Part I – Item 1. Business – Business Segments and Other Operations" for discussion of the competitive environment in which we operate.

Demographics

Escalation of income protection and wealth accumulation goals for baby-boomers nearing retirement is a key driver shaping the actions of the insurance industry. As a result of increasing longevity, retirees will need to accumulate sufficient savings to finance retirements that may span 30 or more years. Helping the baby-boomers to accumulate assets for retirement and subsequently to convert these assets into retirement income represents an opportunity for the insurance industry. Another opportunity for the insurance industry is the need for long-term care services as retirees are living longer and will need these services at some point in their lifetime.

Millennials entering the insurance market is another key driver shaping the actions of the insurance industry. This demographic group could end up having different consumer preferences than our in-force business. These shifts may be tied to the type of products they purchase and how they choose to purchase these products.

Significant Operational Matters

Targeted Annual Operating Earnings Per Share Growth

Growth in operating earnings per share ("EPS") is a key driver of our long-term performance. We believe that the key drivers to growing our operating EPS over time include:

- Generating new business and positive net flows through our product development and distribution;
- Capital markets performing in-line with our expectations;
- Expense discipline, our strategic digitization initiative and expense synergies of acquired businesses driving improvement in operating margins; and
- Capital generation and active capital deployment, consisting of returning capital to common stockholders.

Sources of Earnings

We monitor our sources of earnings as a factor in managing our businesses. This information may be useful in assessing our risk profile and cost of capital. We continue to focus on achieving our long-term goal of increasing mortality and morbidity margins. Growth in this source of earnings component could be driven by a number of factors, including, but not limited to, pricing actions on our life and group products and acquiring blocks of mortality/morbidity business. The following table presents the sources of earnings components of income (loss) from operations, before income taxes, excluding Other Operations:

	For the Years Ended December 31,		
	2019	2018	2017
Investment spread (1)	19.2%	26.4%	31.0%
Mortality/morbidity (2)	23.5%	26.7%	24.3%
Fees on AUM (3)	55.2%	41.4%	40.1%
VA riders (4)	2.1%	5.5%	4.6%
Total (5)	100.0%	100.0%	100.0%

(1) Investment spread earnings consist primarily of net investment income, net of interest credited, earned on the underlying general account investments supporting our fixed products less related expenses.

(2) Mortality/morbidity earnings result from mortality margins, morbidity margins, and certain expense assessments and related fees that are a function of the rates priced into the product and level of business in force.

(3) Fees on assets under management ("AUM") earnings consist primarily of asset-based fees charged on variable account values less associated benefits and related expenses.

(4) Variable annuity ("VA") riders' earnings consist of fees charged to the contract holder related to guaranteed benefit rider features, less the net valuation premium and associated change in benefit reserves and related expenses.

(5) The sources of earnings components include the effect of unlocking resulting from our annual comprehensive review, which for 2019 was significantly unfavorable. See "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Unlocking" below for more information about unlocking.

See Note 21 for additional information on income (loss) from operations by segment.

Low Interest Rate Environment

Because the profitability of our business depends in part on interest rate spreads, interest rate fluctuations could negatively affect our profitability. Changes in interest rates may impact both our profitability from spread businesses and our return on invested capital. Thus, low interest rates negatively impact margins. Some of our products, principally our fixed annuities and UL, including indexed universal life insurance ("IUL") and linked-benefit UL, have interest rate guarantees that expose us to the risk that changes in interest rates or prolonged low interest rates will reduce our spread, or the difference between the interest that we are required to credit to contracts and the yields that we are able to earn on our general account investments supporting our obligations under the contracts.

Although we have been proactive in our investment strategies, product designs, crediting rate strategies and overall asset-liability practices to mitigate the risk of unfavorable consequences in this type of environment, declines in our spread, or instances where the returns on our general account investments are not enough to support the interest rate guarantees on these products, could have an adverse effect on some of our businesses or results of operations. We have provided disclosures around interest rate spreads and interest rate risk in "Part I – Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk."

Variable Annuity Hedge Program Performance

We offer variable annuity products with living benefit guarantees. As described below in "Critical Accounting Policies and Estimates – Derivatives – GLB," we use derivative instruments to hedge our exposure to the risks and earnings volatility that result from the guaranteed living benefit ("GLB") embedded derivatives and benefit ratio unlocking in certain of our variable annuity products. The income statement effect due to the change in fair value of these instruments tends to move in the opposite direction of the change in embedded derivative reserves and benefit ratio unlocking. We also use derivative instruments to hedge the income statement effect in the opposite direction of the GLB benefit ratio unlocking for movements in equity markets. These results are excluded from the Annuities and Retirement Plan Services segments' operating revenues and income (loss) from operations (see Note 21). See "Realized Gain (Loss) and Benefit Ratio Unlocking – Variable Annuity Net Derivatives Results" below for information on our methodology for calculating the non-performance risk ("NPR"), which affects the discount rate used in the calculation of the GLB embedded derivative reserves.

We also offer variable annuity products with death benefit guarantees. As described below in "Critical Accounting Policies and Estimates – Future Contract Benefits and Other Contract Holder Obligations – GDB," we use derivative instruments to hedge the income statement effect of the guaranteed death benefit ("GDB") benefit ratio unlocking for movements in equity markets. These results are excluded from income (loss) from operations (see Note 21).

The costs of derivative instruments that we use to hedge these variable annuity products may increase as a result of a low interest rate environment.

Earnings from Account Values

The Annuities and Retirement Plan Services segments are the most sensitive to the equity markets, as well as, to a lesser extent, our Life Insurance segment. We discuss the earnings effect of the equity markets on account values and the related asset-based earnings below in each business segment's operating results section and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Equity Market Risk – Effect of Equity Market Sensitivity."

Strategic Digitization Initiative

We continue to make strategic investments in our businesses to grow revenues, further spur productivity and improve our efficiency and service to our customers. In 2016, we began our enterprise-wide digitization initiative that intends to significantly enhance our customer experience and provide operational efficiencies over time to meet evolving consumer preferences and marketplace shifts. We expect to see annual benefits beyond 2020 of approximately $90 million to $150 million, pre-tax, as a result of this initiative.

Outlook

Management expects to focus on the following in 2020:

- Continuing to make investments in our businesses, primarily in technology/digitization (including integrating and consolidating systems and processes), product innovation and distribution, to grow revenues, drive margin expansion and reduce costs;
- Utilizing our product development and distribution resources to help us respond to evolving trends and regulatory changes and to shift our new business mix to focus on products in line with our long-term growth strategies (including re-pricing actions and shifting our sales mix towards shorter-duration products, which are less sensitive to interest rates);
- Closely monitoring ongoing activities in the legal and regulatory environment and taking an active role in the legislative and/or regulatory process;
- Closely monitoring our capital and liquidity positions taking into account changing economic conditions and monetary policy, ongoing regulatory activities and our capital deployment strategy;
- Continuing to explore additional financing strategies addressing the statutory reserve strain related to our term products and UL products containing secondary guarantees in order to manage our capital position effectively;
- Maintaining the flexibility to adjust the risk profile of assets within our investment portfolio; and
- Managing our expenses aggressively through our strategic digitization initiative and expense synergies of acquired businesses combined with continued financial discipline and execution excellence throughout our operations.

Critical Accounting Policies and Estimates

We have identified the accounting policies below as critical to the understanding of our results of operations and our financial condition. In applying these critical accounting policies in preparing our financial statements, management must use critical assumptions, estimates and judgments concerning future results or other developments, including the likelihood, timing or amount of one or more future events. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our assumptions, estimates and judgments based upon historical experience and various other information that we believe to be reasonable under the circumstances. For a detailed discussion of other significant accounting policies, see Note 1.

DAC, VOBA, DSI and DFEL

Accounting for intangible assets requires numerous assumptions, such as estimates of expected future profitability for our operations and our ability to retain existing blocks of life and annuity business in force. Our accounting policies for DAC, VOBA, DSI and DFEL affect the Annuities, Retirement Plan Services, Life Insurance and Group Protection segments.

Deferrals

Qualifying deferrable acquisition expenses are recorded as an asset on our Consolidated Balance Sheets as DAC for products we sold during a period or VOBA for books of business we acquired during a period. In addition, we defer costs associated with DSI and revenues associated with DFEL. DSI increases interest credited and reduces income when amortized. DFEL is a liability included within other contract holder funds on our Consolidated Balance Sheets, and when amortized, increases fee income on our Consolidated Statements of Comprehensive Income (Loss).

We incur certain costs that can be capitalized in the acquisition of insurance contracts. Only those costs incurred that result directly from and are essential to the successful acquisition of new or renewal insurance contracts may be capitalized as deferrable acquisition costs. This determination of deferability must be made on a contract-level basis. Some examples of acquisition costs that are subject to deferral include the following:

- Employee, agent or broker commissions;
- Wholesaler production bonuses;
- Renewal commissions and bonuses to agents or brokers;
- Medical and inspection fees;
- Premium-related taxes and assessments; and
- A portion of the salaries and benefits of certain employees involved in the underwriting, contract issuance and processing, medical and inspection and sales force contract selling functions.

All other acquisition-related costs, including costs incurred by the insurer for soliciting potential customers, market research, training, administration, management of distribution and underwriting functions, unsuccessful acquisition or renewal efforts and product development, are considered non-deferrable acquisition costs and must be expensed in the period incurred.

In addition, the following indirect costs are considered non-deferrable acquisition costs and must be charged to expense in the period incurred:

- Administrative costs;
- Rent;
- Depreciation;
- Occupancy costs;
- Equipment costs (including data processing equipment dedicated to acquiring insurance contracts);
- Trail commissions; and
- Other general overhead.

Our DAC, VOBA, DSI and DFEL balances (in millions) by business segment as of December 31, 2019, were as follows:

	Annuities	Retirement Plan Services	Life Insurance	Group Protection	Total
DAC and VOBA					
Gross	$ 3,933	$ 240	$ 7,362	$ 209	$ 11,744
Unrealized (gain) loss	(143)	(64)	(3,843)	-	(4,050)
Carrying value	$ 3,790	$ 176	$ 3,519	$ 209	$ 7,694
DSI					
Gross	$ 200	$ 13	$ 31	$ -	$ 244
Unrealized (gain) loss	(10)	-	-	-	(10)
Carrying value	$ 190	$ 13	$ 31	$ -	$ 234
DFEL					
Gross	$ 285	$ -	$ 3,087	$ -	$ 3,372
Unrealized (gain) loss	(3)	-	(2,719)	-	(2,722)
Carrying value	$ 282	$ -	$ 368	$ -	$ 650

Fixed maturity available-for-sale ("AFS") securities and certain derivatives are stated at fair value with unrealized gains and losses included within accumulated other comprehensive income (loss) ("AOCI"), net of associated DAC, VOBA, DSI, future contract benefits, other contract holder funds and deferred income taxes. The unrealized balances in the table above represent the DAC, VOBA, DSI and DFEL balances for these effects of unrealized gains and losses on fixed maturity AFS securities and certain derivatives.

Amortization

DAC for variable annuity and deferred fixed annuity contracts and UL and variable universal life insurance ("VUL") policies is amortized over the lives of the contracts in relation to the incidence of EGPs derived from the contracts. Certain broker commissions or broker-dealer expenses that vary with and are related to sales of mutual fund products, respectively, are expensed as incurred rather than deferred and amortized. For our traditional products, we amortize deferrable acquisition costs either on a straight-line basis or as a level percent of premium of the related contracts, depending on the block of business.

EGPs vary based on a number of sources including policy persistency, mortality, fee income, investment margins, expense margins and realized gains and losses on investments, including assumptions about the expected level of credit-related losses. Each of these sources of profit is, in turn, driven by other factors. For example, assets under management and the spread between earned and credited rates drive investment margins; net amount at risk drives the level of cost of insurance charges and reinsurance premiums. The level of separate account assets under management is driven by changes in the financial markets (equity and bond markets, hereafter referred to collectively as "equity markets") and net flows. Realized gains and losses on investments include amounts resulting from differences in the actual level of impairments and the levels assumed in calculating EGPs.

We generally amortize DAC, VOBA, DSI and DFEL in proportion to our EGPs for interest-sensitive products. When actual gross profits are higher in the period than EGPs, we recognize more amortization than planned. When actual gross profits are lower in the period than EGPs, we recognize less amortization than planned. In a calendar year where the gross profits for a certain group of policies, or "cohorts," are negative, our actuarial process limits, or floors, the amortization expense offset to zero. For a discussion of the periods over which we amortize our DAC, VOBA, DSI and DFEL see "DAC, VOBA, DSI and DFEL" in Note 1.

Unlocking

As discussed and defined in "DAC, VOBA, DSI and DFEL" in Note 1, we conduct our annual comprehensive review of the assumptions and projection models underlying the amortization of DAC, VOBA, DSI, DFEL, embedded derivatives and reserves for life insurance and annuity products in the third quarter of each year. We may have unlocking in other quarters as we become aware of information that warrants updating assumptions outside of our annual comprehensive review.

For illustrative purposes, the following generally presents the hypothetical effects to net income (loss) attributable to changes in certain assumptions from those our model projections assume, assuming all other factors remain constant:

Change in Assumption	Hypothetical Effect to Net Income (Loss)	Description of Expected Effect
Higher equity markets	Favorable	Increase to fee income and decrease to changes in reserves.
Lower equity markets	Unfavorable	Decrease to fee income and increase to changes in reserves.
Higher investment margins	Favorable	Increase to interest rate spread on our fixed product line, including fixed portion of variable.
Lower investment margins	Unfavorable	Decrease to interest rate spread on our fixed product line, including fixed portion of variable.
Higher lapses	Unfavorable	Decrease to fee income, partially offset by decrease to benefits due to shorter contract life.
Lower lapses	Favorable	Increase to fee income, partially offset by increase to benefits due to longer contract life.
Unfavorable mortality	Unfavorable	Decrease to fee income and increase to changes in reserves due to shorter contract life.
Favorable mortality	Favorable	Increase to fee income and decrease to changes in reserves due to longer contract life.

Details underlying the effect to net income (loss) from unlocking (in millions) were as follows:

	For the Years Ended December 31, 2019	2018	2017
Income (loss) from operations:			
Annuities	$ (93)	$ 13	$ 15
Retirement Plan Services	-	(2)	(1)
Life Insurance	(320)	(20)	(16)
Excluded realized gain (loss)	3	8	(20)
Net income (loss)	$ (410)	$ (1)	$ (22)

Unlocking was driven primarily by the following:

2019

As part of our annual comprehensive review in the third quarter, we updated our interest rate assumptions. These updates included lowering starting new money rates to reflect the current interest rate environment; reducing our long-term new money investment yield assumption by 25 basis points, resulting in an ultimate long-term assumption of 3.5% for a 10-year U.S. Treasury; and extending the grade-in period from current rates to long-term rates from five years to seven years. As a result of these updates, we recorded unfavorable after-tax unlocking of $225 million for Life Insurance, $63 million for Annuities and $3 million for Retirement Plan Services.

- For Annuities, unfavorable unlocking was driven by updates to interest rate assumptions and other items, partially offset by favorable updates to separate account fees and policyholder behavior assumptions.
- For Retirement Plan Services, the unfavorable unlocking impact from updates to interest rate assumptions was entirely offset by favorable updates to separate account fees, maintenance expense and policyholder behavior assumptions.
- For Life Insurance, unfavorable unlocking was driven by updates to mortality margin, interest rate and reinsurance assumptions, partially offset by favorable updates to investment allocation and reserve discount rate assumptions and other items.
- For excluded realized gain (loss), favorable unlocking was driven by updates to capital markets, separate account fees and policyholder behavior assumptions, partially offset by unfavorable updates to other items.

2018

- For Annuities, favorable unlocking was driven by updates to capital markets and policyholder behavior assumptions and other items, partially offset by unfavorable updates to interest rate assumptions.
- For Retirement Plan Services, unfavorable unlocking was driven by updates to interest rate and maintenance expense assumptions, partially offset by favorable updates to policyholder behavior assumptions and other items.
- For Life Insurance, unfavorable unlocking was driven by updates to mortality margin and reinsurance assumptions and other items, partially offset by favorable updates to investment allocation and performance, morbidity and policyholder behavior assumptions.
- For excluded realized gain (loss), favorable unlocking was driven by updates to policyholder behavior and capital markets assumptions and other items, partially offset by unfavorable updates to separate account fees assumptions.

Reversion to the Mean

Because returns within the variable sub-accounts (“variable funds”) have a significant effect on the value of variable annuity and VUL products and the fees earned on these accounts, EGPs could increase or decrease with movements in variable fund returns; therefore, significant and sustained changes in variable funds have had and could in the future have an effect on DAC, VOBA, DSI and DFEL amortization for our variable annuity, annuity-based 401(k) and VUL businesses.

As variable fund returns do not move in a systematic manner, we reset the baseline of account values from which EGPs are projected, which we refer to as our reversion to the mean (“RTM”) process. Under our RTM process, on each valuation date, future EGPs are projected using stochastic modeling of a large number of market scenarios in conjunction with best estimates of lapse rates, interest rate spreads and mortality to develop a statistical distribution of the present value of future EGPs for our variable annuity, annuity-based 401(k) and VUL blocks of business. Because variable fund returns are unpredictable, the underlying premise of this process is that best estimate projections of future EGPs need not be affected by random short-term and insignificant deviations from expectations in variable fund returns. However, long-term or significant deviations from expected variable fund returns require a change to best estimate projections of EGPs and unlocking of DAC, VOBA, DSI, DFEL and changes in future contract benefits. The statistical distribution is designed to identify when the deviations from expected returns have become significant enough to warrant a change of the future variable fund growth rate assumption.

The stochastic modeling performed for our variable annuity blocks of business as described above is used to develop a range of reasonably possible future EGPs. We compare the range of the present value of the future EGPs from the stochastic modeling to that used in our amortization model. A set of intervals around the mean of these scenarios is utilized to calculate two separate statistical ranges of reasonably possible EGPs. These intervals are then compared to the present value of the EGPs used in the amortization model. If the present value of EGPs utilized for amortization were to exceed the reasonable range of statistically calculated EGPs, a revision of the EGPs used to calculate amortization would be considered. If a revision is deemed necessary, future EGPs would be re-projected using the current account values at the end of the period during which the revision occurred along with a long-term variable fund growth rate assumption such that the re-projected EGPs would be our best estimate of EGPs.

Our practice is not necessarily to unlock immediately after exceeding the first of the two statistical ranges, but, rather, if we stay between the first and second statistical range for several quarters, we would likely unlock. Additionally, if we exceed the ranges as a result of a short-term market reaction, we would not necessarily unlock. However, if the second statistical range is exceeded for more than one quarter, it is likely that we would unlock. While this approach reduces adjustments to DAC, VOBA, DSI and DFEL due to short-term fluctuations, significant changes in variable fund returns that extend beyond one or two quarters could result in a significant favorable or unfavorable unlocking. Notwithstanding these intervals, if a severe decline or increase in variable fund values were to occur or should other circumstances suggest that the present value of future EGPs no longer represents our best estimate, we could determine that a revision of the EGPs is necessary.

Our long-term variable fund growth rate assumption, which is used in the determination of DAC, VOBA, DSI and DFEL amortization for the variable component of our variable annuity and VUL products, is an immediate decrease of approximately 8% followed by growth going forward of 6.5% to 8.25% depending on the block of business and reflecting differences in contract holder fund allocations between fixed-income and equity-type investments. If we had unlocked our RTM assumption as of December 31, 2019, we would have recorded favorable unlocking of approximately $185 million, pre-tax, for our Annuities segment, approximately $30 million, pre-tax, for our Retirement Plan Services segment and none for our Life Insurance segment.

Investments

Investments are an integral part of our operations, and we invest in fixed maturity securities that are primarily classified as available-for-sale and carried at fair value with the difference from amortized cost included in stockholders' equity as a component of AOCI. We also invest in equity securities that are carried at fair value with changes in fair value recognized in realized gain (loss). See "Consolidated Investments" below for more information.

Investment Valuation

Our measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset or NPR, which would include our own credit risk. Our estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability ("entry price"). We categorize our financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique. The three-level hierarchy for fair value measurement is defined in Note 1.

The following summarizes investments on our Consolidated Balance Sheets carried at fair value by pricing source and fair value hierarchy level (in millions) as of December 31, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Priced by third-party pricing services	$ 576	$ 91,435	$ 318	$ 92,329
Priced by independent broker quotations	-	-	2,875	2,875
Priced by matrices	-	13,229	-	13,229
Priced by other methods (1)	-	-	3,105	3,105
Total	$ 576	$ 104,664	$ 6,298	$ 111,538
Percent of total	1%	94%	5%	100%

(1) Represents primarily securities for which pricing models were used to compute fair value.

For the categories and associated fair value of our fixed maturity AFS securities classified within Level 3 of the fair value hierarchy as of December 31, 2019 and 2018, see Notes 1 and 20.

Our investments are valued using the appropriate market inputs based on the investment type, and include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. In addition, market indicators and industry and economic events are monitored, and further market data is acquired if certain triggers are met. We incorporate the issuer's credit rating and a risk premium, if warranted, given the issuer's industry and the security's time to maturity. We use an internationally recognized pricing service as our primary pricing source, and we do not adjust prices received from third parties or obtain multiple prices when measuring the fair value of our investments. We generally use prices from the pricing service rather than broker quotes because we have documentation from the pricing service on the observable market inputs they use, as compared to the limited information on the pricing inputs from broker quotes. For private placement securities, we use pricing matrices that utilize observable pricing inputs of similar public securities and Treasury yields as inputs to the fair value measurement. It is possible that different valuation techniques and models, other than those described above, could produce materially different estimates of fair value.

When the volume and level of activity for an asset or liability has significantly decreased in relation to normal market activity for the asset or liability, we believe that the market is not active. Activities that may indicate a market is not active include fewer recent transactions in the market, price quotations that lack current information and/or vary substantially over time or among market makers, limited public information, uncorrelated indexes with recent fair values of assets and abnormally wide bid-ask spread. As of December 31, 2019, we evaluated the markets that our securities trade in and concluded that none were inactive. We will continue to re-evaluate this conclusion, as needed, based on market conditions.

We use unobservable inputs to measure the fair value of securities trading in less liquid or illiquid markets with limited or no pricing information. We obtain broker quotes for securities such as synthetic convertibles, index-linked certificates of deposit and collateralized debt obligations when sufficient security structure or other market information is not available to produce an evaluation. For broker-quoted only securities, non-binding quotes from market makers or broker-dealers are obtained from sources recognized as market participants. Broker-quoted securities are based solely on receipt of updated quotes from a single market maker or a broker-dealer recognized as a market participant. Our broker-quoted only securities are generally classified as Level 3 of the fair value hierarchy. As of December 31, 2019, we used broker quotes for 59 securities as our final price source, representing less than 1% of total securities owned.

In order to validate the pricing information and broker quotes, we employ, where possible, procedures that include comparisons with similar observable positions, comparisons with subsequent sales and observations of general market movements for those security classes. Our primary third-party pricing service has policies and processes to ensure that it is using objectively verifiable observable market data. The pricing service regularly reviews the evaluation inputs for securities covered, including broker quotes, executed trades and credit information, as applicable. If the pricing service determines it does not have sufficient objectively verifiable information about a security's valuation, it discontinues providing a valuation for the security. The pricing service regularly publishes and updates a summary of inputs used in its valuations by major security type. In addition, we have policies and procedures in place to review the process that is utilized by the third-party pricing service and the output that is provided to us by the pricing service. On a periodic basis, we test the pricing for a sample of securities to evaluate the inputs and assumptions used by the pricing service, and we perform a comparison of the pricing service output to an alternative pricing source. In addition, we check prices provided by our primary pricing service to ensure that they are not stale or unreasonable by reviewing the prices for unusual changes from period to period based on certain parameters or for lack of change from one period to the next. If such anomalies in the pricing are observed, we may use pricing information from another pricing source.

Valuation of Alternative Investments

Recognition of investment income on alternative investments is delayed due to the availability of the related financial statements, which are generally obtained from the partnerships' general partners, as our venture capital, real estate and oil and gas portfolios are generally reported to us on a three-month delay, and our hedge funds are reported to us on a one-month delay. In addition, the effect of annual audit adjustments related to completion of calendar-year financial statement audits of the investees are typically received during the first or second quarter of each calendar year. Accordingly, our investment income from alternative investments for any calendar year period may not include the complete effect of the change in the underlying net assets for the partnership for that calendar year period. Recorded audit adjustments affect our investment income on alternative investments in the period that the adjustments are recorded.

Write-Downs for OTTI and Valuation Allowances

We regularly review our fixed maturity AFS securities for declines in fair value that we determine to be other-than-temporary. For additional details, see "Consolidated Investments" below and Notes 1 and 5.

For certain securitized fixed maturity securities with contractual cash flows, including asset-backed securities ("ABS"), we use our best estimate of cash flows for the life of the security to determine whether there is an other-than-temporary impairment ("OTTI") of the security. In addition, we review for other indicators of impairment as required by the Investments – Debt and Equity Securities Topic of the Financial Accounting Standards Board ("FASB") *Accounting Standards Codification*™ ("ASC").

As the discussion in Notes 1 and 5 indicates, there are risks and uncertainties associated with determining whether declines in the fair value of investments are other-than-temporary. These include subsequent significant changes in general overall economic conditions, as well as specific business conditions affecting particular issuers, future financial market effects such as interest rate spreads, stability of foreign governments and economies, future rating agency actions and significant accounting, fraud or corporate governance issues that may adversely affect certain investments. In addition, there are often significant estimates and assumptions that we use to estimate the fair values of securities as described in "Investment Valuation." We continually monitor developments and update underlying assumptions and financial models based upon new information.

Write-downs and valuation allowances on commercial mortgage loans, real estate and other investments are established when the underlying value of the property is deemed to be less than the carrying value. All commercial mortgage loans that are impaired have an established valuation allowance. Changing economic conditions affect our valuation of commercial mortgage loans. Increasing vacancies, declining rents and the like are incorporated into the discounted cash flow analysis that we perform for monitored loans and may contribute to the establishment of (or an increase in) a valuation allowance. In addition, we continue to monitor the entire commercial mortgage loan portfolio to identify risk. Areas of emphasis include properties that have deteriorating credits or have experienced debt-service coverage and/or loan-to-value reduction. Where warranted, we have established or increased our valuation allowance based upon this analysis.

We have also established a valuation allowance on our residential mortgage loan portfolio that includes a specific valuation allowance for loans that are deemed to be impaired as well as a general valuation allowance for pools of loans with similar risk characteristics where a property risk or market specific risk has not been identified but for which we anticipate a loss has occurred. The general valuation allowance on our residential mortgage loan portfolio is based on loss history adjusted for current conditions.

We adopted amendments to the accounting guidance for measuring credit losses on financial instruments effective January 1, 2020. For more information regarding the new accounting standard, see "ASU 2016-13, Measurement of Credit Losses on Financial Instruments" in Note 2.

Derivatives

We maintain an overall risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate risk, foreign currency exchange risk, equity market risk, default risk, basis risk and credit risk. Assessing the effectiveness of these hedging programs and evaluating the carrying values of the related derivatives often involve a variety of assumptions and estimates. Our accounting policies for derivatives and the potential effect on interest spreads in a falling rate environment are discussed in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk," Notes 1 and 6.

We carry our derivative instruments at fair value, which we determine through valuation techniques or models that use market data inputs or independent broker quotations. The fair values fluctuate from period to period due to the volatility of the valuation inputs, including but not limited to swap interest rates, interest and equity volatility and equity index levels, foreign currency forward and spot rates, credit spreads and correlations, some of which are significantly affected by economic conditions. The effect to revenue is reported in realized gain (loss) and such amount along with the associated federal income taxes is excluded from income (loss) from operations of our segments.

Certain of our variable annuity contracts reported within future contract benefits contain embedded derivatives that are carried at fair value on a recurring basis and are all classified as Level 3 of the fair value hierarchy, including our GLB reserves embedded derivatives, a portion of which may be reported in either other assets or other liabilities. These embedded derivatives are valued based on a stochastic projection of scenarios of the embedded derivative cash flows. The scenario assumptions, at each valuation date, are those we view to be appropriate for a hypothetical market participant and include assumptions for capital markets, actuarial lapse, benefit utilization, mortality, risk margin, administrative expenses and a margin for profit. In addition, an NPR component is determined at each valuation date that reflects our risk of not fulfilling the obligations of the underlying liability. The spread for the NPR is added to the discount rates used in determining the fair value from the net cash flows. We believe these assumptions are consistent with those that would be used by a market participant; however, as the related markets develop, we will continue to reassess our assumptions. It is possible that different valuation techniques and assumptions could produce a materially different estimate of fair value. Changes in the fair value of these embedded derivatives result primarily from changes in market conditions. For more information, see Notes 1 and 20.

GLB

We have a dynamic hedging strategy designed to mitigate selected risk and income statement volatility caused by changes in the equity markets, interest rates and market-implied volatilities associated with the guaranteed withdrawal benefit ("GWB") and guaranteed income benefit ("GIB") features that are available in our variable annuity products. We have certain GLB variable annuity products with GWB and GIB features that are embedded derivatives. Certain features of these guarantees have elements of both insurance benefits accounted for under the Financial Services – Insurance – Claim Costs and Liabilities for Future Policy Benefits Subtopic of the FASB ASC ("benefit reserves") and embedded derivative reserves. We calculate the value of the embedded derivative reserve and the benefit reserve based on the specific characteristics of each GLB feature. In addition to mitigating selected risk and income statement volatility, the hedge program is also focused on a long-term goal of accumulating assets that could be used to pay claims under these benefits.

Changes in the value of the hedge contracts hedge the income statement effect of changes in GLB embedded derivative reserves and benefit reserves. This dynamic hedging strategy utilizes options and total return swaps on U.S.-based equity indices, and futures on U.S.-based and international equity indices, as well as interest rate futures, interest rate swaps and currency futures. The notional amounts of the underlying hedge instruments are such that the magnitude of the change in the value of the hedge instruments due to changes in equity markets, interest rates and implied volatilities is designed to offset the magnitude of the change in the GLB embedded derivative reserves and GLB benefit reserves caused by changes in equity markets, as well as the change in GLB embedded derivative reserves caused by changes in interest rates and implied volatilities. See "Realized Gain (Loss) and Benefit Ratio Unlocking – Variable Annuity Net Derivatives Results" below for information on how we determine our NPR.

As part of our current hedging program, equity market, interest rate and market-implied volatility conditions are monitored on a daily basis. We rebalance our hedge positions based upon changes in these factors as needed. While we actively manage our hedge positions, these positions may not completely offset changes in the fair value of embedded derivative reserves and benefit reserves caused by movements in these factors due to, among other things, differences in timing between when a market exposure changes and corresponding changes to the hedge positions, extreme swings in the equity markets, interest rates and market-implied volatilities, realized market volatility, contract holder behavior, divergence between the performance of the underlying funds and the hedging indices, divergence between the actual and expected performance of the hedge instruments or our ability to purchase hedging instruments at prices consistent with our desired risk and return trade-off.

Within our individual annuity business, 63% and 64% of our variable annuity account values contained GLB features as of December 31, 2019 and 2018, respectively. Underperforming equity markets increase our exposure to potential benefits with the GLB features. A contract with a GLB feature is "in the money" if the contract holder's account balance falls below the present value of guaranteed withdrawal or income benefits, assuming no lapses. As of December 31, 2019 and 2018, 10% and 27%, respectively, of all in-force contracts with a GLB feature were "in the money," and our exposure, after reinsurance, as of December 31, 2019 and 2018, was $598 million and $1.3 billion, respectively. However, the only way the contract holder can realize the excess of the present value of benefits over the account value of the contract is through a series of withdrawals or income payments that do not exceed a maximum amount. If, after the series of withdrawals or income payments, the account value is exhausted, the contract holder will continue to receive a series of annuity payments. The account value can also fluctuate with equity market returns on a daily basis resulting in increases or decreases in the excess of the present value of benefits over account value.

As a result of these factors, the ultimate amount to be paid by us related to GLB guarantees is uncertain and could be significantly more or less than $598 million, net of reinsurance. Our fair value estimates of the GLB embedded derivatives, which are based on detailed models of future cash flows under a wide range of market-consistent scenarios, reflect a more comprehensive view of the related factors and represent our best estimate of the present value of these potential liabilities. The market-consistent scenarios used in the determination of the fair value of the GLB embedded derivatives are similar to those used by an investment bank to value derivatives for which the pricing is not transparent and the aftermarket is nonexistent or illiquid. We use risk-neutral Monte Carlo simulations in our calculation to value the entire block of guarantees, which involve 100 unique scenarios per policy or approximately 48 million scenarios. The market-consistent scenario assumptions, at each valuation date, are those we view to be appropriate for a hypothetical market participant. The market-consistent inputs include, but are not limited to, assumptions for capital markets (e.g., implied volatilities, correlation among indices, risk-free swap curve, etc.), policyholder behavior (e.g., policy lapse, rider utilization, etc.), mortality, risk margins, maintenance expenses and a margin for profit. We believe these assumptions are consistent with those that would be used by a market participant; however, as the related markets develop, we will continue to reassess our assumptions. It is possible that different valuation techniques and assumptions could produce a materially different estimate of fair value. For information on our variable annuity hedge program performance, see our discussion in "Realized Gain (Loss) and Benefit Ratio Unlocking – Variable Annuity Net Derivatives Results" below.

The following table presents our estimates of the potential instantaneous effect to net income (loss) that could result from sudden changes that may occur in equity markets, interest rates and implied market volatilities (in millions) at the levels indicated in the table and excludes the net cost of operating the hedging program. The amounts represent the estimated difference between the change in the portion of GLB reserves that is calculated on a fair value basis and the change in the value of the underlying hedge instruments after the amortization of DAC, VOBA, DSI and DFEL and taxes. These effects do not include any estimate of unlocking that could occur, nor do they estimate any change in the NPR component of the GLB reserve or any estimate of effects to our GLB benefit ratio unlocking. These estimates are based upon the recorded reserves as of December 31, 2019, and the related hedge instruments in place as of that date. The effects presented in the table below are not representative of the aggregate impacts that could result if a combination of such changes to equity market returns, interest rates and implied volatilities occurred.

	In-Force Sensitivities			
Equity Market Return	**-20%**	**-10%**	**-5%**	**5%**
Hypothetical effect to net income	$ (165)	$ (38)	$ (8)	$ (14)
Interest Rates	**-50 bps**	**-25 bps**	**+25 bps**	**+50 bps**
Hypothetical effect to net income	$ (14)	$ (3)	$ (6)	$ (20)
Implied Volatilities	**4%**	**2%**	**-2%**	**-4%**
Hypothetical effect to net income	$ (1)	$ -	$ (1)	$ (3)

The following table shows the effect (dollars in millions) of indicated changes in instantaneous shifts in equity market returns, interest rate scenarios and market-implied volatilities:

	Assumptions of Changes In			
	Equity Market Return	**Interest Rate Yields**	**Market Implied Volatilities**	**Net Income**
Scenario 1	-5%	-12.5 bps	+1%	$ (14)
Scenario 2	-10%	-25.0 bps	+2%	(68)
Scenario 3	-20%	-50.0 bps	+4%	(299)

The actual effects of the results illustrated in the two tables above could vary significantly depending on a variety of factors, many of which are out of our control, and consideration should be given to the following:

- The analysis is only valid as of December 31, 2019, due to changing market conditions, contract holder activity, hedge positions and other factors;
- The analysis assumes instantaneous shifts in the capital market factors and no ability to rebalance hedge positions prior to the market changes;
- The analysis assumes constant exchange rates and implied dividend yields;

- Assumptions regarding shifts in the market factors, such as assuming parallel shifts in interest rate and implied volatility term structures, may be overly simplistic and not indicative of actual market behavior in stress scenarios;
- It is very unlikely that one capital market sector (e.g., equity markets) will sustain such a large instantaneous movement without affecting other capital market sectors; and
- The analysis assumes that there is no tracking or basis risk between the funds and/or indices affecting the GLB reserves and the instruments utilized to hedge these exposures.

Index Benefits

Our indexed annuity and IUL contracts permit the holder to elect a fixed interest rate return or a return where interest credited to the contracts is linked to the performance of the Standard & Poor's ("S&P") 500 Index® ("S&P 500") or other indices. Contract holders may elect to rebalance among the various accounts within the product at renewal dates. At the end of each indexed term, which can be up to six years, we have the opportunity to re-price the indexed component by establishing different participation rates, caps, spreads or specified rates, subject to contractual guarantees. We purchase and sell index options that are highly correlated to the portfolio allocation decisions of our contract holders, such that we are economically hedged with respect to equity returns for the current reset period. The mark-to-market of the options held generally offsets the change in value of the embedded derivative within the contract, both of which are recorded as a component of realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). The Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the FASB ASC require that we calculate fair values of index options we may purchase or sell in the future to hedge contract holder index allocations in future reset periods. These fair values represent an estimate of the cost of the options we will purchase or sell in the future, discounted back to the date of the balance sheet, using current market indicators of volatility and interest rates. Changes in the fair values of these liabilities are included as a component of realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). For information on our index benefits hedging results, see our discussion in "Realized Gain (Loss) and Benefit Ratio Unlocking" below.

Future Contract Benefits and Other Contract Holder Obligations

Reserves

Reserves are the amounts that, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature. Establishing adequate reserves for our obligations to contract holders requires assumptions to be made regarding mortality and morbidity. The applicable insurance laws under which insurance companies operate require that they report, as liabilities, policy reserves to meet future obligations on their outstanding contracts. These laws specify that the reserves shall not be less than reserves calculated using certain specified mortality and morbidity tables, interest rates and methods of valuation.

The reserves reported in our consolidated financial statements contained herein are calculated in accordance with generally accepted accounting principles ("GAAP") and differ from those specified by the laws of the various states and carried in the statutory financial statements of the life insurance subsidiaries. These differences arise from the use of mortality and morbidity tables, interest, persistency and other assumptions that we believe to be more representative of the expected experience for these contracts than those required for statutory accounting purposes and from differences in actuarial reserving methods.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policy benefits are payable. If actual experience is better than or equal to the assumptions, then reserves should be adequate to provide for future benefits and expenses. If experience is worse than the assumptions, additional reserves may be required. This would result in a charge to our net income during the period the increase in reserves occurred. The key experience assumptions include mortality rates, policy persistency and interest rates. We periodically review our experience and update our policy reserves for new issues and reserve for all claims incurred, as we believe appropriate.

GDB

The reserves related to the GDB features available in our variable annuity products are based on the application of a "benefit ratio" (the present value of total expected benefit payments over the life of the contract divided by the present value of total expected assessments over the life of the contract) to total variable annuity assessments received in the period. The level and direction of the change in reserves will vary over time based on the emergence of the benefit ratio and the level of assessments associated with the variable annuity.

We utilize a delta hedging strategy for variable annuity products with a GDB feature, which uses futures and total return swaps on equity market indices to hedge against movements in equity markets. The hedging strategy is designed to hedge our exposure to earnings volatility that results from equity market driven changes in the reserve for GDB contracts. Because the GDB reserves are based upon projected long-term equity market return assumptions, and because the value of the hedging contracts will reflect current capital market conditions, the quarterly changes in values for the GDB reserves and the hedging contracts may not exactly offset each other. For information on our variable annuity hedge program performance, see our discussion in "Realized Gain (Loss) and Benefit Ratio Unlocking – Variable Annuity Net Derivatives Results" below.

UL Products with Secondary Guarantees

We issue UL contracts where we provide a secondary guarantee to the contract holder. The policy can remain in force, even if the base policy account value is zero, as long as contractual secondary guarantee requirements have been met. The reserves related to UL products with secondary guarantees are based on the application of a benefit ratio the same as our GDB features, which are discussed above. The level and direction of the change in reserves will vary over time based on the emergence of the benefit ratio and the level of assessments associated with the contracts. For more discussion, see "Results of Life Insurance" below.

Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized, but are reviewed for impairment annually as of October 1 and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Intangibles that do not have indefinite lives are amortized over their estimated useful lives. We perform a quantitative goodwill impairment test where the fair value of the reporting unit is determined and compared to the carrying value of the reporting unit. If the carrying value of the reporting unit exceeds the reporting unit's fair value, goodwill is impaired and written down to the reporting unit's fair value. The results of one test on one reporting unit cannot subsidize the results of another reporting unit. For the purposes of the evaluation of the carrying value of goodwill, our reporting units (Annuities, Retirement Plan Services, Life Insurance and Group Protection) correspond with our reporting segments.

The fair values of our reporting units are comprised of the value of in-force (i.e., existing) business and the value of new business. Specifically, new business is representative of cash flows and profitability associated with policies or contracts we expect to issue in the future, reflecting our forecasts of future sales volume and product mix over a 10-year period. To determine the values of in-force and new business, we use a discounted cash flows technique that applies a discount rate reflecting the market expected, weighted-average rate of return adjusted for the risk factors associated with operations to the projected future cash flows for each reporting unit.

As of October 1, 2019 and 2018, we performed our annual quantitative goodwill impairment test for our reporting units, and, as of each such date, the fair value was in excess of each reporting unit's carrying value for Annuities, Retirement Plan Services, Life Insurance and Group Protection.

We apply significant judgment when determining the estimated fair value of our reporting units. Factors that can influence the value of goodwill include the capital markets, competitive landscape, regulatory environment, consumer confidence and any items that can directly or indirectly affect new business future cash flows. Factors that could affect production levels and profitability of new business include mix of new business, pricing changes, customer acceptance of our products and distribution strength. Spread compression and related effects to profitability caused by lower interest rates affect the valuation of in-force business more significantly than the valuation of new business, as new business pricing assumptions reflect the current and anticipated future interest rate environment. Estimates of fair value are inherently uncertain and represent only management's reasonable expectation regarding future developments. Examples of unfavorable changes to assumptions or factors that could result in future impairment include, but are not limited to, the following:

- Lower expectations for future sales levels or future sales profitability;
- Higher discount rates on new business assumptions;
- Weakened expectations for the ability to execute future reserve financing transactions for life insurance business over the long-term or expectations for significant increases in the associated costs;
- Legislative, regulatory or tax changes 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 reserve requirements or changes to risk-based capital ("RBC") requirements; and
- Valuations of significant mergers or acquisitions of companies or blocks of business that would provide relevant market-based inputs for our impairment assessment that could support less favorable conclusions regarding the estimated fair value of our reporting units.

Refer to Note 10 for goodwill and specifically identifiable intangible assets by segment.

Income Taxes

Management uses certain assumptions and estimates in determining the income taxes payable or refundable for the current year, the deferred income tax liabilities and assets for items recognized differently in its financial statements from amounts shown on its income tax returns and the federal income tax expense. Determining these amounts requires analysis and interpretation of current tax laws and regulations. Management exercises considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are re-evaluated on a continual basis as regulatory and business factors change. Legislative changes to the Internal Revenue Code of 1986, as amended, modifications or new regulations, administrative rulings, or court decisions could increase or decrease our effective tax rate.

The application of GAAP requires us to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if necessary, to reduce our deferred tax asset to an amount that is more likely than not to be realizable. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, we consider many factors, including: the nature and character of the deferred tax assets and liabilities; taxable income in prior carryback years; future reversals of existing temporary differences; the length of time carryovers can be utilized; and any tax planning strategies we would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the deferred tax assets, including our net operating loss deferred tax asset, will be realized. For additional information on our income taxes, see Note 7.

Acquisitions and Dispositions

For information about acquisitions and dispositions, see Note 3.

RESULTS OF CONSOLIDATED OPERATIONS

Details underlying the consolidated results, deposits, net flows and account values (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Net Income (Loss)			
Income (loss) from operations:			
Annuities	$ 954	$ 1,102	$ 1,074
Retirement Plan Services	172	171	149
Life Insurance	259	645	536
Group Protection	238	187	103
Other Operations	(268)	(225)	(108)
Excluded realized gain (loss), after-tax	(627)	(37)	(218)
Gain (loss) on early extinguishment of debt, after-tax	(33)	(18)	(3)
Benefit ratio unlocking, after-tax	277	(136)	129
Net impact from the Tax Cuts and Jobs Act	17	19	1,322
Impairment of intangibles, after-tax	-	-	(905)
Acquisition and integration costs related to mergers and acquisitions, after-tax	(103)	(67)	-
Net income (loss)	$ 886	$ 1,641	$ 2,079

	For the Years Ended December 31,		
	2019	2018	2017
Deposits			
Annuities	$ 14,525	$ 12,363	$ 8,710
Retirement Plan Services	9,465	10,068	8,563
Life Insurance	7,320	6,438	6,317
Total deposits	$ 31,310	$ 28,869	$ 23,590
Net Flows			
Annuities	$ 1,851	$ (139)	$ (2,707)
Retirement Plan Services	620	2,546	1,443
Life Insurance	5,422	4,679	4,532
Total net flows	$ 7,893	$ 7,086	$ 3,268

	As of December 31,		
	2019	2018	2017
Account Values			
Annuities	$ 142,128	$ 121,279	$ 137,016
Retirement Plan Services	78,689	67,055	67,369
Life Insurance	54,255	49,589	49,048
Total account values	$ 275,072	$ 237,923	$ 253,433

Comparison of 2019 to 2018

Net income decreased due primarily to the following:

- Realized losses in 2019 as compared to realized gains in 2018.
- The effect of unlocking.
- Less favorable investment income on alternative investments due primarily to the write-down of a large private equity investment during the third quarter of 2019.

- The effect of the fourth quarter 2018 reinsurance agreement in the Annuities segment.
- Spread compression due to average new money rates trailing our current portfolio yields, partially offset by actions implemented to reduce interest crediting rates.
- Higher acquisition and integration costs incurred associated with our 2018 acquisition.
- Higher loss on early extinguishment of debt.

The decrease in net income was partially offset by the following:

- Lower federal income tax expense.
- Inclusion of an additional four months of Liberty Group Business results in 2019.
- Higher prepayment and bond make-whole premiums.
- Growth in average account values, business in force and group earned premiums.

RESULTS OF ANNUITIES

Income (Loss) from Operations

Details underlying the results for Annuities (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Operating Revenues			
Insurance premiums (1)	$ 502	$ 390	$ 475
Fee income	2,357	2,342	2,244
Net investment income	1,140	1,005	1,038
Operating realized gain (loss) (2)	190	192	179
Amortization of deferred gain on business sold through reinsurance	30	8	-
Other revenues (3)	381	446	442
Total operating revenues	4,600	4,383	4,378
Operating Expenses			
Interest credited	698	587	581
Benefits (1)	938	673	726
Commissions and other expenses	1,871	1,838	1,798
Total operating expenses	3,507	3,098	3,105
Income (loss) from operations before taxes	1,093	1,285	1,273
Federal income tax expense (benefit)	139	183	199
Income (loss) from operations	$ 954	$ 1,102	$ 1,074

(1) Insurance premiums include primarily our income annuities that have a corresponding offset in benefits. Benefits include changes in income annuity reserves driven by premiums.

(2) See "Realized Gain (Loss) and Benefit Ratio Unlocking" below.

(3) Consists primarily of revenues attributable to broker-dealer services that are subject to market volatility.

Comparison of 2019 to 2018

Income from operations for this segment decreased due primarily to the following:

- Higher benefits due to the effect of unlocking.
- Lower other revenues as a result of the net settlement related to the fourth quarter 2018 reinsurance agreement.
- Higher commissions and other expenses driven by growth in business and the effect of unlocking.

The decrease in income from operations was partially offset by the following:

- Higher net investment income, net of interest credited, driven by higher average gross fixed account values and higher prepayment and bond make-whole premiums, partially offset by less favorable investment income on alternative investments and lower surplus earnings as a result of the fourth quarter 2018 reinsurance agreement.
- Higher amortization of deferred gain on business sold through reinsurance as a result of the fourth quarter 2018 reinsurance agreement.
- Higher fee income driven by higher expense assessments associated with our variable annuity guaranteed benefit riders.

See "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Unlocking" above for more information about unlocking.

Additional Information

For information on our fourth quarter 2018 reinsurance agreement, see Note 9.

New deposits are an important component of net flows and key to our efforts to grow our business. Although deposits do not significantly affect current period income from operations, they can significantly impact future income from operations. As a result of our strategic decision to participate in more segments of the marketplace and our focus on product and distribution expansion, we returned to positive net flows during the fourth quarter of 2018, which continued throughout 2019.

The other component of net flows relates to the retention of the business. An important measure of retention is the reduction in account values caused by full surrenders, deaths and other contract benefits. These outflows as a percentage of average gross account values were 9% in 2019, 2018 and 2017.

Our fixed annuity business includes products with discretionary crediting rates that are reset on an annual basis and are not subject to surrender charges. Our ability to retain annual reset annuities will be subject to current competitive conditions at the time interest rates for these products reset. We expect to manage the effects of spreads on near-term income from operations through portfolio management and, to a lesser extent, crediting rate actions, which assumes no significant changes in net flows into or out of our fixed accounts or other changes that may cause interest rate spreads to differ from our expectations. For information on interest rate spreads and the interest rate risk due to falling interest rates, see "Part I – Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals" and "Effect of Interest Rate Sensitivity" and "Interest Rate Risk on Fixed Insurance Businesses – Falling Rates" in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk."

Fee Income

Details underlying fee income, account values and net flows (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fee Income			
Mortality, expense and other assessments	$ 2,336	$ 2,322	$ 2,212
Surrender charges	25	30	30
DFEL:			
Deferrals	(38)	(39)	(37)
Amortization, net of interest:			
Amortization, net of interest, excluding unlocking	34	31	33
Unlocking	-	(2)	6
Total fee income	$ 2,357	$ 2,342	$ 2,244

	As of or For the Years Ended December 31,		
	2019	2018	2017
Variable Account Value Information			
Variable annuity deposits (1)	$ 5,293	$ 5,105	$ 4,524
Increases (decreases) in variable annuity account values:			
Net flows (1)	(4,805)	(4,580)	(4,530)
Change in market value (1)	19,844	(5,412)	16,512
Contract holder assessments (1)	(2,491)	(2,484)	(2,378)
Transfers to the variable portion of variable annuity products from the fixed portion of variable annuity products	1,760	2,867	1,822
Variable annuity account values (1)	119,047	104,737	114,342
Average daily variable annuity account values (1)	112,978	113,595	109,189
Average daily S&P 500 (2)	2,914	2,744	2,448

(1) Excludes the fixed portion of variable.

(2) We generally use the S&P 500 as a benchmark for the performance of our variable account values. The account values of our variable annuity contracts are invested by our policyholders in a variety of investment options including, but not limited to, domestic and international equity securities and fixed income, which do not necessarily align with S&P 500 performance. See Note 11 for additional information.

We charge contract holders mortality and expense assessments on variable annuity accounts to cover insurance and administrative expenses. These assessments are a function of the rates priced into the product and the average daily variable account values. Average daily variable account values are driven by net flows and variable fund returns. Charges on GLB riders are assessed based on a contractual rate that is applied either to the account value or the guaranteed amount. We may collect surrender charges when our fixed and variable annuity contract holders surrender their contracts during the surrender charge period to protect us from premature withdrawals. Fee income includes charges on both our variable and fixed annuity products, but excludes the attributed fees on our GLB riders; see "Realized Gain (Loss) and Benefit Ratio Unlocking – Operating Realized Gain (Loss)" below for discussion of these attributed fees.

Net Investment Income and Interest Credited

Details underlying net investment income, interest credited, our interest rate spread and fixed account values (dollars in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Net Investment Income			
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 1,004	$ 835	$ 841
Commercial mortgage loan prepayment and bond make-whole premiums (1)	29	21	45
Surplus investments (2)	107	149	152
Total net investment income	$ 1,140	$ 1,005	$ 1,038
Interest Credited			
Amount provided to contract holders	$ 690	$ 600	$ 568
DSI deferrals	(21)	(43)	(20)
Interest credited before DSI amortization	669	557	548
DSI amortization:			
Amortization, excluding unlocking	26	30	29
Unlocking	3	-	4
Total interest credited	$ 698	$ 587	$ 581

(1) See "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Make-Whole Premiums" below for additional information.

(2) Represents net investment income on the required statutory surplus for this segment and includes the effect of investment income on alternative investments for such assets that are held in the portfolios supporting statutory surplus versus the portfolios supporting product liabilities. See "Consolidated Investments – Alternative Investments" below for more information on alternative investments.

	For the Years Ended December 31,		
	2019	2018	2017
Interest Rate Spread			
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	3.98%	3.88%	3.98%
Commercial mortgage loan prepayment and bond make-whole premiums	0.11%	0.10%	0.24%
Net investment income yield on reserves	4.09%	3.98%	4.22%
Interest rate credited to contract holders	2.42%	2.27%	2.34%
Interest rate spread	1.67%	1.71%	1.88%

	As of or For the Years Ended		
	December 31,		
	2019	2018	2017
Fixed Account Value Information			
Fixed annuity deposits [1]	$ 9,232	$ 7,258	$ 4,186
Increases (decreases) in fixed annuity account values:			
Net flows [1]	6,656	4,441	1,823
Contract holder assessments [1]	(43)	(31)	(31)
Transfers from the fixed portion of variable annuity products to the variable portion of variable annuity products	(1,760)	(2,867)	(1,822)
Reinvested interest credited [1]	1,489	440	878
Fixed annuity account values [1][2]	23,081	16,542	22,675
Average fixed account values [1][2]	19,717	20,591	22,327

(1) Includes the fixed portion of variable.

(2) Net of reinsurance ceded.

A portion of our investment income earned is credited to the contract holders of our deferred fixed annuity products, including the fixed portion of variable annuity contracts. We expect to earn a spread between what we earn on the underlying general account investments supporting the fixed annuity product line, including the fixed portion of variable annuity contracts, and what we credit to our fixed annuity contract holders' accounts, including the fixed portion of variable annuity contracts. Changes in commercial mortgage loan prepayments and bond make-whole premiums, investment income on alternative investments and surplus investment income can vary significantly from period to period due to a number of factors and, therefore, may contribute to investment income results that are not indicative of the underlying trends.

Benefits

Details underlying benefits (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Benefits			
Net death and other benefits, excluding unlocking	$ 834	$ 699	$ 743
Unlocking	104	(26)	(17)
Total benefits	$ 938	$ 673	$ 726

Benefits for this segment include changes in income annuity reserves driven by premiums, changes in benefit reserves and costs associated with the hedging of our benefit ratio unlocking on benefit reserves associated with our variable annuity GDB and GLB riders. For a corresponding offset of changes in income annuity reserves, see footnote 1 of "Income (Loss) from Operations" above.

Commissions and Other Expenses

Details underlying commissions and other expenses (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Commissions and Other Expenses			
Commissions:			
Deferrable	$ 606	$ 505	$ 349
Non-deferrable	565	573	567
General and administrative expenses	453	425	417
Inter-segment reimbursement associated with reserve financing and LOC expenses (1)	4	4	4
Taxes, licenses and fees	35	34	33
Total expenses incurred, excluding broker-dealer	1,663	1,541	1,370
DAC deferrals	(681)	(578)	(411)
Total pre-broker-dealer expenses incurred, excluding amortization, net of interest	982	963	959
DAC and VOBA amortization, net of interest:			
Amortization, net of interest, excluding unlocking	396	403	405
Unlocking	12	7	(4)
Broker-dealer expenses incurred	481	465	438
Total commissions and other expenses	$ 1,871	$ 1,838	$ 1,798
DAC Deferrals			
As a percentage of sales/deposits	4.7%	4.7%	4.7%

(1) Includes reimbursements to Annuities from the Life Insurance segment for reserve financing, net of expenses incurred by Annuities for its use of letters of credit ("LOCs"). The inter-segment amounts are not reported on our Consolidated Statements of Comprehensive Income (Loss).

Commissions and other costs that result directly from and are essential to the successful acquisition of new or renewal business are deferred to the extent recoverable and are amortized over the lives of the contracts in relation to EGPs. Certain types of commissions, such as trail commissions that are based on account values, are expensed as incurred rather than deferred and amortized. Broker-dealer expenses that vary with and are related to sales are expensed as incurred and not deferred and amortized. Fluctuations in these expenses correspond with fluctuations in other revenues.

RESULTS OF RETIREMENT PLAN SERVICES

Income (Loss) from Operations

Details underlying the results for Retirement Plan Services (in millions) were as follows:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Operating Revenues			
Fee income	$ 252	$ 256	$ 248
Net investment income	924	899	899
Other revenues [(1)]	24	23	18
Total operating revenues	1,200	1,178	1,165
Operating Expenses			
Interest credited	585	555	537
Benefits	2	2	1
Commissions and other expenses	418	421	423
Total operating expenses	1,005	978	961
Income (loss) from operations before taxes	195	200	204
Federal income tax expense (benefit)	23	29	55
Income (loss) from operations	$ 172	$ 171	$ 149

(1) Consists primarily of mutual fund account program revenues from mid to large employers.

Comparison of 2019 to 2018

Income from operations for this segment increased modestly due primarily to the following:

- Lower federal income tax expense (benefit) due to more favorable tax return true-ups in 2019.
- Lower commissions and other expenses due to the effect of unlocking.

The increase in income from operations was partially offset by the following:

- Lower net investment income, net of interest credited, driven by less favorable investment income on alternative investments within our surplus portfolio and spread compression due to average new money rates trailing our current portfolio yields, partially offset by higher prepayment and bond make-whole premiums and higher average fixed account values.
- Lower fee income driven by lower average daily variable account values.

See "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Unlocking" above for information about unlocking.

Additional Information

Net flows in this business fluctuate based on the timing of larger plans being implemented and terminating over the course of the year.

New deposits are an important component of net flows and key to our efforts to grow our business. Although deposits do not significantly affect current period income from operations, they can significantly impact future income from operations. The other component of net flows relates to the retention of the business. An important measure of retention is the reduction in account values caused by plan sponsor terminations and participant withdrawals. These outflows as a percentage of average account values were 12%, 11% and 12% for 2019, 2018 and 2017, respectively.

Our net flows are negatively affected by the continued net outflows from our oldest blocks of annuities business (as presented on our Net Flows By Market table below as "*Multi-Fund*® and other"), which are among our higher margin product lines in this segment, due to the fact that they are mature blocks with low distribution and servicing costs. The proportion of these products to our total account values was 21%, 23% and 25% for 2019, 2018 and 2017, respectively. Due to this expected overall shift in business mix toward products with lower returns, new deposit production continues to be necessary to maintain earnings at current levels.

Our fixed annuity business includes products with discretionary and index-based crediting rates that are reset on either a quarterly or semi-annual basis. Our ability to retain quarterly or semi-annual reset annuities will be subject to current competitive conditions at the time interest rates for these products reset. We expect to manage the effects of spreads on near-term income from operations through portfolio management and, to a lesser extent, crediting rate actions, which assumes no significant changes in net flows into or out of our fixed accounts or other changes that may cause interest rate spreads to differ from our expectations. For information on interest rate spreads and the interest rate risk due to falling interest rates, see "Part I – Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals" and "Effect of Interest Rate Sensitivity" and "Interest Rate Risk on Fixed Insurance Businesses – Falling Rates" in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk."

Fee Income

Details underlying fee income, net flows and account values (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fee Income			
Annuity expense assessments	$ 184	$ 189	$ 184
Mutual fund fees	67	65	63
Total expense assessments	251	254	247
Surrender charges	1	2	1
Total fee income	$ 252	$ 256	$ 248

	For the Years Ended December 31,		
	2019	2018	2017
Net Flows By Market (1)			
Small market	$ 449	$ 290	$ 232
Mid – large market	1,336	3,401	2,243
Multi-Fund® and other	(1,165)	(1,145)	(1,031)
Total net flows	$ 620	$ 2,546	$ 1,444

	As of or For the Years Ended December 31,		
	2019	2018	2017
Variable Account Value Information			
Variable annuity deposits (1)	$ 1,880	$ 1,803	$ 1,954
Increases (decreases) in variable annuity account values:			
Net flows (1)	(518)	(453)	(597)
Change in market value (1)	3,426	(885)	2,545
Contract holder assessments (1)	(155)	(159)	(153)
Variable annuity account values (1)	16,952	14,413	16,129
Average daily variable annuity account values (1)	15,960	15,989	15,052
Average daily S&P 500	2,914	2,744	2,448

Excludes the fixed portion of variable.

	As of or For the Years Ended December 31,		
	2019	2018	2017
Mutual Fund Account Value Information			
Mutual fund deposits	$ 5,602	$ 6,219	$ 4,434
Mutual fund net flows	1,316	2,902	1,766
Mutual fund account values (1)	41,179	32,876	32,516

Mutual funds are not included in the separate accounts reported on our Consolidated Balance Sheets as we do not have any ownership interest in them.

We charge expense assessments to cover insurance and administrative expenses. Expense assessments are generally equal to a percentage of the daily variable account values. Average daily account values are driven by net flows and the equity markets. Our expense assessments include fees we earn for the services that we provide to our mutual fund programs. We may collect surrender charges when our fixed and variable annuity contract holders surrender their contracts during the surrender charge period to protect us from premature withdrawals.

Net Investment Income and Interest Credited

Details underlying net investment income, interest credited, our interest rate spread and fixed account values (dollars in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Net Investment Income			
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 831	$ 806	$ 789
Commercial mortgage loan prepayment and bond make-whole premiums (1)	26	18	34
Surplus investments (2)	67	75	76
Total net investment income	$ 924	$ 899	$ 899
Interest Credited	$ 585	$ 555	$ 537

(1) See "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Make-Whole Premiums" below for additional information.

(2) Represents net investment income on the required statutory surplus for this segment and includes the effect of investment income on alternative investments for such assets that are held in the portfolios supporting statutory surplus versus the portfolios supporting product liabilities. See "Consolidated Investments – Alternative Investments" below for more information on alternative investments.

	For the Years Ended December 31,		
	2019	2018	2017
Interest Rate Spread			
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	4.13%	4.23%	4.32%
Commercial mortgage loan prepayment and bond make-whole premiums	0.13%	0.09%	0.19%
Net investment income yield on reserves	4.26%	4.32%	4.51%
Interest rate credited to contract holders	2.90%	2.90%	2.92%
Interest rate spread	1.36%	1.42%	1.59%

	As of or For the Years Ended December 31,		
	2019	2018	2017
Fixed Account Value Information			
Fixed annuity deposits (1)	$ 1,983	$ 2,046	$ 2,175
Increases (decreases) in fixed annuity account values:			
Net flows (1)	(178)	97	274
Reinvested interest credited (1)	585	558	542
Contract holder assessments (1)	(12)	(11)	(9)
Fixed annuity account values (1)	20,558	19,766	18,724
Average fixed account values (1)	20,119	19,164	18,373

(1) Includes the fixed portion of variable.

A portion of our investment income earned is credited to the contract holders of our fixed annuity products, including the fixed portion of variable annuity contracts. We expect to earn a spread between what we earn on the underlying general account investments supporting the fixed annuity product line, including the fixed portion of variable annuity contracts, and what we credit to our fixed annuity contract holders' accounts, including the fixed portion of variable annuity contracts. Commercial mortgage loan prepayments and bond make-whole premiums, investment income on alternative investments and surplus investment income can vary significantly from period to period due to a number of factors and, therefore, may contribute to investment income results that are not indicative of the underlying trends.

Benefits

Benefits for this segment include changes in annuity benefit reserves.

Commissions and Other Expenses

Details underlying commissions and other expenses (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Commissions and Other Expenses			
Commissions:			
Deferrable	$ 6	$ 7	$ 10
Non-deferrable	73	71	67
General and administrative expenses	319	318	331
Taxes, licenses and fees	17	19	17
Total expenses incurred	415	415	425
DAC deferrals	(23)	(22)	(29)
Total expenses recognized before amortization	392	393	396
DAC and VOBA amortization, net of interest:			
Amortization, net of interest, excluding unlocking	27	25	25
Unlocking	(1)	3	2
Total commissions and other expenses	$ 418	$ 421	$ 423
DAC Deferrals			
As a percentage of annuity sales/deposits	0.6%	0.6%	0.7%

Commissions and other costs that result directly from and are essential to the successful acquisition of new or renewal business are deferred to the extent recoverable and are amortized over the lives of the contracts in relation to EGPs. Certain types of commissions, such as trail commissions that are based on account values, are expensed as incurred rather than deferred and amortized. Distribution expenses associated with the sale of mutual fund products are expensed as incurred.

RESULTS OF LIFE INSURANCE

Income (Loss) from Operations

Details underlying the results for Life Insurance (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Operating Revenues			
Insurance premiums [1]	$ 885	$ 817	$ 773
Fee income	3,882	3,392	3,122
Net investment income	2,658	2,697	2,643
Operating realized gain (loss) [2]	(6)	(5)	(13)
Other revenues	19	21	33
Total operating revenues	7,438	6,922	6,558
Operating Expenses			
Interest credited	1,433	1,414	1,404
Benefits	4,183	3,345	3,189
Commissions and other expenses	1,516	1,371	1,185
Total operating expenses	7,132	6,130	5,778
Income (loss) from operations before taxes	306	792	780
Federal income tax expense (benefit)	47	147	244
Income (loss) from operations	$ 259	$ 645	$ 536

(1) Includes term insurance premiums, which have a corresponding partial offset in benefits for changes in reserves.
(2) See "Realized Gain (Loss) and Benefit Ratio Unlocking" below.

Comparison of 2019 to 2018

Income from operations for this segment decreased due primarily to the following:

- Higher benefits due to the effect of unlocking and growth in business in force.
- Higher commissions and other expenses due to the effect of unlocking.
- Lower net investment income, net of interest credited, driven by less favorable investment income on alternative investments and spread compression due to average new money rates trailing our current portfolio yields, partially offset by growth in average general account values.

The decrease in income from operations was partially offset by higher fee income due to the effect of unlocking and growth in business in force.

See "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Unlocking" above for more information about unlocking.

Strategies to Address Statutory Reserve Strain

Our insurance subsidiaries have statutory surplus and RBC levels above current regulatory required levels. Term products and other products containing secondary guarantees require reserves calculated pursuant to the Valuation of Life Insurance Policies Model Regulation ("XXX"), Actuarial Guideline 38 ("AG38") and the newly adopted principles-based reserving framework. For information on strategies we use to reduce the statutory reserve strain, see "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow – Insurance Subsidiaries' Statutory Capital and Surplus" below.

Additional Information

For information on interest rate spreads and the interest rate risk due to falling interest rates, see "Part I – Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals" and "Effect of Interest Rate Sensitivity" and "Interest Rate Risk on Fixed Insurance Businesses – Falling Rates" in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk."

Insurance Premiums

Insurance premiums relate to traditional products and are a function of the rates priced into the product and the level of business in force. Business in force, in turn, is driven by sales, persistency and mortality experience.

Fee Income

Details underlying fee income, sales, net flows, account values and in-force face amount (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fee Income			
Cost of insurance assessments	$ 2,280	$ 2,136	$ 1,981
Expense assessments	1,694	1,529	1,455
Surrender charges	41	45	52
DFEL:			
Deferrals	(1,063)	(829)	(718)
Amortization, net of interest:			
Amortization, net of interest, excluding unlocking	504	457	355
Unlocking	426	54	(3)
Total fee income	$ 3,882	$ 3,392	$ 3,122

	For the Years Ended December 31,		
	2019	2018	2017
Sales by Product			
UL	$ 57	$ 43	$ 52
MoneyGuard®	298	226	268
IUL	155	62	70
VUL	265	268	194
Term	144	113	114
Total individual life sales	919	712	698
Executive Benefits	163	52	100
Total sales	$ 1,082	$ 764	$ 798
Net Flows			
Deposits	$ 7,320	$ 6,438	$ 6,317
Withdrawals and deaths	(1,898)	(1,759)	(1,785)
Net flows	$ 5,422	$ 4,679	$ 4,532
Contract Holder Assessments	$ 5,243	$ 4,869	$ 4,647

	As of December 31,		
	2019	2018	2017
Account Values			
General account	$ 37,485	$ 36,612	$ 36,072
Separate account	16,770	12,977	12,976
Total account values	$ 54,255	$ 49,589	$ 49,048
Average General Account Values	$ 37,215	36,698	36,191
In-Force Face Amount			
UL and other	$ 357,726	$ 343,922	$ 341,044
Term insurance	472,050	399,877	379,108
Total in-force face amount	$ 829,776	$ 743,799	$ 720,152

Fee income relates only to interest-sensitive products and includes cost of insurance assessments, expense assessments and surrender charges. Both cost of insurance and expense assessments can have deferrals and amortization related to DFEL. Cost of insurance and expense assessments are deducted from our contract holders' account values. These amounts are a function of the rates priced into the product and premiums received, face amount in force and account values. Business in force, in turn, is driven by sales, persistency and mortality experience.

Sales are not recorded as a component of revenues (other than for traditional products) and do not have a significant effect on current quarter income from operations but are indicators of future profitability. Generally, we have higher sales during the second half of the year with the fourth quarter being our strongest.

Sales in the table above and as discussed above were reported as follows:

- *MoneyGuard*®, our linked-benefit product – 15% of total expected premium deposits;
- UL, IUL and VUL – first-year commissionable premiums plus 5% of excess premiums received;
- Executive Benefits – single premium bank-owned UL and VUL, 15% of single premium deposits, and corporate-owned UL and VUL, first-year commissionable premiums plus 5% of excess premium received; and
- Term – 100% of annualized first-year premiums.

We monitor the business environment, including but not limited to the regulatory and interest rate environments, and make changes to our product offerings and in-force products as needed, and as permitted under the terms of the policies, to sustain the future profitability of our segment.

Net Investment Income and Interest Credited

Details underlying net investment income, interest credited (in millions) and our interest rate spread were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Net Investment Income			
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 2,448	$ 2,366	$ 2,337
Commercial mortgage loan prepayment and bond make-whole premiums [(1)]	47	28	46
Alternative investments [(2)]	12	133	98
Surplus investments [(3)]	151	170	162
Total net investment income	$ 2,658	$ 2,697	$ 2,643
Interest Credited	$ 1,433	$ 1,414	$ 1,404

(1) See "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Make-Whole Premiums" below for additional information.

(2) See "Consolidated Investments – Alternative Investments" below for additional information.

(3) Represents net investment income on the required statutory surplus for this segment and includes the effect of investment income on alternative investments for such assets that are held in the portfolios supporting statutory surplus versus the portfolios supporting product liabilities.

	For the Years Ended December 31,		
	2019	2018	2017
Interest Rate Yields and Spread			
Attributable to interest-sensitive products:			
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	4.85%	4.93%	5.07%
Commercial mortgage loan prepayment and bond make-whole premiums	0.10%	0.06%	0.10%
Alternative investments	0.02%	0.30%	0.23%
Net investment income yield on reserves	4.97%	5.29%	5.40%
Interest rate credited to contract holders [(1)]	3.70%	3.73%	3.78%
Interest rate spread [(1)]	1.27%	1.56%	1.62%

(1) Prior year interest rate spreads have been restated to conform to the current year presentation.

A portion of the investment income earned for this segment is credited to contract holder accounts. Statutory reserves will typically grow at a faster rate than account values because of the AG38 reserve requirements. Investments allocated to this segment are based upon the statutory reserve liabilities and are affected by various reserve adjustments, including financing transactions providing relief from AG38 reserve requirements. These financing transactions lead to a transfer of investments from this segment to Other Operations. We expect to earn a spread between what we earn on the underlying general account investments and what we credit to our contract holders' accounts. We use our investment income to offset the earnings effect of the associated growth of our policy reserves for traditional products. Commercial mortgage loan prepayments and bond make-whole premiums and investment income on alternative investments can vary significantly from period to period due to a number of factors, and, therefore, may contribute to investment income results that are not indicative of the underlying trends.

Benefits

Details underlying benefits (dollars in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Benefits			
Death claims direct and assumed	$ 4,594	$ 4,295	$ 4,531
Death claims ceded	(1,689)	(1,648)	(1,997)
Reserves released on death	(616)	(586)	(646)
Net death benefits	2,289	2,061	1,888
Change in secondary guarantee life insurance product reserves:			
Change in reserves, excluding unlocking	625	676	665
Unlocking	445	(61)	50
Change in *MoneyGuard*® reserves:			
Change in reserves, excluding unlocking	451	385	317
Unlocking	48	(24)	(19)
Other benefits [1]	325	308	288
Total benefits	$ 4,183	$ 3,345	$ 3,189
Death claims per $1,000 of in-force	2.92	2.82	2.68

(1) Includes primarily changes in reserves and dividends on traditional and other products.

Benefits for this segment include claims incurred during the period in excess of the associated reserves for its interest-sensitive and traditional products. In addition, benefits include the change in secondary guarantee and linked-benefit life insurance product reserves. These reserves are affected by changes in expected future trends of assessments and benefits causing unlocking adjustments to these liabilities similar to DAC, VOBA and DFEL. Generally, we have higher mortality in the first quarter of the year due to the seasonality of claims. See "Future Contract Benefits and Other Contract Holder Funds" in Note 1 for additional information.

Commissions and Other Expenses

Details underlying commissions and other expenses (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Commissions and Other Expenses			
Commissions	$ 931	$ 760	$ 734
General and administrative expenses	617	541	580
Expenses associated with reserve financing	95	91	91
Taxes, licenses and fees	184	179	155
Total expenses incurred	1,827	1,571	1,560
DAC and VOBA deferrals	(1,094)	(914)	(847)
Total expenses recognized before amortization	733	657	713
DAC and VOBA amortization, net of interest:			
Amortization, net of interest, excluding unlocking	441	545	479
Unlocking	338	165	(11)
Other intangible amortization	4	4	4
Total commissions and other expenses	$ 1,516	$ 1,371	$ 1,185
DAC and VOBA Deferrals			
As a percentage of sales	101.1%	119.6%	106.1%

Commissions and costs that result directly from and are essential to successful acquisition of new or renewal business are deferred to the extent recoverable and for our interest-sensitive products are generally amortized over the life of the contracts in relation to EGPs. For our traditional products, DAC and VOBA are amortized on either a straight-line basis or as a level percent of premium of the related contracts, depending on the block of business. When comparing DAC and VOBA deferrals as a percentage of sales for 2019 and 2018, the decrease was primarily a result of changes in sales mix to products with lower commission rates.

RESULTS OF GROUP PROTECTION

Income (Loss) from Operations

Details underlying the results for Group Protection (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Operating Revenues			
Insurance premiums	$ 4,113	$ 3,383	$ 1,998
Net investment income	307	260	168
Other revenues [1]	168	114	35
Total operating revenues	4,588	3,757	2,201
Operating Expenses			
Interest credited	5	5	2
Benefits	3,036	2,455	1,351
Commissions and other expenses	1,246	1,060	690
Total operating expenses	4,287	3,520	2,043
Income (loss) from operations before taxes	301	237	158
Federal income tax expense (benefit)	63	50	55
Income (loss) from operations	$ 238	$ 187	$ 103

(1) Consists of revenue from third parties for administrative services performed, which has a corresponding partial offset in commissions and other expenses.

	For the Years Ended December 31,		
	2019	2018	2017
Income (Loss) from Operations by Product Line			
Life	$ 77	$ 72	$ 49
Disability	169	123	55
Dental	(9)	(8)	(2)
Total non-medical	237	187	102
Medical	1	-	1
Income (loss) from operations	$ 238	$ 187	$ 103

Comparison of 2019 to 2018

Income from operations for this segment increased due primarily to the following:

- Inclusion of an additional four months of Liberty Group Business results in 2019, due to the acquisition of Liberty Group Business on May 1, 2018. The acquisition resulted in increases in all pre-tax line items presented in the Income (Loss) from Operations table above. For more information about the acquisition, see "Introduction – Executive Summary" above and Note 3 herein.
- Higher insurance premiums driven by growth in business.

The increase in income from operations was partially offset by the following:

- Higher benefits driven by growth in the business and unfavorable claims severity in our life and long-term disability businesses, partially offset by lower incidence in our long-term disability business and favorable reserve adjustments due to modifying certain assumptions on the reserves in these businesses.
- Higher commissions and other expenses driven by growth in business and higher amortization, partially offset by integration synergies and expense efficiencies.

Additional Information

Management compares trends in actual loss ratios to pricing expectations as group-underwriting risks change over time. We expect normal fluctuations in our total loss ratio, as claims experience is inherently uncertain. For every one percent increase in the total loss ratio, we would expect an approximate annual $32 million to $36 million decrease to income from operations. The effects are symmetrical for a comparable decrease in the loss ratio and, therefore, move in an equal and opposite direction.

For information on the effects of current interest rates on our long-term disability claim reserves, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk – Effect of Interest Rate Sensitivity."

Insurance Premiums

Details underlying insurance premiums (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Insurance Premiums by Product Line			
Life	$ 1,500	$ 1,246	$ 829
Disability	2,320	1,838	910
Dental	293	299	259
Total insurance premiums	$ 4,113	$ 3,383	$ 1,998
Sales by Product Line			
Life	344	222	179
Disability	319	257	199
Dental	89	101	126
Total sales	$ 752	$ 580	$ 504

Our cost of insurance and policy administration charges are embedded in the premiums charged to our customers. The premiums are a function of the rates priced into the product and our business in force. Business in force, in turn, is driven by sales and persistency experience.

Sales relate to new contract holders and new programs sold to existing contract holders. We believe that the trend in sales is an important indicator of development of business in force over time. Sales in the table above are the combined annualized premiums for our products.

Net Investment Income

We use our investment income to offset the earnings effect of the associated build of our reserves, which are a function of our insurance premiums and the yields on our investments.

Benefits and Interest Credited

Details underlying benefits and interest credited (in millions) and loss ratios by product line were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Benefits and Interest Credited by Product Line			
Life	$ 1,045	$ 857	$ 540
Disability	1,783	1,386	633
Dental	213	217	180
Total benefits and interest credited	$ 3,041	$ 2,460	$ 1,353
Loss Ratios by Product Line			
Life	69.7%	68.8%	65.1%
Disability (1)	76.8%	75.4%	67.9%
Dental	72.8%	72.7%	69.3%
Total (1)	73.9%	72.7%	66.9%

(1) Excludes the impact of the recapture of certain long-term disability business in the third quarter of 2017.

Generally, we experience higher mortality in the first quarter of the year and higher disability claims in the fourth quarter of the year due to the seasonality of claims. The total loss ratio for 2019 increased due to inclusion of an additional four months of Liberty Group Business results in 2019 as we combined two blocks of business with different loss characteristics.

Commissions and Other Expenses

Details underlying commissions and other expenses (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Commissions and Other Expenses			
Commissions	$ 367	$ 339	$ 257
General and administrative expenses	741	623	374
Taxes, licenses and fees	114	94	49
Total expenses incurred	1,222	1,056	680
DAC deferrals	(110)	(94)	(69)
Total expenses recognized before amortization	1,112	962	611
DAC and VOBA amortization, net of interest (1)	112	93	79
Other intangible amortization (1)	22	5	-
Total commissions and other expenses	$ 1,246	$ 1,060	$ 690
DAC Deferrals			
As a percentage of insurance premiums	2.7%	2.8%	3.5%

(1) See Note 10 for information regarding intangible assets acquired during 2018.

Commissions and other costs that result directly from and are essential to the successful acquisition of new or renewal business are deferred to the extent recoverable and are amortized as a level percent of insurance premiums of the related contracts, depending on the block of business. Certain broker commissions that vary with and are related to paid premiums are expensed as incurred rather than deferred and amortized. Generally, we have higher amortization in the first quarter of the year due to a significant number of policies renewing in the quarter.

RESULTS OF OTHER OPERATIONS

Income (Loss) from Operations

Details underlying the results for Other Operations (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Operating Revenues			
Insurance premiums [(1)]	$ 13	$ 11	$ 10
Net investment income	194	224	242
Amortization of deferred gain on business sold through reinsurance	-	1	22
Other revenues	13	(1)	13
Total operating revenues	220	235	287
Operating Expenses			
Interest credited	58	56	65
Benefits	110	106	117
Other expenses	62	25	47
Interest and debt expense	284	274	253
Strategic digitization expense	66	76	43
Total operating expenses	580	537	525
Income (loss) from operations before taxes	(360)	(302)	(238)
Federal income tax expense (benefit)	(92)	(77)	(130)
Income (loss) from operations	$ (268)	$ (225)	$ (108)

(1) Includes our disability income business, which has a corresponding offset in benefits for changes in reserves.

Comparison of 2019 to 2018

Loss from operations for Other Operations increased due primarily to the following:

- Higher other expenses due to the effect of changes in our stock price on our deferred compensation plans, as our stock price increased during 2019, compared to a significant decrease during 2018.
- Lower net investment income, net of interest credited, related to lower allocated investments driven by a decline in excess capital retained by Other Operations.
- Higher interest and debt expense driven by an increase in average balances of outstanding debt as we prefunded the payment of debt maturing in early 2020 during the third quarter of 2019.

The increase in loss from operations was partially offset by more favorable federal income tax benefits due to excess tax benefits associated with stock option exercises.

Additional Information

We expect to continue making investments as part of our strategic digitization initiative as discussed above in "Introduction – Executive Summary – Significant Operational Matters – Strategic Digitization Initiative," but we expect those investments to be offset going forward by the expense savings in the business segments.

Net Investment Income and Interest Credited

We utilize an internal formula to determine the amount of capital that is allocated to our business segments. Investment income on capital in excess of the calculated amounts is reported in Other Operations. If our business segments require increases in statutory reserves, surplus or investments, the amount of excess capital that is retained by Other Operations would decrease and net investment income would be negatively affected.

Write-downs for OTTI decrease the recorded value of investments owned by the business segments. These write-downs are not included in the income from operations of our business segments. When impairment occurs, assets are transferred to the business segments' portfolios and will reduce the future net investment income for Other Operations. Statutory reserve adjustments for our business segments can also cause allocations of investments between the business segments and Other Operations.

The majority of our interest credited relates to our reinsurance operations sold to Swiss Re Life & Health America, Inc. ("Swiss Re") in 2001. A substantial amount of the business was sold through indemnity reinsurance transactions, which is still recorded in our consolidated financial statements. The interest credited corresponds to investment income earnings on the assets we continue to hold for this business. There is no effect to income or loss in Other Operations or on a consolidated basis for these amounts because interest earned on the blocks that continue to be reinsured is passed through to Swiss Re in the form of interest credited.

Benefits

Benefits are recognized when incurred for institutional pension products and disability income business.

Other Expenses

Details underlying other expenses (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
General and administrative expenses:			
Legal	$ -	$ 1	$ 1
Branding	45	40	35
Other [1]	36	9	31
Total general and administrative expenses	81	50	67
Taxes, licenses and fees [2]	(7)	(13)	(8)
Inter-segment reimbursement associated with reserve financing and LOC expenses [3]	(12)	(12)	(12)
Total other expenses	$ 62	$ 25	$ 47

(1) Includes expenses that are corporate in nature including charitable contributions, the portion of our deferred compensation plan expense attributable to participants' selection of LNC stock as the measure for their investment return and other expenses not allocated to our business segments.

(2) Includes state guaranty funds assessments to cover losses to contract holders of insolvent or rehabilitated insurance companies. Mandatory assessments may be partially recovered through a reduction in future premium taxes in some states.

(3) Consists of reimbursements to Other Operations from the Life Insurance segment for the use of proceeds from certain issuances of senior notes that were used as long-term structured solutions, net of expenses incurred by Other Operations for its use of LOCs.

Interest and Debt Expense

Our current level of interest expense may not be indicative of the future due to, among other things, the timing of the use of cash, the availability of funds from our inter-company cash management program and the future cost of capital. For additional information on our financing activities, see "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow – Financing Activities" below.

REALIZED GAIN (LOSS) AND BENEFIT RATIO UNLOCKING

Details underlying realized gain (loss), after-DAC [1] and benefit ratio unlocking (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Components of Realized Gain (Loss), Pre-Tax			
Total operating realized gain (loss)	$ 184	$ 187	$ 166
Total excluded realized gain (loss)	(794)	(46)	(336)
Total realized gain (loss), pre-tax	$ (610)	$ 141	$ (170)
Reconciliation of Excluded Realized Gain (Loss) Net of Benefit Ratio Unlocking, After-Tax			
Total excluded realized gain (loss)	$ (627)	$ (37)	$ (218)
Benefit ratio unlocking	277	(136)	129
Excluded realized gain (loss) net of benefit ratio unlocking, after-tax	$ (350)	$ (173)	$ (89)
Components of Excluded Realized Gain (Loss) Net of Benefit Ratio Unlocking, After-Tax			
Realized gain (loss) related to certain investments	$ (58)	$ (66)	$ (47)
Gain (loss) on the mark-to-market on certain instruments [2]	(95)	7	(3)
Variable annuity net derivatives results:			
Hedge program performance, including unlocking for GLB reserves hedged	(97)	(137)	14
GLB NPR component	(41)	57	(43)
Total variable annuity net derivatives results	(138)	(80)	(29)
Indexed annuity forward-starting option	(59)	(34)	(10)
Excluded realized gain (loss) net of benefit ratio unlocking, after-tax	$ (350)	$ (173)	$ (89)

[1] DAC refers to the associated amortization of DAC, VOBA, DSI and DFEL and changes in other contract holder funds and funds withheld reinsurance assets and liabilities.

[2] As of December 31, 2019, the modified coinsurance ("Modco") investment portfolio included fixed maturity securities classified as AFS with changes in fair value recorded in OCI. Since the corresponding and offsetting changes in fair value of the embedded derivatives related to the Modco investment portfolio are recorded in realized gain (loss), volatility can occur within net income (loss). See Note 9 for more information.

Comparison of 2019 to 2018

We had higher realized losses due primarily to the following:

- Losses due primarily to unfavorable changes in the fair value of embedded derivatives related to certain Modco reinsurance agreements.
- Unfavorable variable annuity net derivatives results attributable to unfavorable GLB NPR component due to our associated reserves decreasing and credit spreads narrowing, partially offset by favorable hedge program performance due to less volatile markets.
- Higher losses on our indexed annuity forward-starting option due to a decrease in discount rates and growth in new business.

The above components of excluded realized gain (loss) are described net of benefit ratio unlocking, after-tax.

See "Variable Annuity Net Derivatives Results" below for a discussion of how our NPR adjustment is determined.

See "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Unlocking" above for more information about unlocking.

Operating Realized Gain (Loss)

Operating realized gain (loss) includes indexed annuity and IUL net derivatives results representing the net difference between the change in the fair value of the options that we hold and a portion of the change in the fair value of the embedded derivative liabilities of our indexed annuity and IUL products. The portion of the change in the fair value of the embedded derivative liabilities reported in operating realized gain (loss) represents the amount that is credited to the indexed annuity and IUL contracts.

Our GWB, GIB and 4LATER® features have elements of both benefit reserves and embedded derivative reserves. We calculate the value of the benefit reserves and the embedded derivative reserves based on the specific characteristics of each GLB feature. For our GLBs that meet the definition of an embedded derivative under the Derivatives and Hedging Topic of the FASB ASC, we record them at fair value on our Consolidated Balance Sheets with changes in fair value recorded in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). In bifurcating the embedded derivative, we attribute to the embedded derivative the portion of total fees collected from the contract holder that relates to the GLB riders (the "attributed fees"). These attributed fees represent the present value of future claims expected to be paid for the GLB at the inception of the contract (the "net valuation premium") plus a margin that a theoretical market participant would include for risk/profit (the "risk/profit margin").

We also include the risk/profit margin portion of the GLB attributed rider fees in operating realized gain (loss) and include the net valuation premium of the GLB attributed rider fees in excluded realized gain (loss). For our Annuities and Retirement Plan Services segments, the excess of total fees collected from the contract holders over the GLB attributed rider fees is reported in fee income.

Realized Gain (Loss) Related to Certain Investments

See "Consolidated Investments – Realized Gain (Loss) Related to Certain Investments" below.

Gain (Loss) on the Mark-to-Market on Certain Instruments

Gain (loss) on the mark-to-market on certain instruments, including those associated with our consolidated variable interest entities ("VIEs") represents changes in the fair values of certain derivative investments (not including those associated with our variable annuity net derivatives results), reinsurance related embedded derivatives and trading securities.

See Note 4 for information about our consolidated VIEs.

Variable Annuity Net Derivatives Results

Our variable annuity net derivatives results include the net valuation premium, the change in the GLB embedded derivative reserves and the change in the fair value of the derivative instruments we own to hedge them, including the cost of purchasing the hedging instruments. In addition, these results include the changes in reserves not accounted for at fair value and results from benefit ratio unlocking on our GDB and GLB riders and the change in the fair value of the derivative instruments we own to hedge the benefit ratio unlocking on our GDB and GLB riders.

We use derivative instruments to hedge our exposure to the risks and earnings volatility that result from changes in the GLB embedded derivative reserves. The change in fair value of these derivative instruments is designed to generally offset the change in embedded derivative reserves. Our variable annuity net derivatives results can be volatile, especially when sudden and significant changes in equity markets and/or interest rates occur. We do not attempt to hedge the change in the NPR component of the liability. The NPR factors affect the discount rate used in the calculation of the GLB embedded derivative reserve. Our methodology for calculating the NPR component of the embedded derivative reserve utilizes an extrapolated 30-year NPR spread curve applied to a series of expected cash flows over the expected life of the embedded derivative. Our cash flows consist of both expected fees to be received from contract holders and benefits to be paid, and these cash flows are different on a pre- and post-NPR basis. We utilize a model based on our holding company's credit default swap ("CDS") spread adjusted for items, such as the security of policyholder liabilities relative to the security of insurance company debt. Because the guaranteed benefit liabilities are contained within our insurance subsidiaries, we apply items, such as the effect of our insurance subsidiaries' claims-paying ratings compared to holding company credit risk and the over-collateralization of insurance liabilities, in order to determine factors that are representative of a theoretical market participant's view of the NPR of the specific liability within our insurance subsidiaries.

Details underlying our variable annuity hedging program (dollars in millions) were as follows:

	As of December 31, 2019	As of September 30, 2019	As of June 30, 2019	As of March 31, 2019	As of December 31, 2018
Variable annuity hedge program assets (liabilities)	$ 1,998	$ 3,292	$ 2,418	$ 1,967	$ 2,357
Variable annuity reserves – asset (liability):					
Embedded derivative reserves, pre-NPR [1]	$ 620	$ (568)	$ 211	$ 578	$ 252
NPR	(120)	(37)	(101)	(98)	(57)
Embedded derivative reserves	500	(605)	110	480	195
Insurance benefit reserves	(958)	(1,026)	(911)	(916)	(1,060)
Total variable annuity reserves – asset (liability)	$ (458)	$ (1,631)	$ (801)	$ (436)	$ (865)
10-year CDS spread	1.14%	1.36%	1.17%	1.43%	1.67%
NPR factor related to 10-year CDS spread	0.13%	0.19%	0.15%	0.18%	0.25%

(1) Embedded derivative reserves in an asset (liability) position indicate we estimate the present value of future benefits to be less (greater) than the present value of future net valuation premiums.

The following shows the hypothetical effect (in millions) to net income (loss) for changes in the NPR factor along all points on the spread curve as of December 31, 2019:

	Hypothetical Effect
NPR factor:	
Down 13 basis points to zero	$ (62)
Up 20 basis points	44

See "Critical Accounting Policies and Estimates – Derivatives – GLB" above for additional information about our guaranteed benefits.

Indexed Annuity Forward-Starting Option

The liability for the forward-starting option reflects changes in the fair value of embedded derivative liabilities related to index options we may purchase or sell in the future to hedge contract holder index allocations applicable to future reset periods for our indexed annuity products accounted for under the Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the FASB ASC. These fair values represent an estimate of the cost of the options we will purchase or sell in the future, discounted back to the date of the balance sheet, using current market indications of volatility and interest rates, which can vary significantly from period to period due to a number of factors and therefore can provide results that are not indicative of the underlying trends.

CONSOLIDATED INVESTMENTS

Details underlying our consolidated investment balances (in millions) were as follows:

	As of December 31,		Percentage of Total Investments As of December 31,	
	2019	2018	2019	2018
Investments				
Fixed maturity AFS securities	$ 105,200	$ 94,024	78.7%	81.6%
Trading securities	4,673	1,950	3.5%	1.7%
Equity securities	103	99	0.1%	0.1%
Mortgage loans on real estate	16,339	13,260	12.2%	11.5%
Real estate	11	12	0.0%	0.0%
Policy loans	2,477	2,509	1.8%	2.2%
Derivative investments	1,911	1,107	1.4%	1.0%
Alternative investments	1,821	1,725	1.4%	1.4%
Other investments	1,162	530	0.9%	0.5%
Total investments	$ 133,697	$ 115,216	100.0%	100.0%

Investment Objective

Investments are an integral part of our operations. We follow a balanced approach to investing for both current income and prudent risk management, with an emphasis on generating sufficient current income, net of income tax, to meet our obligations to customers, as well as other general liabilities. This balanced approach requires the evaluation of expected return and risk of each asset class utilized, while still meeting our income objectives. This approach is important to our asset-liability management because decisions can be made based upon both the economic and current investment income considerations affecting assets and liabilities. For a discussion of our risk management process, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Investment Portfolio Composition and Diversification

Fundamental to our investment policy is diversification across asset classes. Our investment portfolio, excluding cash and invested cash, is composed of fixed maturity securities, mortgage loans on real estate, real estate (either wholly-owned or in joint ventures) and other long-term investments. We purchase investments for our segmented portfolios that have yield, duration and other characteristics that take into account the liabilities of the products being supported.

We have the ability to maintain our investment holdings throughout credit cycles because of our capital position, the long-term nature of our liabilities and the matching of our portfolios of investment assets with the liabilities of our various products.

Fixed Maturity and Equity Securities Portfolios

Fixed maturity securities consist of portfolios classified as AFS and trading. Details underlying our fixed maturity AFS securities by industry classification (in millions) are presented in the tables below. These tables agree in total with the presentation of fixed maturity AFS securities in Note 5; however, the categories below represent a more detailed breakout of the fixed maturity AFS portfolio. Therefore, the investment classifications listed below do not agree to the investment categories provided in Note 5.

	As of December 31, 2019				
		Gross Unrealized			%
	Amortized Cost	Gains	Losses and OTTI (1)	Fair Value	Fair Value
Fixed Maturity AFS Securities					
Industry corporate bonds:					
Financial services	$ 13,991	$ 1,632	$ 43	$ 15,580	14.8%
Basic industry	4,570	491	6	5,055	4.8%
Capital goods	6,700	760	10	7,450	7.1%
Communications	4,314	654	7	4,961	4.7%
Consumer cyclical	5,335	536	9	5,862	5.6%
Consumer non-cyclical	14,215	1,813	21	16,007	15.2%
Energy	6,080	649	44	6,685	6.4%
Technology	4,039	382	4	4,417	4.2%
Transportation	3,283	309	2	3,590	3.4%
Industrial other	1,563	98	2	1,659	1.6%
Utilities	13,533	1,861	20	15,374	14.6%
Government related entities	1,794	294	12	2,076	2.0%
Collateralized mortgage and other obligations ("CMOs"):					
Agency backed	1,893	108	9	1,992	1.9%
Non-agency backed	527	49	(18)	594	0.6%
Mortgage pass through securities ("MPTS"):					
Agency backed	622	33	-	655	0.6%
Commercial mortgage-backed securities ("CMBS"):					
Agency backed	20	1	-	21	0.0%
Non-agency backed	1,018	44	-	1,062	1.0%
Asset-backed securities ("ABS"):					
Collateralized loan obligations ("CLOs")	3,612	7	8	3,611	3.4%
Credit card	78	22	1	99	0.1%
Equipment receivables	20	1	-	21	0.0%
Home equity	369	15	(27)	411	0.4%
Manufactured housing	9	-	-	9	0.0%
Student loans	30	1	-	31	0.0%
Other	692	16	1	707	0.7%
Municipals:					
Taxable	4,675	1,091	7	5,759	5.5%
Tax-exempt	103	22	-	125	0.1%
Government:					
United States	384	51	-	435	0.4%
Foreign	329	64	-	393	0.4%
Hybrid and redeemable preferred securities	497	82	20	559	0.5%
Total fixed maturity AFS securities	94,295	11,086	181	105,200	100.0%
Trading Securities (2)	4,330	353	10	4,673	
Equity Securities	123	5	25	103	
Total fixed maturity AFS, trading and equity securities	$ 98,748	$ 11,444	$ 216	$ 109,976	

	As of December 31, 2018				
		Gross Unrealized			%
	Amortized Cost	Gains	Losses and OTTI (1)	Fair Value	Fair Value
Fixed Maturity AFS Securities					
Industry corporate bonds:					
Financial services	$ 13,762	$ 465	$ 352	$ 13,875	14.8%
Basic industry	4,542	137	152	4,527	4.8%
Capital goods	6,531	236	182	6,585	7.0%
Communications	4,686	210	133	4,763	5.1%
Consumer cyclical	5,475	160	180	5,455	5.8%
Consumer non-cyclical	14,307	543	507	14,343	15.3%
Energy	6,383	217	227	6,373	6.8%
Technology	3,698	64	81	3,681	3.9%
Transportation	3,289	91	99	3,281	3.5%
Industrial other	1,328	24	30	1,322	1.4%
Utilities	13,330	692	249	13,773	14.6%
Government related entities	2,292	141	63	2,370	2.5%
CMOs:					
Agency backed	1,747	52	56	1,743	1.9%
Non-agency backed	732	48	(13)	793	0.8%
MPTS:					
Agency backed	829	18	10	837	0.9%
CMBS:					
Agency backed	20	-	-	20	0.0%
Non-agency backed	791	6	13	784	0.8%
ABS:					
CLOs	1,746	3	19	1,730	1.8%
Credit card	78	16	-	94	0.1%
Equipment receivables	37	1	-	38	0.0%
Home equity	508	17	(9)	534	0.6%
Manufactured housing	15	1	-	16	0.0%
Student loans	38	-	-	38	0.0%
Other	240	7	1	246	0.3%
Municipals:					
Taxable	4,551	711	18	5,244	5.6%
Tax-exempt	96	5	-	101	0.1%
Government:					
United States	390	29	2	417	0.5%
Foreign	406	42	-	448	0.5%
Hybrid and redeemable preferred securities	582	45	34	593	0.6%
Total fixed maturity AFS securities	92,429	3,981	2,386	94,024	100.0%
Trading Securities (2)	1,823	137	10	1,950	
Equity Securities	116	1	18	99	
Total fixed maturity AFS, trading and equity securities	$ 94,368	$ 4,119	$ 2,414	$ 96,073	

(1) Includes unrealized gains and (losses) on credit-impaired securities related to changes in the fair value of such securities subsequent to the impairment measurement date.

(2) Certain of our trading securities support our Modco reinsurance agreements and the investment results are passed directly to the reinsurers. See "Trading Securities" below for more information.

Fixed Maturity AFS Securities

In accordance with the fixed maturity AFS accounting guidance, we reflect stockholders' equity as if unrealized gains and losses were actually recognized, and consider all related accounting adjustments that would occur upon such a hypothetical recognition of unrealized gains and losses. Such related balance sheet effects include adjustments to the balances of DAC, VOBA, DFEL, future contract benefits, other contract holder funds and deferred income taxes. Adjustments to each of these balances are charged or credited to AOCI. For instance, DAC is adjusted upon the recognition of unrealized gains or losses because the amortization of DAC is based upon an assumed emergence of gross profits on certain insurance business. Deferred income tax balances are also adjusted because unrealized gains or losses do not affect actual taxes currently paid.

The quality of our fixed maturity AFS securities portfolio, as measured at estimated fair value and by the percentage of fixed maturity AFS securities invested in various ratings categories, relative to the entire fixed maturity AFS security portfolio (in millions) was as follows:

NAIC Designation (1)	Rating Agency Equivalent Designation (1)	As of December 31, 2019 Amortized Cost	Fair Value	% of Total	As of December 31, 2018 Amortized Cost	Fair Value	% of Total
Investment Grade Securities							
1	AAA / AA / A	$ 51,367	$ 58,235	55.4%	$ 49,086	$ 51,118	54.4%
2	BBB	39,473	43,460	41.3%	39,872	39,641	42.1%
Total investment grade securities		90,840	101,695	96.7%	88,958	90,759	96.5%
Below Investment Grade Securities							
3	BB	2,309	2,388	2.3%	2,565	2,448	2.6%
4	B	960	955	0.9%	803	741	0.8%
5	CCC and lower	158	136	0.1%	95	63	0.1%
6	In or near default	28	26	0.0%	8	13	0.0%
Total below investment grade securities		3,455	3,505	3.3%	3,471	3,265	3.5%
Total fixed maturity AFS securities		$ 94,295	$ 105,200	100.0%	$ 92,429	$ 94,024	100.0%
Total securities below investment grade as a percentage of total fixed maturity AFS securities		3.7%	3.3%		3.8%	3.5%	

(1) Based upon the rating designations determined and provided by the National Association of Insurance Commissioners ("NAIC") or the major credit rating agencies (Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and S&P). For securities where the ratings assigned by the major credit rating agencies are not equivalent, the second lowest rating assigned is used. For those securities where ratings by the major credit rating agencies are not available, which does not represent a significant amount of our total fixed maturity AFS securities, we base the ratings disclosed upon internal ratings.

Comparisons between the NAIC ratings and rating agency designations are published by the NAIC. The NAIC assigns securities quality ratings and uniform valuations, which are used by insurers when preparing their annual statements. The NAIC ratings are similar to the rating agency designations of the Nationally Recognized Statistical Rating Organizations for marketable bonds. NAIC ratings 1 and 2 include bonds generally considered investment grade (rated Baa3 or higher by Moody's, or rated BBB- or higher by S&P and Fitch) by such ratings organizations. However, securities rated NAIC 1 and 2 could be deemed below investment grade by the rating agencies as a result of the current RBC rules for residential mortgage-backed securities ("RMBS") and CMBS for statutory reporting. NAIC ratings 3 through 6 include bonds generally considered below investment grade (rated Ba1 or lower by Moody's, or rated BB+ or lower by S&P and Fitch).

As of December 31, 2019, and 2018, 87% and 95%, respectively, of the total fixed maturity AFS securities in an unrealized loss position were investment grade. See Note 5 for maturity date information for our fixed maturity investment portfolio. Our gross unrealized losses, including the portion of OTTI recognized in other comprehensive income (loss) ("OCI"), on fixed maturity AFS securities as of December 31, 2019, decreased by $2.2 billion since December 31, 2018. As more fully described in Note 1, we regularly review our investment holdings for OTTI. We concluded the unrealized loss position as of December 31, 2019, does not represent OTTI as: (i) we do not intend to sell the debt securities; (ii) it is not more likely than not that we will be required to sell the debt securities before recovery of their amortized cost basis; and (iii) the estimated future cash flows are equal to or greater than the amortized cost basis of the debt securities. For further information on our unrealized losses on fixed maturity AFS securities, see "Composition by Industry Categories of our Unrealized Losses on Fixed Maturity AFS Securities" below.

In our evaluation of OTTI, we concluded: (i) that it is not more likely than not that we will be required to sell the fixed maturity AFS securities before recovery of their amortized cost basis; and (ii) that the estimated future cash flows are equal to or greater than the amortized cost basis of the debt securities. This conclusion is consistent with our asset-liability management process. Management considers the following as part of the evaluation:

- The current economic environment and market conditions;
- Our business strategy and current business plans;
- The nature and type of security, including expected maturities and exposure to general credit, liquidity, market and interest rate risk;
- Our analysis of data from financial models and other internal and industry sources to evaluate the current effectiveness of our hedging and overall risk management strategies;
- The current and expected timing of contractual maturities of our assets and liabilities, expectations of prepayments on investments and expectations for surrenders and withdrawals of life insurance policies and annuity contracts;
- The capital risk limits approved by management; and
- Our current financial condition and liquidity demands.

To determine the recoverability of a debt security, we consider the facts and circumstances surrounding the underlying issuer including, but not limited to, the following:

- Historical and implied volatility of the security;
- Length of time and extent to which the fair value has been less than amortized cost;
- Adverse conditions specifically related to the security or to specific conditions in an industry or geographic area;
- Failure, if any, of the issuer of the security to make scheduled payments; and
- Recoveries or additional declines in fair value subsequent to the balance sheet date.

As reported on our Consolidated Balance Sheets, we had $136.3 billion of investments and cash, which exceeded the liabilities for our future obligations under insurance policies and contracts, net of amounts recoverable from reinsurers, which totaled $117.3 billion as of December 31, 2019. If it were necessary to liquidate fixed maturity AFS securities prior to maturity or call to meet cash flow needs, we would first look to those fixed maturity AFS securities that are in an unrealized gain position, which had a fair value of $97.7 billion as of December 31, 2019, rather than selling fixed maturity AFS securities in an unrealized loss position. The amount of cash that we have on hand at any point in time takes into account our liquidity needs in the future, other sources of cash, such as the maturities of investments, interest and dividends we earn on our investments and the ongoing cash flows from new and existing business.

See "Fixed Maturity AFS Securities – Evaluation for Recovery of Amortized Cost" in Note 1 and Note 5 for additional discussion.

As of December 31, 2019, and 2018, the estimated fair value for all private placement securities was $17.0 billion and $15.3 billion, respectively, representing 13% of total investments.

Trading Securities

Trading securities, which in certain cases support reinsurance funds withheld and our Modco reinsurance agreements, are carried at fair value and changes in fair value are recorded in net income as they occur. Investment results for these certain portfolios, including gains and losses from sales, are passed directly to the reinsurers through the contractual terms of the reinsurance arrangements. Offsetting these amounts in certain cases are corresponding changes in fair value of the embedded derivative liability associated with the underlying reinsurance arrangement. See Notes 1 and 9 for more information regarding Modco.

Mortgage-Backed Securities (Included in Fixed Maturity AFS and Trading Securities)

Our fixed maturity securities include mortgage-backed securities ("MBS"). These securities are subject to risks associated with variable prepayments. This may result in differences between the actual cash flow and maturity of these securities than that expected at the time of purchase. Securities that have an amortized cost greater than par and are backed by mortgages that prepay faster than expected will incur a reduction in yield or a loss. Those securities with an amortized cost lower than par that prepay faster than expected will generate an increase in yield or a gain. In addition, we may incur reinvestment risks if market yields are lower than the book yields earned on the securities. Prepayments occurring slower than expected have the opposite effect. The degree to which a security is susceptible to either gains or losses is influenced by: the difference between its amortized cost and par; the relative sensitivity of the underlying mortgages backing the assets to prepayment in a changing interest rate environment; and the repayment priority of the securities in the overall securitization structure.

We limit the extent of our risk on MBS by prudently limiting exposure to the asset class, by generally avoiding the purchase of securities with a cost that significantly exceeds par, by purchasing securities with improving collateral performance, and by primarily investing in securities that are current pay and senior priority in their trust structure. A significant amount of assets in our MBS portfolio are either guaranteed by U.S. government-sponsored enterprises, supported in the securitization structure by junior securities or purchased at discounted prices significantly lower than their expected recovery value, enabling the assets to achieve high investment grade status.

Our exposure to subprime mortgage lending is limited to investments in banks and other financial institutions that may be affected by subprime lending and direct investments in ABS and RMBS. Mortgage-related ABS are backed by home equity loans and RMBS are backed by residential mortgages. These securities are backed by loans that are characterized by borrowers of differing levels of creditworthiness: prime; Alt-A; and subprime. Prime lending is the origination of residential mortgage loans to customers with excellent credit profiles. Alt-A lending is the origination of residential mortgage loans to customers who have prime credit profiles but lack documentation to substantiate income. Subprime lending is the origination of loans to customers with weak or impaired credit profiles.

Delinquency and loss rates on residential mortgages and home equity loans have been showing positive trends, and, as long as the unemployment rate remains stable to improving, we expect these trends to continue. We continue to expect to receive payments in accordance with contractual terms for a significant amount of our securities, largely due to the seniority of the claims on the collateral of the securities that we own. The tranches of the securities will experience losses according to their seniority level with the least senior (or most junior), typically the unrated residual tranche, taking the first loss. Our ABS home equity and RMBS had a market value of $3.8 billion and a net unrealized gain of $247 million as of December 31, 2019.

The market value of fixed maturity AFS securities and trading securities backed by subprime loans was $377 million and represented less than 1% of our total investment portfolio as of December 31, 2019. Fixed maturity AFS securities represented $363 million, or 96%, and trading securities represented $14 million, or 4%, of the subprime exposure as of December 31, 2019. The table below summarizes our investments in fixed maturity AFS securities backed by pools of residential mortgages (in millions) as of December 31, 2019:

	Agency		Prime		Alt-A		Subprime/ Option ARM (1)		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type										
RMBS	$ 2,515	$ 2,647	$ 162	$ 180	$ 135	$ 153	$ 230	$ 261	$ 3,042	$ 3,241
ABS home equity	1	1	35	36	50	54	283	320	369	411
Total by type (2)(3)	$ 2,516	$ 2,648	$ 197	$ 216	$ 185	$ 207	$ 513	$ 581	$ 3,411	$ 3,652
Rating										
AAA	$ 2,069	$ 2,184	$ 1	$ 1	$ -	$ -	$ 4	$ 4	$ 2,074	$ 2,189
AA	447	464	19	20	15	15	12	13	493	512
A	-	-	17	17	1	1	49	49	67	67
BBB	-	-	4	5	14	14	13	14	31	33
BB and below	-	-	156	173	155	177	435	501	746	851
Total by rating (2)(3)(4)	$ 2,516	$ 2,648	$ 197	$ 216	$ 185	$ 207	$ 513	$ 581	$ 3,411	$ 3,652
Origination Year										
2009 and prior	$ 503	$ 558	$ 181	$ 199	$ 184	$ 206	$ 513	$ 581	$ 1,381	$ 1,544
2010	205	222	-	-	-	-	-	-	205	222
2011	92	97	-	-	-	-	-	-	92	97
2012	35	36	-	-	-	-	-	-	35	36
2013	194	201	-	-	-	-	-	-	194	201
2014	69	75	1	1	-	-	-	-	70	76
2015	164	171	15	16	-	-	-	-	179	187
2016	571	570	-	-	1	1	-	-	572	571
2017	288	303			-	-	-	-	288	303
2018	222	241	-	-	-	-	-	-	222	241
2019	173	174	-	-	-	-	-	-	173	174
Total by origination year (2)(3)	$ 2,516	$ 2,648	$ 197	$ 216	$ 185	$ 207	$ 513	$ 581	$ 3,411	$ 3,652
Total fixed maturity AFS securities backed by pools of residential mortgages as a percentage of total fixed maturity AFS securities									3.6%	3.5%
Total prime, Alt-A and subprime/option ARM as a percentage of total fixed maturity AFS securities									0.9%	1.0%

(1) Includes the amortized cost and fair value of option adjustable rate mortgages ("ARM") within RMBS, totaling $190 million and $218 million, respectively.

(2) Does not include the amortized cost of trading securities totaling $169 million that primarily support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $169 million in trading securities consisted of $155 million prime, $1 million Alt-A and $13 million subprime.

(3) Does not include the fair value of trading securities totaling $174 million that primarily support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $174 million in trading securities consisted of $159 million prime, $1 million Alt-A and $14 million subprime.

(4) Based upon the rating designations determined and provided by the major credit rating agencies (Fitch, Moody's and S&P). For securities where the ratings assigned by the major credit agencies are not equivalent, the second lowest rating assigned is used. For those securities where ratings by the major credit rating agencies are not available, which does not represent a significant amount of our total fixed maturity AFS securities, we base the ratings disclosed upon internal ratings.

None of these investments included any direct investments in subprime lenders or mortgages. We are not aware of material exposure to subprime loans in our alternative asset portfolio.

The following summarizes our investments in AFS securities backed by pools of commercial mortgages (in millions) as of December 31, 2019:

	Multiple Property		Single Property		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type						
CMBS (1)(2)	$ 1,023	$ 1,066	$ 15	$ 17	$ 1,038	$ 1,083
Rating						
AAA	$ 1,005	$ 1,047	$ 4	$ 4	$ 1,009	$ 1,051
AA	18	18	6	7	24	25
A	-	-	5	6	5	6
BB and below	-	1	-	-	-	1
Total by rating (1)(2)(3)	$ 1,023	$ 1,066	$ 15	$ 17	$ 1,038	$ 1,083
Origination Year						
2009 and prior	$ 12	$ 15	$ 11	$ 13	$ 23	$ 28
2010	3	3	-	-	3	3
2011	8	8	-	-	8	8
2012	27	28	-	-	27	28
2013	153	155	-	-	153	155
2015	7	8	-	-	7	8
2016	86	88	4	4	90	92
2017	323	338	-	-	323	338
2018	164	177	-	-	164	177
2019	240	246	-	-	240	246
Total by origination year (1)(2)	$ 1,023	$ 1,066	$ 15	$ 17	$ 1,038	$ 1,083
Total fixed maturity AFS securities backed by pools of commercial mortgages as a percentage of total fixed maturity AFS securities					1.1%	1.0%

(1) Does not include the amortized cost of trading securities totaling $161 million that primarily support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $161 million in trading securities consisted of $69 million of multiple property CMBS and $92 million of single property CMBS.

(2) Does not include the fair value of trading securities totaling $163 million that primarily support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $163 million in trading securities consisted of $71 million of multiple property CMBS and $92 million of single property CMBS.

(3) Based upon the rating designations determined and provided by the major credit rating agencies (Fitch, Moody's and S&P). For securities where the ratings assigned by the major credit rating agencies are not equivalent, the second lowest rating assigned is used. For those securities where ratings by the major credit rating agencies are not available, which does not represent a significant amount of our total fixed maturity AFS securities, we base the ratings disclosed upon internal ratings.

As of December 31, 2019, the amortized cost and fair value of our fixed maturity AFS exposure to monoline insurers was $356 million and $407 million, respectively.

Composition by Industry Categories of our Unrealized Losses on Fixed Maturity AFS Securities

When considering unrealized gain and loss information, it is important to recognize that the information relates to the position of securities at a particular point in time and may not be indicative of the position of our investment portfolios subsequent to the balance sheet date. Further, because the timing of the recognition of realized investment gains and losses through the selection of which securities are sold is largely at management's discretion, it is important to consider the information provided below within the context of the overall unrealized gain or loss position of our investment portfolios. These are important considerations that should be included in any evaluation of the potential effect of securities in an unrealized loss position on our future earnings.

The composition by industry categories of all fixed maturity AFS securities in an unrealized loss position (in millions) as of December 31, 2019, was as follows:

	Amortized Cost	% Amortized Cost	Gross Unrealized Losses and OTTI	% Gross Unrealized Losses and OTTI	Fair Value	% Fair Value
Banking	$ 256	3.3%	$ 51	21.0%	$ 205	2.7%
Oil field services	151	1.9%	25	10.2%	126	1.7%
ABS	2,098	27.0%	17	7.0%	2,081	27.7%
Government owned, no guarantee	116	1.5%	9	3.7%	107	1.4%
Integrated	86	1.1%	9	3.7%	77	1.0%
Local Authorities	363	4.7%	8	3.3%	355	4.7%
Utility - other	293	3.8%	8	3.3%	285	3.8%
Healthcare	365	4.7%	7	2.8%	358	4.8%
Pharmaceuticals	112	1.4%	7	2.9%	105	1.4%
Property and casualty	35	0.5%	6	2.4%	29	0.4%
Electric	460	5.9%	6	2.5%	454	6.0%
Finance companies	173	2.2%	6	2.5%	167	2.2%
Independent	168	2.2%	6	2.5%	162	2.2%
MBS	291	3.7%	5	2.1%	286	3.8%
Midstream	91	1.2%	5	2.1%	86	1.1%
Food and beverage	212	2.8%	5	2.1%	207	2.8%
Industries with unrealized losses less than $5 million	2,494	32.1%	63	25.9%	2,431	32.3%
Total by industry	$ 7,764	100.0%	$ 243	100.0%	$ 7,521	100.0%
Total by industry as a percentage of total fixed maturity AFS securities	8.2%		100.0%		7.1%	

As of December 31, 2019, the amortized cost and fair value of securities subject to enhanced analysis and monitoring for potential changes in unrealized loss position was $34 million and $31 million, respectively.

Mortgage Loans on Real Estate

The following tables summarize key information on mortgage loans on real estate (in millions):

	As of December 31, 2019			
	Commercial	Residential	Total	%
Credit Quality Indicator				
Current	$ 15,606	$ 716	$ 16,322	99.9%
Delinquent (1)	-	9	9	0.1%
Foreclosure (2)	-	8	8	0.0%
General valuation allowance	-	-	-	0.0%
Total mortgage loans on real estate	$ 15,606	$ 733	$ 16,339	100.0%

	As of December 31, 2018			
	Commercial	Residential	Total	%
Credit Quality Indicator				
Current	$ 13,012	$ 247	$ 13,259	100.0%
Delinquent (1)	-	1	1	0.0%
Foreclosure (2)	-	-	-	0.0%
Total mortgage loans on real estate	$ 13,012	$ 248	$ 13,260	100.0%

(1) As of December 31, 2019, three commercial mortgage loans and 24 residential mortgage loans were delinquent. As of December 31, 2018, nine commercial loans and two residential loans were delinquent.

(2) As of December 31, 2019, no commercial mortgage loans and 14 residential mortgage loans were in foreclosure. As of December 31, 2018, there were no mortgage loans in foreclosure.

As of December 31, 2019, there was one specifically identified impaired commercial mortgage loan on real estate with a carrying value of less than $1 million and four specifically identified impaired residential mortgage loans on real estate with an aggregate carrying value of

$1 million. As of December 31, 2018, there were no specifically identified impaired commercial or residential mortgage loans on real estate.

The total outstanding principal and interest on commercial mortgage loans on real estate that were two or more payments delinquent as of December 31, 2019 and 2018, was less than $1 million. The total outstanding principal and interest on residential mortgage loans on real estate that were three or more payments delinquent as of December 31, 2019 and 2018, was $9 million and less than $1 million, respectively.

See Note 1 for more information regarding our accounting policy relating to the impairment of mortgage loans on real estate.

The carrying value of mortgage loans on real estate by business segment (in millions) was as follows:

	As of December 31,	
	2019	2018
Segment		
Annuities	$ 5,453	$ 3,962
Retirement Plan Services	4,096	3,599
Life Insurance	4,096	3,829
Group Protection	1,361	1,089
Other Operations	1,333	781
Total mortgage loans on real estate	$ 16,339	$ 13,260

The composition of commercial mortgage loans (in millions) by property type, geographic region and state is shown below:

	As of December 31, 2019	
	Carrying Value	%
Property Type		
Apartment	$ 5,109	32.8%
Office building	3,798	24.3%
Industrial	2,855	18.3%
Retail	2,674	17.1%
Other commercial	702	4.5%
Hotel/Motel	242	1.6%
Mixed use	226	1.4%
Total	$ 15,606	100.0%
Geographic Region		
Pacific	$ 4,554	29.2%
South Atlantic	3,415	21.9%
West South Central	1,934	12.4%
Middle Atlantic	1,692	10.8%
East North Central	1,479	9.5%
Mountain	768	4.9%
East South Central	732	4.7%
West North Central	516	3.3%
New England	483	3.1%
Non U.S.	33	0.2%
Total	$ 15,606	100.0%

	As of December 31, 2019	
	Carrying Value	%
State		
CA	$ 3,675	23.6%
TX	1,785	11.4%
NY	909	5.8%
FL	738	4.7%
MD	701	4.5%
GA	694	4.5%
TN	582	3.7%
OH	575	3.7%
PA	553	3.5%
WA	548	3.5%
VA	446	2.9%
NC	413	2.6%
IL	368	2.4%
OR	331	2.1%
MA	325	2.1%
AZ	324	2.1%
WI	321	2.1%
Non U.S.	33	0.2%
All other states	2,285	14.6%
Total	$ 15,606	100.0%

The following tables show the principal amount (in millions) of our commercial and residential mortgage loans by origination year and by year in which the principal is contractually obligated to be repaid:

	As of December 31, 2019			
	Commercial	Residential	Total	%
Origination Year				
2014 and prior	$ 3,764	$ -	$ 3,764	23.0%
2015	1,775	-	1,775	10.9%
2016	1,972	-	1,972	12.1%
2017	2,016	-	2,016	12.3%
2018	2,632	194	2,826	17.3%
2019	3,464	518	3,982	24.4%
Total	$ 15,623	$ 712	$ 16,335	100.0%

	As of December 31, 2019			
	Commercial	Residential	Total	%
Principal Repayment Year				
2020	$ 577	$ 8	$ 585	3.5%
2021	1,032	8	1,040	6.4%
2022	906	9	915	5.6%
2023	903	9	912	5.6%
2024	1,242	10	1,252	7.7%
2025 and thereafter	10,963	668	11,631	71.2%
Total	$ 15,623	$ 712	$ 16,335	100.0%

See Note 5 for information regarding our loan-to-value and debt-service coverage ratios and our valuation allowance for loan losses.

Alternative Investments

Investment income (loss) on alternative investments by business segment (in millions) was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Annuities	$ 2	$ 27	$ 23
Retirement Plan Services	2	15	11
Life Insurance	15	161	119
Group Protection	2	14	8
Other Operations	1	5	4
Total (1)	$ 22	$ 222	$ 165

(1) Includes net investment income on the alternative investments supporting the required statutory surplus of our insurance businesses.

As of December 31, 2019, and 2018, alternative investments included investments in 258 and 237 different partnerships, respectively, and the portfolio represented approximately 1% of our total investments. The partnerships do not represent off-balance sheet financing and generally involve several third-party partners. Some of our partnerships contain capital calls, which require us to contribute capital upon notification by the general partner. These capital calls are contemplated during the initial investment decision and are planned for well in advance of the call date. The capital calls are not material in size and are not material to our liquidity. Alternative investments are accounted for using the equity method of accounting and are included in other investments on our Consolidated Balance Sheets.

Non-Income Producing Investments

As of December 31, 2019, and 2018, the carrying amount of fixed maturity securities, mortgage loans on real estate and real estate that were non-income producing was $9 million and $7 million, respectively.

Net Investment Income

Details underlying net investment income (in millions) and our investment yield were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Net Investment Income			
Fixed maturity AFS securities	$ 4,281	$ 4,209	$ 4,163
Equity AFS securities	-	-	12
Trading securities	191	84	94
Equity securities	4	4	-
Mortgage loans on real estate	629	496	440
Real estate	1	1	2
Policy loans	129	123	135
Invested cash	40	26	11
Commercial mortgage loan prepayment and bond make-whole premiums (1)	119	79	139
Alternative investments (2)	22	222	165
Consent fees	8	4	6
Other investments	30	23	2
Investment income	5,454	5,271	5,169
Investment expense	(231)	(186)	(179)
Net investment income	$ 5,223	$ 5,085	$ 4,990

(1) See “Commercial Mortgage Loan Prepayment and Bond Make-Whole Premiums” below for additional information.

(2) See “Alternative Investments” above for additional information.

	For the Years Ended December 31,		
	2019	2018	2017
Interest Rate Yield			
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	4.35%	4.44%	4.55%
Commercial mortgage loan prepayment and bond make-whole premiums	0.10%	0.07%	0.14%
Alternative investments	0.02%	0.21%	0.16%
Net investment income yield on invested assets	4.47%	4.72%	4.85%

We earn investment income on our general account assets supporting fixed annuity, term life, whole life, UL, interest-sensitive whole life and the fixed portion of retirement plan and VUL products. The profitability of our fixed annuity and life insurance products is affected by our ability to achieve target spreads, or margins, between the interest income earned on the general account assets and the interest credited to the contract holder on our average fixed account values, including the fixed portion of variable. Net investment income and the interest rate yield table each include commercial mortgage loan prepayments and bond make-whole premiums and alternative investments. These items can vary significantly from period to period due to a number of factors and, therefore, can provide results that are not indicative of the underlying trends.

Commercial Mortgage Loan Prepayment and Bond Make-Whole Premiums

Prepayment and make-whole premiums are collected when borrowers elect to call or prepay their debt prior to the stated maturity. A prepayment or make-whole premium allows investors to attain the same yield as if the borrower made all scheduled interest payments until maturity. These premiums are designed to make investors indifferent to prepayment.

The increase in prepayment and make-whole premiums when comparing 2019 to 2018 was attributable primarily to increased refinancing activity.

Realized Gain (Loss) Related to Certain Investments

Details of the realized gain (loss) related to certain investments (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fixed maturity AFS securities:			
Gross gains	$ 45	$ 38	$ 19
Gross losses	(73)	(80)	(44)
Gross OTTI	(16)	(7)	(20)
Equity AFS securities:			
Gross gains	-	-	6
Gain (loss) on other investments [1]	(16)	(13)	(12)
Associated amortization of DAC, VOBA, DSI and DFEL and changes in other contract holder funds	(13)	(22)	(21)
Total realized gain (loss) related to certain investments	$ (73)	$ (84)	$ (72)

(1) Includes market adjustments on equity securities still held of $(4) million and $(17) million for the years ended December 31, 2019 and 2018, respectively.

Amortization of DAC, VOBA, DSI and DFEL and changes in other contract holder funds reflect an assumption for an expected level of credit-related investment losses. When actual credit-related investment losses are realized, we recognize a true-up to our DAC, VOBA, DSI and DFEL amortization and changes in other contract holder funds within realized losses reflecting the incremental effect of actual versus expected credit-related investment losses. These actual to expected amortization adjustments could create volatility in net realized gains and losses.

Realized gains and losses generally originate from asset sales to reposition the portfolio or to respond to product experience. In the process of evaluating whether a security with an unrealized loss reflects declines that are other-than-temporary, we consider our ability and intent to sell the security prior to a recovery of value. However, subsequent decisions on securities sales are made within the context of overall risk monitoring, assessing value relative to other comparable securities and overall portfolio maintenance. Although our portfolio managers may, at a given point in time, believe that the preferred course of action is to hold securities with unrealized losses that are considered temporary until such losses are recovered, the dynamic nature of portfolio management may result in a subsequent decision to sell. These subsequent decisions are consistent with the classification of our investment portfolio as AFS. We expect to continue to manage all non-trading investments within our portfolios in a manner that is consistent with the AFS classification.

We consider economic factors and circumstances within industries and countries where recent write-downs have occurred in our assessment of the position of securities we own of similarly situated issuers. While it is possible for realized or unrealized losses on a particular investment to affect other investments, our risk management strategy has been designed to identify correlation risks and other risks inherent in managing an investment portfolio. Once identified, strategies and procedures are developed to effectively monitor and manage these risks. The areas of risk correlation that we pay particular attention to are risks that may be correlated within specific financial and business markets, risks within specific industries and risks associated with related parties.

When the detailed analysis by our external asset managers and investment portfolio managers leads us to the conclusion that a security's decline in fair value is other-than-temporary, the security is written down to estimated recovery value. In instances where declines are considered temporary, the security will continue to be carefully monitored. See "Critical Accounting Policies and Estimates – Investments – Write-downs for OTTI and Valuation Allowances" above for additional information on our portfolio management strategy.

Details underlying write-downs taken as a result of OTTI that were recognized in net income (loss) and included in realized gain (loss) on fixed maturity AFS securities above and the portion of OTTI recognized in OCI (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
OTTI Recognized in Net Income (Loss)			
Fixed maturity AFS securities:			
Corporate bonds	$ (14)	$ (5)	$ (13)
State and municipal bonds	-	-	(1)
RMBS	(1)	(1)	(2)
CMBS	-	-	(2)
ABS	(1)	(1)	(2)
Gross OTTI recognized in net income (loss)	(16)	(7)	(20)
Associated amortization of DAC, VOBA, DSI and DFEL	1	-	2
Net OTTI recognized in net income (loss)	$ (15)	$ (7)	$ (18)
OTTI Recognized in OCI			
Gross OTTI recognized in OCI	$ 16	$ -	$ -
Change in DAC, VOBA, DSI and DFEL	(1)	-	-
Net OTTI recognized in OCI	$ 15	$ -	$ -

The $16 million of impairments taken during 2019 were all credit-related impairments. The increase in write-downs for OTTI when comparing 2019 to 2018 was primarily attributable to individual credit risks within our corporate bond holdings.

The increase in OTTI recognized in OCI when comparing 2019 to 2018 was primarily attributable to the fair values and recovery values being less aligned on impaired securities resulting in an increase of the non-credit portion of the impairment.

REINSURANCE

Our insurance companies cede insurance to other companies. The portion of our life insurance risks exceeding each of our insurance companies' retention limit is reinsured with other insurers. We seek life and annuity reinsurance coverage to limit our exposure to mortality losses and/or to enhance our capital and risk management. We acquire other reinsurance as applicable with retentions and limits that management believes are appropriate for the circumstances. The consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" reflect insurance premiums, insurance fees, benefits and DAC amortization net of insurance ceded. Our insurance companies remain liable if their reinsurers are unable to meet contractual obligations under applicable reinsurance agreements. We utilize inter-company reinsurance agreements to manage our statutory capital position as well as our hedge program for variable annuity guarantees. With regard to risk retention from a consolidated basis, these inter-company agreements do not have an effect on our consolidated financial statements. For information regarding reserve financing and LOC expenses from inter-company reinsurance agreements, see "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Uses of Capital – Contractual Obligations" below.

We focus on obtaining reinsurance from a diverse group of reinsurers. We have established standards and criteria for our use and selection of reinsurers. In order for a new reinsurer to participate in our current program, we require the reinsurer to have an A.M. Best rating of A+ or greater or an S&P rating of AA- or better and a specified RBC percentage. If the reinsurer does not have these ratings, we generally require them to post collateral as described below; however, we may initially waive the collateral requirements based on the facts and circumstances. In addition, we may require collateral from a reinsurer to mitigate credit/collectability risk. Typically, in such cases, the reinsurer must either maintain minimum specified ratings and RBC ratios or establish the specified quality and quantity of collateral. Similarly, we have also required collateral in connection with books of business sold pursuant to indemnity reinsurance agreements.

Reinsurers, including affiliated reinsurers, that are not licensed, accredited or authorized in the state of domicile of the reinsured ("ceding company"), i.e., unauthorized reinsurers, are required to post statutorily prescribed forms of collateral for the ceding company to receive reinsurance credit. The three primary forms of collateral are: (i) qualifying assets held in a reserve credit trust; (ii) irrevocable, unconditional, evergreen LOCs issued by a qualified U.S. financial institution; and (iii) assets held by the ceding company in a segregated funds withheld account. Collateral must be maintained in accordance with the rules of the ceding company's state of domicile and must be readily accessible by the ceding company to cover claims under the reinsurance agreement. Accordingly, our insurance subsidiaries require unauthorized reinsurers to post acceptable forms of collateral to support their reinsurance obligations to us.

As a result of our Modco agreement with Athene to reinsure fixed and fixed indexed annuity products, we recorded a $6.6 billion deposit asset reflected within other assets on our Consolidated Balance Sheets as of December 31, 2019. For additional information, see Note 9.

Our amounts recoverable from reinsurers represent receivables from and reserves ceded to reinsurers. As of December 31, 2019, 88%, or $15.1 billion, of our total reinsurance recoverable was secured by collateral for our benefit. Of this amount, $14.8 billion was held by reinsurers in reserve credit trusts (such reserve credit trusts are held by non-affiliated reinsurers; therefore, they are not reflected on our Consolidated Balance Sheets), $1.8 billion was reflected as funds withheld reinsurance liabilities on our Consolidated Balance Sheets as of December 31, 2019, although only $164 million can be utilized as collateral due to excess funds withheld above the reinsurance recoverable from our reinsurers, and $97 million was secured by LOCs for which we are the beneficiary, an off-balance sheet arrangement.

We regularly evaluate the financial condition of our reinsurers and monitor concentration risk with our largest reinsurers at least annually. We monitor all of our existing reinsurers' financial strength ratings on a monthly basis. We also monitor our reinsurers' financial health, trends and commitment to the reinsurance business, statutory surplus, RBC levels, statutory earnings and fluctuations, current claims payment aging and our reinsurers' own reinsurers. In addition, we present at least annually information regarding our reinsurance exposures to the Finance Committee of our Board of Directors. For more discussion of our counterparty risk with our reinsurers, see "Part I – Item 1A. Risk Factors – Operational Matters – We face risks of non-collectability of reinsurance and increased reinsurance rates, which could materially affect our results of operations."

For more information about reinsurance, see Notes 9 and 14 and "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow – Insurance Subsidiaries' Statutory Capital and Surplus" below.

For factors that could cause actual results to differ materially from those set forth in this section, see "Part I – Item 1A. Risk Factors" and "Forward-Looking Statements – Cautionary Language" above.

REVIEW OF CONSOLIDATED FINANCIAL CONDITION

Liquidity and Capital Resources

Sources of Liquidity and Cash Flow

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations to meet cash requirements with a prudent margin of safety. Our principal sources of cash flow from operating activities are insurance premiums and fees and investment income, while sources of cash flows from investing activities result from maturities and sales of investments. Our operating activities provided (used) cash of $(2.7) billion, $1.9 billion and $788 million in 2019, 2018 and 2017, respectively. The use of cash flows from operating activities for the year ended December 31, 2019, was primarily driven by purchases of trading securities in repositioning a portion of a Modco investment portfolio from fixed maturity AFS securities to trading securities. As a result, the cash outflows from operating activities were largely offset by sales of fixed maturity AFS securities within investing activities. See Note 9 for more information. When considering our liquidity and cash flow, it is important to distinguish between the needs of our insurance subsidiaries and the needs of the holding company, LNC. As a holding company with no operations of its own, LNC derives its cash primarily from its operating subsidiaries.

The sources of liquidity of the holding company are principally comprised of dividends and interest payments from subsidiaries, augmented by holding company short-term investments, bank lines of credit and the ongoing availability of long-term public financing under an SEC-filed shelf registration statement. These sources of liquidity and cash flow support the general corporate needs of the holding company, including its common stock dividends, interest and debt service, funding of callable securities, securities repurchases, acquisitions and investment in core businesses.

Details underlying the primary sources of our holding company cash flows (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Dividends from Subsidiaries			
The Lincoln National Life Insurance Company	$ 600	$ 910	$ 954
First Penn-Pacific	-	15	20
Lincoln Investment Management Company	30	25	20
Lincoln National Management Corporation	5	-	75
Lincoln National Reinsurance Company (Barbados) Limited	195	75	-
Total dividends from subsidiaries	$ 830	$ 1,025	$ 1,069
Loan Repayments and Interest from Subsidiaries			
Interest on inter-company notes	$ 132	$ 145	$ 122
Other Cash Flow Items			
Amounts received from (paid for taxes on) stock option exercises and restricted stock, net	$ (10)	$ 2	$ 60

The table above focuses on significant and recurring cash flow items and excludes the effects of certain financing activities, namely the periodic issuance and retirement of debt and cash flows related to our inter-company cash management program (discussed below). Taxes have been eliminated from the analysis due to a tax sharing agreement among our primary subsidiaries resulting in a modest effect on net cash flows at the holding company. Also excluded from this analysis is the modest amount of investment income on short-term investments of the holding company. See "Part IV – Item 15(a)(2) Financial Statement Schedules – Schedule II – Condensed Financial Information of Registrant" for the parent company cash flow statement.

Restrictions on Subsidiaries' Dividends and Other Payments

We are a holding company that transacts substantially all of our business directly and indirectly through subsidiaries. Our primary assets are the stock of our operating subsidiaries. Our ability to meet our obligations on our outstanding debt and to pay dividends and our general and administrative expenses depends on the surplus and earnings of our subsidiaries and the ability of our subsidiaries to pay dividends or to advance or repay funds to us.

Our insurance subsidiaries are subject to certain insurance department regulatory restrictions as to the transfer of funds and payment of dividends to the holding company. Under Indiana laws and regulations, our Indiana insurance subsidiaries, including our primary insurance subsidiary, The Lincoln National Life Insurance Company ("LNL"), may pay dividends to LNC without prior approval of the Indiana Insurance Commissioner (the "Commissioner") only from unassigned surplus or must receive prior approval of the Commissioner to pay a dividend if such dividend, along with all other dividends paid within the preceding 12 consecutive months, would exceed the statutory limitation. The current 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 previous 12 months, but in no event to exceed statutory unassigned surplus. Indiana law gives the Commissioner broad discretion to disapprove requests for dividends in excess of these limits. LNL's subsidiaries, the Lincoln Life & Annuity Company of New York ("LLANY"), a New York-domiciled insurance company, and LLACB, a New Hampshire-domiciled insurance company, are bound by similar restrictions, under New York law and New Hampshire law, respectively. Under both New York and New Hampshire law, the applicable statutory limitation on dividends is equal to the lesser of 10% of surplus to contract holders as of the end of the immediately preceding calendar year or net gain from operations for the immediately preceding calendar year, not including realized capital gains.

Indiana law also provides that following the payment of any dividend, the insurer's contract holders' surplus must be reasonable in relation to its outstanding liabilities and adequate for its financial needs, and permits the Commissioner to bring an action to rescind a dividend that violates these standards. In the event the Commissioner determines that the contract holders' surplus of one subsidiary is inadequate, the Commissioner could use his or her broad discretionary authority to seek to require us to apply payments received from another subsidiary for the benefit of that insurance subsidiary.

We expect our direct domestic insurance subsidiaries could pay dividends to LNC of approximately $845 million in 2020 without prior approval from the respective state commissioners. The amount of surplus that our insurance subsidiaries could pay as dividends is constrained by the amount of surplus we hold to maintain our ratings, to provide an additional layer of margin for risk protection and for future investment in our businesses.

We maintain an investment portfolio of various holdings, types and maturities. These investments are subject to general credit, liquidity, market and interest rate risks. An extended disruption in the credit and capital markets could adversely affect LNC and its subsidiaries' ability to access sources of liquidity, and there can be no assurance that additional financing will be available to us on favorable terms, or at all, in the current market environment. In addition, further OTTI could reduce our statutory surplus, leading to lower RBC ratios and potentially reducing future dividend capacity from our insurance subsidiaries.

Insurance Subsidiaries' Statutory Capital and Surplus

Our insurance subsidiaries must maintain certain regulatory capital levels. We utilize the RBC ratio as a primary measure of the capital adequacy of our insurance subsidiaries. The RBC ratio is an important factor in the determination of the credit and financial strength ratings of LNC and its subsidiaries, as a reduction in our insurance subsidiaries' surplus may affect their RBC ratios and dividend-paying capacity. For a discussion of RBC ratios, see "Part I – Item 1. Business – Regulatory – Insurance Regulation – Risk-Based Capital."

Our regulatory capital levels are also affected by statutory accounting rules, which are subject to change by each applicable insurance regulator. Our term products and UL products containing secondary guarantees require reserves calculated pursuant to XXX and AG38, respectively. As discussed in "Part I – Item 1A. Risk Factors – Legislative, Regulatory, and Tax – Attempts to mitigate the impact of Regulation XXX and Actuarial Guideline 38 may fail in whole or in part resulting in an adverse effect on our financial condition and result of operations," our insurance subsidiaries employ strategies to reduce the strain caused by XXX and AG38 by reinsuring the business to reinsurance captives. Our captive reinsurance and reinsurance subsidiaries provide a mechanism for financing a portion of the excess reserve amounts in a more efficient manner. We use long-dated LOCs and debt financing as well as other financing strategies to finance those reserves. Included in the LOCs issued as of December 31, 2019, was approximately $2.3 billion of long-dated LOCs issued to support inter-company reinsurance arrangements for UL products containing secondary guarantees ($326 million will expire in 2024 and $2.0 billion relates to arrangements that will expire by 2031). For information on the LOCs, see the credit facilities table in Note 13. Our captive reinsurance and reinsurance subsidiaries have also issued long-term notes of $3.5 billion to finance a portion of the excess reserves as of December 31, 2019; of this amount, $2.6 billion involve exposure to VIEs. For information on these long-term notes issued by our captive reinsurance and reinsurance subsidiaries, see Note 4. We have also used the proceeds from senior note issuances of $875 million to execute long-term structured solutions primarily supporting reinsurance of UL products containing secondary guarantees. LOCs and related capital market solutions lower the capital effect of term products and UL products containing secondary guarantees.

Our captive reinsurance and reinsurance subsidiaries free up capital the insurance subsidiaries can use for any number of purposes, including paying dividends to the holding company. The NAIC's adoption of the Valuation Manual that defines a principles-based reserving framework for newly issued life insurance policies was effective January 1, 2017. We adopted the framework for our newly issued term business in 2017 and phased in the framework through January 1, 2020, for all other newly issued life insurance products. We continue to analyze the effects of principles-based reserving on the use of captive reinsurance, reinsurance subsidiaries and third-party reinsurance for reserve financing transactions for our life insurance business. For more information on the NAIC's adoption of principles-based reserving, see "Part I – Item 1. Business – Regulatory – Insurance Regulation."

Statutory reserves established for variable annuity contracts and riders are sensitive to changes in the equity markets and are affected by the level of account values relative to the level of any guarantees, product design and reinsurance arrangements. As a result, the relationship between reserve changes and equity market performance is non-linear during any given reporting period. Market conditions greatly influence the ultimate capital required due to its effect on the valuation of reserves and derivative assets hedging these reserves. We also utilize inter-company reinsurance arrangements to manage our hedge program for variable annuity guarantees. The NAIC implemented changes to the statutory reserving, capital and accounting framework for variable annuities that went into effect as of January 1, 2020. The NAIC is also considering modifications to the NAIC RBC C-1 capital charges for bonds, which may impact the level of the C-1 related RBC we are required to hold. For more information, see "Part I – Item 1A. Risk Factors – Federal Regulation – Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements."

Changes in equity markets may also affect the capital position of our insurance subsidiaries. We may decide to reallocate available capital among our insurance subsidiaries, including our captive reinsurance subsidiaries, which would result in different RBC ratios for our insurance subsidiaries. In addition, changes in the equity markets can affect the value of our variable annuity separate accounts. When the market value of our separate account assets increases, the statutory surplus within our insurance subsidiaries also increases. Contrarily, when the market value of our separate account assets decreases, the statutory surplus within our insurance subsidiaries may also decrease, which may affect RBC ratios, and in the case of our separate account assets becoming less than the related product liabilities, we must allocate additional capital to fund the difference.

We continue to analyze the use of our existing captive reinsurance structures, as well as additional third-party reinsurance arrangements, and our current hedging strategies relative to managing the effects of equity markets and interest rates on the statutory reserves, statutory capital and the dividend capacity of our life insurance subsidiaries.

Financing Activities

Although our subsidiaries currently generate adequate cash flow to meet the needs of our normal operations, periodically we may issue debt or equity securities to maintain ratings and increase liquidity, as well as to fund internal growth, acquisitions and the retirement of our debt and equity securities.

We currently have an effective shelf registration statement, which allows us to issue, in unlimited amounts, securities, including debt securities, preferred stock, common stock, warrants, stock purchase contracts, stock purchase units and depository shares.

Details underlying debt and financing activities (in millions) for the year ended December 31, 2019, were as follows:

	Beginning Balance	Issuance	Maturities, Repayments and Refinancing	Change in Fair Value Hedges	Other Changes [1]	Ending Balance
Short-Term Debt						
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ 300	$ 300
Long-Term Debt						
Senior notes	$ 4,432	$ 500	$ (109)	$ 94	$ (307)	$ 4,610
Bank borrowing [2]	200	250	(200)	-	-	250
Capital securities [2][3]	1,207	-	-	-	-	1,207
Total long-term debt	$ 5,839	$ 750	$ (309)	$ 94	$ (307)	$ 6,067

(1) Includes the net increase (decrease) in commercial paper, non-cash reclassification of long-term debt to current maturities of long-term debt, accretion (amortization) of discounts and premiums, amortization of debt issuance costs and amortization of adjustments from discontinued hedges, as applicable.

(2) We refinanced a $200 million floating rate loan that was scheduled to mature on June 6, 2023, into a $250 million floating rate loan maturing on December 3, 2024.

(3) To hedge the variability in rates, we purchased interest rate swaps to lock in a fixed rate of approximately 5% over the remaining terms of the capital securities.

On August 12, 2019, we completed the issuance and sale of $500 million aggregate principal amount of our 3.05% senior notes due 2030. We used a portion of the net proceeds from the offering to fund the repurchase of $105 million of our 6.15% senior notes due 2036 and $4 million of our 4.85% senior notes due 2021 pursuant to a tender offer. We intend to use the remaining net proceeds for the repayment, on or prior to maturity, of our outstanding 6.25% senior notes due 2020 and for general corporate purposes. As of December 31, 2019, the holding company had available liquidity of $702 million. Available liquidity consists of cash and invested cash, excluding cash held as collateral, and certain short-term investments that can be readily converted into cash, net of commercial paper outstanding.

For more information about our short-term and long-term debt and our credit facilities and LOCs, see Note 13.

We have not accounted for repurchase agreements, securities lending transactions, or other transactions involving the transfer of financial assets with an obligation to repurchase the transferred assets as sales. For information about our collateralized financing transactions on our investments, see “Payables for Collateral on Investments” in Note 5.

If current credit ratings or claims-paying ratings were downgraded in the future, terms in our derivative agreements may be triggered, which could negatively affect overall liquidity. For the majority of our counterparties, there is a termination event with respect to LNC if its long-term senior debt ratings drop below BBB-/Baa3 (S&P/Moody’s); or with respect to LNL if its financial strength ratings drop below BBB-/Baa3 (S&P/Moody’s). Our long-term senior debt held a rating of A-/Baa1 (S&P/Moody’s) as of December 31, 2019. In addition, contractual selling agreements with intermediaries could be negatively affected, which could have an adverse effect on overall sales of annuities, life insurance and investment products. See “Part I – Item 1A. Risk Factors – Liquidity and Capital Position – A decrease in the capital and surplus of our insurance subsidiaries may result in a downgrade to our credit and insurer financial strength ratings” and “Part I – Item 1A. Risk Factors – Covenants and Ratings – 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” for more information. See “Part I – Item 1. Business – Financial Strength Ratings” for additional information on our current financial strength ratings.

Our indicative credit ratings published by the primary rating agencies are set forth below. Securities are rated at the time of issuance so actual ratings may differ from the indicative ratings. There may be other rating agencies that also provide credit ratings, which we do not disclose in our reports.

The long-term credit rating scales of A.M. Best, Fitch, Moody’s and S&P are characterized as follows:

- A.M. Best – aaa to c
- Fitch – AAA to D
- Moody’s – Aaa to C
- S&P – AAA to D

As of February 14, 2020, our indicative long-term credit ratings as published by the principal rating agencies that rate our long-term credit were as follows:

A.M. Best	Fitch	Moody's	S&P
a-	BBB+	Baa1	A-
(7th of 22)	(8th of 21)	(8th of 21)	(7th of 22)

The short-term credit rating scales of A.M. Best, Fitch, Moody's and S&P are characterized as follows:

- A.M. Best – AMB-1+ to AMB-4
- Fitch – F1+ to D
- Moody's – P-1 to NP
- S&P – A-1+ to D

As of February 14, 2020, our indicative short-term credit ratings as published by the principal rating agencies that rate our short-term credit were as follows:

3

A.M. Best	Fitch	Moody's	S&P
AMB-1	F2	P-2	A-2
(2nd of 6)	(3rd of 8)	(2nd of 4)	(3rd of 7)

A downgrade of our debt ratings could affect our ability to raise additional debt with terms and conditions similar to our current debt, and accordingly, likely increase our cost of capital. In addition, a downgrade of these ratings could make it more difficult to raise capital to refinance any maturing debt obligations, to support business growth at our insurance subsidiaries and to maintain or improve the current financial strength ratings of our principal insurance subsidiaries described in "Part I – Item 1. Business – Financial Strength Ratings."

All ratings are on outlook stable, except Fitch ratings, which are on outlook positive. All of our ratings are subject to revision or withdrawal at any time by the rating agencies, and therefore, no assurance can be given that we can maintain these ratings. Each rating should be evaluated independently of any other rating.

Management monitors the covenants associated with LNC's capital securities. If we fail to meet capital adequacy or net income and stockholders' equity levels (also referred to as "trigger events"), terms in the agreements may be triggered, which would require us to make interest payments in accordance with an alternative coupon satisfaction mechanism ("ACSM"). This would generally require us to use commercially reasonable efforts to pay interest in full on the capital securities with the net proceeds from sales of our common stock and warrants to purchase our common stock with an exercise price greater than the market price. We would have to utilize the ACSM until the trigger events above no longer existed. If we were required to utilize the ACSM and were successful in selling sufficient shares of common stock or warrants to satisfy the interest payment, we would dilute the current holders of our common stock. Furthermore, while a trigger event is occurring and if we do not pay accrued interest in full, we may not, among other things, pay dividends on or repurchase our capital stock. We have not triggered either the net income test or the overall stockholders' equity test looking forward to the quarters ending March 31, 2020, and June 30, 2020. For more information, see "Part I – Item 1A. Risk Factors – Covenants and Ratings – We will be required to pay interest on our capital securities with proceeds from the issuance of qualifying securities if we fail to achieve specified capital adequacy or net income and stockholders' equity levels."

Alternative Sources of Liquidity

In order to manage our capital more efficiently, we have an inter-company cash management program where certain subsidiaries can lend to or borrow from the holding company to meet short-term borrowing needs. The cash management program is essentially a series of demand loans between LNC and participating subsidiaries that reduces overall borrowing costs by allowing LNC and its subsidiaries to access internal resources instead of incurring third-party transaction costs. As of December 31, 2019, the holding company had a net outstanding receivable (payable) of $(206) million from (to) certain subsidiaries resulting from loans made by subsidiaries in excess of amounts placed (borrowed) by the holding company and subsidiaries in the inter-company cash management account. Any change in holding company cash management program balances is offset by the immediate and equal change in holding company cash and invested cash. Loans under the cash management program are permitted under applicable insurance laws subject to certain restrictions. For our Indiana and New Hampshire-domiciled insurance subsidiaries, the borrowing and lending limit is currently 3% of the insurance company's admitted assets as of its most recent year end. For our New York-domiciled insurance subsidiary, it may borrow from LNC less than 2% of its admitted assets as of its most recent year end but may not lend any amounts to LNC.

Our insurance subsidiaries, by virtue of their general account fixed-income investment holdings, can access liquidity through securities lending programs and repurchase agreements. Our primary insurance subsidiary, LNL, is a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"). Membership allows LNL access to the FHLBI's financial services, including the ability to obtain loans and to issue funding agreements as an alternative source of liquidity that are collateralized by qualifying mortgage-related assets, agency securities or U.S. Treasury securities. LNL had an estimated maximum borrowing capacity of $5.0 billion under the FHLBI facility as of December

31, 2019. Borrowings under this facility are subject to the FHLBI's discretion and require the availability of qualifying assets at LNL. As of December 31, 2019, our insurance subsidiaries had investments with a carrying value of $3.7 billion out on loan or subject to repurchase agreements. The cash received in our securities lending programs and repurchase agreements is typically invested in cash equivalents, short-term investments or fixed maturity securities. For additional details, see "Payables for Collateral on Investments" in Note 5.

Cash Flows from Collateral on Derivatives

Our cash flows associated with collateral received from and posted with counterparties change as the market value of the underlying derivative contract changes. As the value of a derivative asset decreases (or increases), the collateral required to be posted by our counterparties would also decrease (or increase). Likewise, when the value of a derivative liability decreases (or increases), the collateral we are required to post to our counterparties would also decrease (or increase). During 2019, our collateral payable for derivative investments increased due primarily to decreasing interest rates that increased the fair values of our associated over-the-counter derivative investments. In the event of adverse changes in fair value of our derivative instruments, we may need to post collateral with a counterparty if our net derivative liability position reaches certain contractual levels. If we do not have sufficient high quality securities or cash and invested cash to provide as collateral, we have liquidity sources, as discussed above, to leverage that would be eligible for collateral posting. For additional information, see "Credit Risk" in Note 6.

Uses of Capital

Our principal uses of cash are to pay policy claims and benefits, operating expenses, commissions and taxes, to purchase new investments, to purchase reinsurance, to fund policy surrenders and withdrawals, to pay dividends to our stockholders, to repurchase our stock and to repay debt.

Return of Capital to Common Stockholders

One of the Company's primary goals is to provide a return to our common stockholders through share price accretion, dividends and stock repurchases. In determining dividends, the Board of Directors takes into consideration items such as current and expected earnings, capital needs, rating agency considerations and requirements for financial flexibility. The amount and timing of share repurchase depends on key capital ratios, rating agency expectations, the generation of free cash flow and an evaluation of the costs and benefits associated with alternative uses of capital. Free cash flow for the holding company generally represents the amount of dividends and interest received from subsidiaries less interest paid on debt.

Details underlying this activity (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Dividends to common stockholders	$ 298	$ 286	$ 259
Repurchase of common stock	640	810	725
Total cash returned to stockholders	$ 938	$ 1,096	$ 984
Number of shares repurchased	10.4	13.2	10.4

On October 29, 2019, our Board of Directors approved an increase of the quarterly dividend on our common stock from $0.37 to $0.40 per share. Additionally, we may repurchase additional shares of common stock during 2020 depending on market conditions and alternative uses of capital. For more information regarding share repurchases, see "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities – (c) Issuer Purchases of Equity Securities."

Other Uses of Capital

In addition to the amounts in the table above in "Return of Capital to Common Stockholders," other uses of holding company cash flow (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Debt service (interest paid)	$ 288	$ 286	$ 257
Capital contribution to subsidiaries	50	502	60
Total	$ 338	$ 788	$ 317

The above table focuses on significant and recurring cash flow items and excludes the effects of certain financing activities, namely the periodic retirement of debt and cash flows related to our inter-company cash management account. Taxes have been eliminated from the analysis due to a tax sharing agreement among our primary subsidiaries resulting in a modest effect on net cash flows at the holding company.

In 2018, we made an investment in our Group Protection business through the acquisition of Liberty Life, now LLACB, which affected our liquidity and capital position. For additional information on the acquisition, see "Introduction – Executive Summary" above and Note 3.

Contractual Obligations

Details underlying our future estimated cash payments for our contractual obligations (in millions) as of December 31, 2019, were as follows:

	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years	Total
Future contract benefits and other contract holder obligations (1)	$ 21,310	$ 41,824	$ 40,551	$ 369,103	$ 472,788
Short-term and long-term debt (2)	300	596	750	4,481	6,127
Reserve financing and LOC expenses (3)	69	136	116	370	691
Payables for collateral on investments (4)	3,580	-	-	-	3,580
Operating leases (5)	49	92	70	67	278
Finance leases (5)	56	132	107	12	307
Certain financing arrangements (6)	3	11	101	16	131
Retirement and other plans (7)	110	215	206	490	1,021
Total	$ 25,477	$ 43,006	$ 41,901	$ 374,539	$ 484,923

(1) Estimates are based on financial projections over 40 years and are not discounted for the time value of money. New business issued or acquired, business ceded or sold, changes to or variances from actuarial assumptions and economic conditions will cause these amounts to change over time, possibly materially. See Note 1 for details of what these liabilities include and represent.

(2) Represents principal amounts of debt only. See Note 13 for additional information.

(3) Estimates are based on the level of capacity we expect to utilize during the life of the LOCs and other reserve financing arrangements. See Note 13 for additional information.

(4) Excludes collateral payable held for derivative investments. See Note 5 for additional information.

(5) See Note 14 for additional information.

(6) Represents certain financing arrangements that did not meet the requirements to be classified as a sale-leaseback arrangement.

(7) Includes anticipated funding for benefit payments for our retirement and postretirement plans through 2029 and known payments under deferred compensation arrangements. In addition to these benefit payments, we periodically fund the employees' defined benefit plans. The majority of contributions and benefit payments are made by our insurance subsidiaries with little effect on holding company cash flow. See Note 17 for additional information.

Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits as of December 31, 2019, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. Therefore, $48 million of unrecognized tax benefits and its associated interest have been excluded from the contractual obligations table above. See Note 7 for additional information.

Contingencies and Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our financial condition, results of operations, liquidity or capital resources. Details underlying our contingent commitments and off-balance sheet arrangements (in millions) as of December 31, 2019, were as follows:

	Amount of Commitment Expiring per Period				Total
	Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Amount Committed
Bank lines of credit	$ -	$ -	$ 2,250	$ 1,972	$ 4,222
Investment commitments	1,031	235	521	215	2,002
Total	$ 1,031	$ 235	$ 2,771	$ 2,187	$ 6,224

Significant Trends in Sources and Uses of Cash Flow

As stated above, LNC's cash flow, as a holding company, is largely dependent upon the dividend capacity of its insurance company subsidiaries as well as their ability to advance funds to it through inter-company borrowing arrangements, which may be affected by factors influencing the insurance subsidiaries' RBC and statutory earnings performance. We currently expect to be able to meet the holding company's ongoing cash needs and to have sufficient capital to offer downside protection in the event that the capital and credit markets experience a period of extreme volatility and disruption. A decline in capital market conditions, which reduces our insurance subsidiaries' statutory surplus and RBC, may require them to retain more capital and may pressure our subsidiaries' dividends to the holding company, which may lead us to take steps to preserve or raise additional capital.

For factors that could cause actual results to differ materially from those set forth in this section and that could affect our expectations for liquidity and capital, see "Part I – Item 1A. Risk Factors" and "Forward-Looking Statements – Cautionary Language" above.

Item 7A. **Quantitative and Qualitative Disclosures About Market Risk**

We analyze and manage the risks arising from market exposures of financial instruments, as well as other risks, in an integrated asset-liability management process that considers diversification. By aggregating the potential effect of market and other risks on the entire enterprise, we estimate, review and in some cases manage the risk to our earnings and shareholder value. We have exposures to several market risks including interest rate risk, equity market risk, credit risk and, to a lesser extent, foreign currency exchange risk. The exposures of financial instruments to market risks, and the related risk management processes, are most important to our business where most of the investments support accumulation and investment-oriented insurance products. As an important element of our integrated asset-liability management processes, we use derivatives to minimize the effects of changes in interest levels, the shape of the yield curve, currency movements and volatility. In this context, derivatives serve to minimize interest rate risk by mitigating the effect of significant increases in interest rates on our earnings. Additional market exposures exist in our other general account insurance products and in our debt structure and derivatives positions. Our primary sources of market risk are substantial, relatively rapid and sustained increases or decreases in interest rates or a sharp drop in equity market values. These market risks are discussed in detail in the following pages and should be read in conjunction with our consolidated financial statements and the accompanying Notes presented in "Item 8. Financial Statements and Supplementary Data," as well as "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Interest Rate Risk

Interest rate risk is the risk of financial loss due to adverse changes in the value of assets and liabilities due to movements in interest rates. We are exposed to interest rate risk arising from our fixed maturity securities and interest sensitive liabilities.

With respect to accumulation and investment-oriented products, we seek to earn a stable and profitable spread, or margin, between investment income we earn on our investments and interest credited to account values of our contract holders. If we have adverse experience on investments that cannot be passed on to customers, our spreads are reduced. The combination of a probable range of interest rate changes over the next 12 months, asset-liability management strategies, flexibility in adjusting policy crediting rate levels and protection afforded by policy surrender charges all work together to mitigate this risk. The interest rate scenarios of concern are those in which there is a substantial, relatively prolonged decrease in interest rates that is sustained over a long period or a rapid increase in interest rates.

Significant Interest Rate Exposures

The following provides a general measure of our significant interest rate risk; principal, including amortization of premiums and discounts, notional amounts, and estimated fair values of assets, liabilities and derivatives are shown by year of maturity (dollars in millions) as of December 31, 2019:

	2020	2021	2022	2023	2024	Thereafter	Total	Estimated Fair Value
Rate Sensitive Assets								
Fixed maturity AFS securities:								
Fixed interest rate securities	$ 2,807	$ 3,876	$ 3,349	$ 3,751	$ 4,162	$ 75,151	$ 93,096	$ 103,834
Average interest rate	4.7%	4.5%	4.1%	4.3%	4.2%	4.6%	4.5%	
Variable interest rate securities	$ 24	$ 77	$ 91	$ 6	$ 36	$ 965	$ 1,199	$ 1,366
Average interest rate	4.6%	6.3%	4.1%	3.5%	4.8%	5.5%	5.4%	
Trading securities:								
Fixed interest rate securities	$ 238	$ 148	$ 144	$ 146	$ 127	$ 3,512	$ 4,315	$ 4,653
Average interest rate	4.7%	3.4%	3.8%	4.2%	7.0%	5.1%	5.0%	
Variable interest rate securities	$ -	$ -	$ -	$ 1	$ -	$ 14	$ 15	$ 20
Average interest rate	0.0%	0.0%	0.0%	3.4%	0.0%	7.5%	7.2%	
Mortgage loans on real estate:								
Total mortgage loans	$ 585	$ 1,040	$ 915	$ 912	$ 1,252	$ 11,631	$ 16,335	$ 16,872
Average interest rate	4.4%	4.6%	4.4%	4.2%	4.0%	4.2%	4.2%	
Rate Sensitive Liabilities								
Investment type insurance contracts (1)	$ 1,890	$ 2,660	$ 2,263	$ 2,238	$ 3,525	$ 37,304	$ 49,880	$ 52,692
Average interest rate (1)	4.3%	4.3%	3.9%	3.9%	3.9%	3.6%	3.7%	
Debt	$ 300	$ 296	$ 300	$ 500	$ 250	$ 4,481	$ 6,127	$ 6,217
Average interest rate	6.3%	4.9%	4.2%	4.0%	2.8%	4.5%	4.2%	
Rate Sensitive Derivative Financial Instruments								
Interest rate, foreign currency swaps and forwards (4)								
Pay variable/receive fixed	$ 1,394	$ 1,837	$ 552	$ 3,082	$ 4,466	$ 33,387	$ 44,718	$ 2,666
Average pay rate	1.9%	2.0%	2.4%	2.0%	1.9%	2.1%	2.1%	
Average receive rate	2.7%	2.3%	3.5%	2.6%	2.0%	2.8%	2.7%	
Pay fixed/receive variable	$ 326	$ 2,706	$ 1,074	$ 681	$ 3,796	$ 21,365	$ 29,948	$ (1,736)
Average pay rate	3.8%	2.1%	2.0%	2.3%	1.9%	2.7%	2.6%	
Average receive rate	2.0%	1.9%	2.1%	1.9%	2.0%	2.1%	2.1%	
Interest rate cap corridors:	$ 8,750	$ 8,000	$ 1,000	$ 13,500	$ 12,300	$ -	$ 43,550	$ 4
Average buy strike rate (2)	7.0%	7.0%	7.0%	7.0%	6.0%	0.0%	6.7%	
Average sell strike rate (2)	11.0%	11.0%	11.0%	11.0%	10.0%	0.0%	10.7%	
Forward swap curve	1.8%	2.0%	2.1%	2.1%	2.1%	0.0%	2.0%	
Reverse Treasury locks:								
5-year on-the-run treasury	$ 75	$ 35	$ -	$ -	$ -	$ -	$ 110	$ 4
Average strike rate	2.4%	2.5%	0.0%	0.0%	0.0%	0.0%	2.4%	
Forward CMT curve (3)	1.8%	1.9%	0.0%	0.0%	0.0%	0.0%	1.9%	
10-year on-the-run Treasury	$ 75	$ 85	$ -	$ -	$ -	$ -	$ 160	$ 5
Average strike rate	2.6%	2.4%	0.0%	0.0%	0.0%	0.0%	2.5%	
Forward CMT curve (3)	2.0%	2.2%	0.0%	0.0%	0.0%	0.0%	2.1%	
30-year on-the-run Treasury	$ 565	$ 280	$ -	$ -	$ -	$ -	$ 845	$ 80
Average strike rate	3.1%	2.4%	0.0%	0.0%	0.0%	0.0%	2.9%	
Forward CMT curve (3)	2.4%	2.5%	0.0%	0.0%	0.0%	0.0%	2.5%	
Interest rate futures:								
2-year Treasury notes	$ 43	$ -	$ -	$ -	$ -	$ -	$ 43	$ -
5-year Treasury notes	30	-	-	-	-	-	30	-
10-year Treasury notes	122	-	-	-	-	-	122	-
Treasury bonds	79	-	-	-	-	-	79	-

(1) The information shown is for our fixed maturity securities and mortgage loans on real estate that support these insurance contracts.

(2) The indexes are the 7-year and 10-year constant maturity swap.

(3) The Constant Maturity Treasury ("CMT") curve is the applicable 5-year, 10-year or 30-year CMT forward curve.

(4) Includes notional of $161 million and fair value of $2 million that support our Modco reinsurance agreements. Investment results for these agreements are passed directly to the reinsurers.

The following provides the principal, including amortization of premiums and discounts, notional amounts, and estimated fair values of assets, liabilities and derivatives (in millions) having significant interest rate risks as of December 31, 2018:

	Principal/ Notional Amount	Estimated Fair Value
Fixed maturity AFS securities	$ 92,429	$ 94,024
Trading securities	1,823	1,950
Mortgage loans on real estate	13,269	13,092
Investment type insurance contracts (1)	37,217	37,108
Debt	5,686	5,604
Interest rate and foreign currency swaps	50,831	160
Interest rate cap corridors	51,800	17
Reverse Treasury locks	1,367	19
Interest rate futures	2,965	-

(1) The information shown is for our fixed maturity securities and mortgage loans on real estate that support these insurance contracts.

Effect of Interest Rate Sensitivity

The following table presents our estimate of the effect on income (loss) from operations by segment (in millions) for the next 12-month period if the level of interest rates were to instantaneously increase or decrease by 1% and remain at those levels immediately after December 31, 2019, relative to interest rates remaining flat:

	1% Increase	1% Decrease
Annuities (1)	$ (14)	$ 17
Retirement Plan Services	5	(5)
Life Insurance	5	(6)
Group Protection	4	(3)
Income (loss) from operations	$ -	$ 3

(1) Includes the impact on bond funds in our separate accounts, which move in the opposite direction of interest rates.

For purposes of this estimate, we assumed asset purchases are made at prevailing new money rates and exclude the impact of new business, unlocking, persistency, hedge program performance or customer behavior caused by the interest rate changes.

Interest Rate Risk on Fixed Insurance Businesses – Falling Rates

In periods of declining interest rates, we have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may prepay fixed-income securities, commercial mortgages and MBS in our general accounts in order to borrow at lower market rates, which exacerbates this risk. Because we are entitled to reset the interest rates on our fixed-rate annuities only at limited, pre-established intervals, and because many of our contracts have guaranteed minimum interest or crediting rates, our spreads could decrease and potentially become negative.

Prolonged historically low rates are not healthy for our business fundamentals. However, we have recognized this risk and have been proactive in our investment strategies, product designs, crediting rate strategies and overall asset-liability practices to mitigate the risk of unfavorable consequences in this type of environment. For some time now, new products have been sold with low minimum crediting floors, and we apply disciplined asset-liability management standards, such as locking in spreads on these products at the time of issue. See "Part I – Item 1A. Risk Factors – Market Conditions – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and make it more challenging to meet certain statutory requirements and changes in interest rates may also result in increased contract withdrawals." for additional information on interest rate risks.

The following provides detail on the percentage differences between the December 31, 2019, interest rates being credited to contract holders based on the fourth quarter of 2019 declared rates and the respective minimum guaranteed policy rate (in millions), broken out by contract holder account values reported within our segments:

	Account Values				
	Annuities	Retirement Plan Services	Life Insurance (1)	Total	% Account Values
Excess of Crediting Rates over Contract Minimums					
Discretionary rate setting products: (2)					
Occurring within the next twelve months: (3)					
No difference	$ 8,825	$ 14,487	$ 30,784	$ 54,096	62.2%
Up to 0.50%	2,872	1,561	50	4,483	5.2%
0.51% to 1.00%	2,403	1,779	139	4,321	5.0%
1.01% to 1.50%	2,484	478	-	2,962	3.4%
1.51% to 2.00%	580	-	3,451	4,031	4.6%
2.01% to 2.50%	38	-	-	38	0.1%
2.51% to 3.00%	1	-	102	103	0.1%
3.01% or greater	-	-	-	-	0.0%
Occurring after the next twelve months (4)	7,729	-	-	7,729	8.9%
Total discretionary rate setting products	24,932	18,305	34,526	77,763	89.5%
Other contracts (5)	6,897	2,254	-	9,151	10.5%
Total account values	$ 31,829	$ 20,559	$ 34,526	$ 86,914	100.0%
Percentage of discretionary rate setting product account values at minimum guaranteed rates	35.4%	79.1%	89.2%	69.6%	

(1) Excludes policy loans.

(2) Contracts currently within new money rate bands are grouped according to the corresponding portfolio rate band in which they will fall upon their first anniversary.

(3) The average crediting rates were 40 basis points, 13 basis points and 22 basis point in excess of average minimum guaranteed rates for our Annuities, Retirement Plan Services and Life Insurance segments, respectively.

(4) The average crediting rates were 143 basis points in excess of average minimum guaranteed rates. Of our account values for these products, 13% are scheduled to reset in more than one year but not more than two years; 16% are scheduled to reset in more than two years but not more than three years; and 71% are scheduled to reset in more than three years.

(5) For Annuities, this amount relates primarily to income annuity and short-term dollar cost averaging business. For Retirement Plan Services, this amount relates primarily to indexed-based rate setting products in which the average crediting rates were 36 basis points in excess of average minimum guaranteed rates, and 60% of account values were already at their minimum guaranteed rates.

The maturity structure and call provisions of the related portfolios are structured to afford protection against erosion of investment portfolio yields during periods of declining interest rates. We devote extensive effort to evaluating the risks associated with falling interest rates by simulating asset and liability cash flows for a wide range of interest rate scenarios. We seek to manage these exposures by maintaining a suitable maturity structure and by limiting our exposure to call risk in each respective investment portfolio.

Long-Term New Money Investment Yield Sensitivity

New money rates continue to be at low levels and, as a result, require careful analysis when forecasting the future direction of changes in rates. We updated our interest rate assumptions during 2019, which included reducing our long-term new money investment yield assumption (see "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Unlocking" above for more information). If we were to further change our view of future new money rates and lower our current long-term new money investment yield assumption, then, assuming that all other assumptions remain constant, we estimate the impact of lowering this assumption by 50 basis points would be approximately $(180) million to income (loss) from operations due primarily to unlocking our DAC and VOBA assets. This impact would be most pronounced in our Life Insurance segment. The actual impact of a 50 basis point decline in the yield would be based upon a number of factors existing at the time of the assumption update, and, therefore, the actual amount of the loss may differ from our current estimate. In addition, lower investment margins may also impact the recoverability of intangible assets such as goodwill, require the establishment of additional liabilities or trigger loss recognition events on certain policyholder liabilities.

Interest Rate Risk on Fixed Insurance Businesses – Rising Rates

For both annuities and universal life insurance, a rapid rise in interest rates poses risks of deteriorating spreads and high surrenders. The portfolios supporting these products have fixed-rate assets laddered over maturities generally ranging from 1 to 10 years or more. Accordingly, the earned rate on each portfolio lags behind changes in market yields. As rates rise, the lag may be increased by slowing MBS prepayments. The greater and faster the rise in interest rates, the more the earned rate will tend to lag behind market rates. If we set renewal crediting rates to earn the desired spread, the gap between our renewal crediting rates and competitors' new money rates may be wide enough to cause increased surrenders that could cause us to liquidate a portion of our portfolio to fund these surrenders. If we credit more competitive renewal rates to limit surrenders, our spreads will narrow. We devote extensive effort to evaluating these risks by simulating asset and liability cash flows for a wide range of interest rate scenarios. Such analysis has led to adjustments in the target maturity structure and to hedging the risk of rising rates by entering into interest rate cap corridor agreements. With these instruments in place, the potential adverse effect of a rapid and sustained rise in rates is kept within our risk tolerances.

Debt

We manage the timing of maturities and the mixture of fixed-rate and floating-rate debt as part of the process of integrated management of interest rate risk for the entire enterprise. See Note 13 for additional information on our debt.

Derivatives

See Note 6 for information on our derivatives used to hedge our exposure to changes in interest rates.

Equity Market Risk

Equity market risk is the risk of financial loss due to changes in the value of equity securities or equity indices. Our revenues, assets and liabilities are exposed to equity market risk that we often hedge with derivatives. Due to the use of our RTM process and our hedging strategies, we expect that, in general, short-term fluctuations in the equity markets should not have a significant effect on our quarterly earnings from unlocking of assumptions for DAC, VOBA, DSI and DFEL. However, earnings are affected by equity market movements on account values and assets under management and the related fees we earn on those assets. Refer to "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL" in the MD&A for further discussion of the effects of equity markets on our RTM.

Fee Income

The fees earned from variable annuities and variable life insurance products are exposed to the risk of a decline in equity market values. These fees are generally a fixed percentage of the market value of assets under management. In a severe equity market decline, fee income could be reduced by not only reduced market valuations but also by customer withdrawals and redemptions. Such withdrawals and redemptions from equity funds and accounts might be partially offset by transfers to our fixed-income accounts and the transfer of funds to us from our competitors' customers.

Equity Assets

While we invest in equity assets with the expectation of achieving higher returns than would be available in our core fixed-income investments, the returns on and values of these equity investments are subject to somewhat greater market risk than our fixed-income investments. These investments, however, add diversification benefits to our fixed-income investments.

Derivatives Hedging Equity Market Risk

We enter into derivative transactions to hedge our exposure to equity market risk. Such derivatives include over-the-counter equity options, total return swaps, variance swaps, and equity futures. See Note 6 for additional information on our derivatives used to hedge our exposure to equity market fluctuations.

The following provides the sensitivity of price changes (in millions) to our equity assets owned and derivatives hedging equity market risk:

	As of December 31, 2019				As of December 31, 2018	
	Carrying/ Notional Value	Estimated Fair Value	10% Fair Value Increase (1)	10% Fair Value Decrease (1)	Carrying/ Notional Value	Estimated Fair Value
Equity Assets						
Domestic equities	$ 97	$ 97	$ 10	$ (10)	$ 107	$ 91
Foreign equities	6	6	1	(1)	9	8
Total equity securities	103	103	11	(11)	116	99
Real estate	11	13	1	(1)	12	16
Hedge funds	221	221	22	(22)	222	222
Private equities	1,685	1,685	169	(169)	1,503	1,503
Tax credits	13	13	1	(1)	20	20
Other equity interests	3	3	-	-	3	3
Total equity assets	$ 2,036	$ 2,038	$ 204	$ (204)	$ 1,876	$ 1,863
Derivatives Hedging Equity Market Risk						
Call options (2)	$ 16,829	$ 1,353	$ 631	$ (636)	$ 11,227	$ 219
Equity futures	1,602	-	(64)	64	1,078	-
Put options	4,178	(245)	-	5	3,716	590
Total return swaps	11,460	(325)	(855)	856	11,292	269
Total derivatives hedging equity market risk	$ 34,069	$ 783	$ (288)	$ 289	$ 27,314	$ 1,077

(1) Assumes a plus or minus 10% change in underlying indexes. Estimated fair value does not reflect daily settlement of futures or monthly settlement of total return swaps.

(2) Includes notional of $4 billion and fair value of $145 million that support our Modco reinsurance agreements. Investment results for these agreements are passed directly to the reinsurers.

Liabilities

We have exposure to changes in our stock price through both our deferred and stock-based incentive compensation plans. For additional information on our deferred and stock-based incentive compensations plans, see Notes 17 and 18, respectively.

Effect of Equity Market Sensitivity

If the level of the equity markets were to have instantaneously increased or decreased by 1% immediately after December 31, 2019, we estimate the effect on income (loss) from operations for the next 12-month period from the change in asset-based fees and related expenses would be approximately $10 million. For purposes of this estimate, we excluded any effect related to net flows, unlocking, persistency, hedge program performance, customer behavior or reduction in account values attributable to contract holder assessments.

The effect of quarterly equity market changes upon fee income and asset-based expenses is generally not fully recognized in the first quarter of the change because fee income is earned and related expenses are incurred based upon daily variable account values. The difference between the current period average daily variable account values compared to the end-of-period variable account values affects fee income in subsequent periods. Additionally, the effect on earnings may not necessarily be symmetrical with comparable increases or decreases in the equity markets. This discussion concerning the estimated effects of ongoing equity market volatility on the fees we earn from account values and assets under management is intended to be illustrative and is concentrated primarily in our Annuities and Retirement Plan Services segments. Actual effects may vary depending on a variety of factors, many of which are outside of our control, such as changing customer behaviors that might result in changes in the mix of our business between variable and fixed annuity contracts, switching among investment alternatives available within variable products, changes in sales production levels or changes in policy persistency. For purposes of this guidance, the change in account values is assumed to correlate with the change in the relevant index.

Credit Risk

Credit risk is the risk to earnings and capital that arises from uncertainty of an obligor's or counterparty's ability or willingness to meet its obligations in accordance with contractually agreed upon terms. We are exposed to credit risk primarily by our investments in corporate bonds and mortgage loans on real estate and through our use of derivatives.

Investments

The majority of our credit risk is concentrated in investment holdings. Our portfolio of investments was $133.7 billion and $115.2 billion as of December 31, 2019 and 2018, respectively. Of this total, $92.0 billion and $82.0 billion consisted of corporate bonds and $16.3 billion and $13.3 billion consisted of mortgage loans on real estate as of December 31, 2019 and 2018, respectively. We manage the risk of adverse default experience on these investments by applying disciplined credit evaluation and underwriting standards, prudently limiting allocations to lower-quality, higher-yielding investments and diversifying exposures by issuer, industry, region and property type. For each counterparty or borrowing entity and its affiliates, our exposures from all transactions are aggregated and managed in relation to formal limits set by rating quality. Additional diversification limits, such as limits per industry, are also applied. We remain exposed to occasional adverse cyclical economic downturns during which default rates may be significantly higher than the long-term historical average used in pricing.

Derivatives

We are exposed to counterparty credit risk through our various derivative contracts. We depend on the ability of derivative product dealers and their guarantors to honor their obligations to pay the contract amounts under various derivatives agreements. In order to minimize the risk of default losses, we diversify our exposures among several dealers and limit the amount of exposure to each in accordance with the credit rating of each dealer or its guarantor. We generally limit our selection of counterparties that are obligated under these derivative contracts to those with an "A" credit rating or above. See Note 6 for additional information on managing the credit risk of our counterparties.

We are also exposed to credit risk through the use of certain derivatives. We buy credit default swaps to minimize our exposure to credit-related events with respect to a single entity or referenced index. We also sell credit default swaps to offer credit protection to our contract holders and investors with respect to a single entity or referenced index. See Note 6 for additional information on our use of credit derivatives.

Foreign Currency Exchange Risk

Foreign Currency Denominated Investments

Foreign currency exchange risk is the risk of financial loss due to changes in the relative value between currencies. We have foreign currency exchange risk in our non-U.S. dollar denominated investments, which primarily consist of fixed maturity securities. The currency risk is hedged using foreign currency derivatives of the same currency as the foreign denominated security.

We invest in fixed maturity securities denominated in foreign currencies for incremental return and risk diversification relative to U.S. dollar-denominated securities. We use foreign currency swaps to hedge the foreign exchange risk related to our investment in fixed maturity securities denominated in foreign currencies. As of December 31, 2019 and 2018, our unhedged positions consisted of $8 million and $10 million, respectively, of principal in U.S. dollar equivalents of Canadian-denominated investments with maturity dates up to 2025 and an average interest rate of 2%. As of December 31, 2019, our Modco investment portfolios were partially hedged and consisted of $133 million of principal in U.S. dollar equivalents of foreign denominated investments with maturity dates up to 2063 and an average interest rate of 4%. Investment results for our Modco reinsurance agreements are passed directly to the reinsurers. As of December 31, 2018, we had no foreign denominated investments supporting our Modco investment portfolios. See "Interest Rate Risk – Significant Interest Rate Exposures" above for our notional amounts in U.S. dollar equivalents (in millions) by year of maturity for our foreign currency swaps.

See Note 6 for additional information on our foreign currency swaps used to hedge our exposure to foreign currency exchange risk.

Item 8. **Financial Statements and Supplementary Data**

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Lincoln National Corporation to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with United States of America generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States of America generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of internal control over financial reporting effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Management assessed our internal control over financial reporting as of December 31, 2019, the end of our fiscal year. Management based its assessment on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on the assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with United States of America generally accepted accounting principles.

The effectiveness of our internal control over financial reporting as of December 31, 2019, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included on the following page.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Lincoln National Corporation

Opinion on Internal Control over Financial Reporting

We have audited Lincoln National Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Lincoln National Corporation (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) and our report dated February 20, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
February 20, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Lincoln National Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lincoln National Corporation (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 20, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Deferred Acquisition Costs Asset and Future Contract Benefits Liability

Description of the Matter	At December 31, 2019, deferred acquisition costs totaled $7.4 billion and future contract benefits liabilities totaled $36.4 billion, a portion of which related to universal life-type contracts with secondary guarantees and variable annuity contracts with guaranteed benefit riders. The carrying amount of the deferred acquisition costs related to these products is the total of costs deferred less amortization, which is calculated in relation to the present value of estimated gross profits of the underlying contracts. As described in Notes 1 (see section on *DAC, VOBA, DSI and DFEL*) and 8 to the consolidated financial statements, there is a significant amount of uncertainty inherent in calculating estimated gross profits as the calculation includes significant management judgment in developing certain assumptions, such as expected future mortality experience, investment margins, capital market performance, retention and rider utilization. Management's assumptions are adjusted, also known as unlocked, for emerging experience and expected changes in trends. The unlocking results in deferred acquisition cost amortization being recalculated, using the new assumptions for estimated gross profits, that results either in additional or less cumulative amortization expense. The future contract benefits liability related to these product guarantees is based on estimates of how much the Company will need to pay for future benefits and the amount of fees to be collected from policyholders for these policy features. As described in Note 1 to the consolidated financial statements (see section on *Future Contract Benefits and Other Contract Holder Funds*), there is significant uncertainty inherent in estimating this liability because there is a significant amount of management judgment involved in developing certain assumptions that impact the liability balance, which are consistent with the assumptions used to amortize the related deferred acquisition cost asset as noted above and which include expected mortality experience, investment margins, capital market performance, retention and rider utilization. Auditing the valuation of deferred acquisition costs and future contract benefits liabilities related to these products was complex and required the involvement of our actuarial specialists due to the high degree of judgment used by management in setting the assumptions used in the estimate of both the amortization of deferred acquisition costs and the future contract benefits liability related to these products.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the deferred acquisition costs and future contract benefits liability estimation processes, including, among others, controls related to the review and approval processes that management has in place for the assumptions used in estimating the estimated gross profits related to deferred acquisition costs and the future contract benefits liability. This included testing controls related to management's evaluation of the need to update assumptions based on the comparison of actual Company experience to previous assumptions and updating investment margins for current and expected future market conditions. We involved actuarial specialists to assist with our audit procedures which included, among others, an evaluation of the methodology applied by management with those methods used in prior periods. To assess the significant assumptions used by management, we compared the significant assumptions noted above to historical experience, observable market data or management's estimates of prospective changes in these assumptions. In addition, we performed an independent recalculation of estimated gross profits related to deferred policy acquisition costs and the future policy benefit reserves for a sample of cohorts or contracts which we compared to the actuarial model used by management.

Variable Annuity Guaranteed Living Benefit Riders Embedded Derivatives

Description of the Matter

The Company's variable annuity guaranteed living benefit riders include an embedded derivative, represented by an asset totaling $450 million as of December 31, 2019, related to the non-life contingent feature of the product which is accounted for at fair value, with changes in fair value recognized in income. As described in Notes 1 (see section on *Separate Account Assets and Liabilities*), 6 and 20 to the consolidated financial statements, there is a significant amount of estimation uncertainty inherent in measuring the fair value of the embedded derivative because of the sensitivity of certain assumptions underlying the estimate, including stock market performance, policy lapse experience and rider utilization. Management's assumptions are adjusted over time for emerging experience and expected changes in trends, resulting in changes to the estimated fair value of the embedded derivative.

Auditing the valuation of the embedded derivative related to variable annuity guaranteed living benefit riders was complex and required the involvement of our actuarial specialists due to the high degree of judgment used by management in setting the assumptions used in the estimate of the value of the embedded derivative.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the embedded derivative estimation process, including, among others, controls related to the review and approval processes that management has in place to develop the assumptions used in measuring the fair value of the embedded derivative. This included testing controls related to management's evaluation of current and future market conditions and the need to update policy lapse and rider utilization assumptions.

We involved actuarial specialists to assist with our audit procedures which included, among others, an evaluation of the methodology applied by management with those methods used in prior periods. To assess the significant assumptions used by management, we compared the significant assumptions noted above to historical experience, observable market data or management's estimates of prospective changes in these assumptions. In addition, we performed an independent recalculation of the embedded derivative for a sample of contracts which we compared to the fair value model used by management.

Valuation of Goodwill for the Life Insurance Reporting Unit

Description of the Matter

At December 31, 2019, the Company's goodwill was $1.8 billion, of which $634 million related to the Company's Life Insurance reporting unit. As discussed in Notes 1 (see section on *Goodwill*) and 10 of the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. Determining the fair value of the Life Insurance reporting unit as part of the goodwill impairment analysis is sensitive to significant assumptions such as the discount rate, which reflects the market expected, weighted-average rate of return adjusted for the risk factors associated with the operations, and other relevant assumptions impacting projected financial information, such as the profitability of new and in-force business, all of which are affected by expectations about future market or economic conditions.

Auditing the fair value of the Company's Life Insurance reporting unit was complex and required the involvement of our valuation and actuarial specialists due to the high degree of judgment used by management.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process. This included, among others, controls related to the review and approval processes that management has in place to develop the assumptions used in the estimation process, including management's determination of the applicable discount rate, and other assumptions for the Life Insurance reporting unit.

We involved actuarial and valuation specialists to assist with our audit procedures which included, among others, an evaluation of the methodology applied by management with those methods used in prior periods. To assess the significant assumptions used by management, we compared the significant assumptions noted above to current industry and economic trends, recent market transactions and other relevant factors. We reviewed the historical accuracy of management's estimate and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the Life Insurance reporting unit that would result from changes in the assumptions.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1966.
Philadelphia, Pennsylvania
February 20, 2020

LINCOLN NATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	As of December 31, 2019	As of December 31, 2018
ASSETS		
Investments:		
Fixed maturity available-for-sale securities, at fair value (amortized cost: 2019 – $94,295; 2018 – $92,429)	$ 105,200	$ 94,024
Trading securities	4,673	1,950
Equity securities	103	99
Mortgage loans on real estate	16,339	13,260
Policy loans	2,477	2,509
Derivative investments	1,911	1,107
Other investments	2,994	2,267
Total investments	133,697	115,216
Cash and invested cash	2,563	2,345
Deferred acquisition costs and value of business acquired	7,694	10,264
Premiums and fees receivable	465	570
Accrued investment income	1,148	1,119
Reinsurance recoverables	17,144	17,748
Funds withheld reinsurance assets	536	557
Goodwill	1,778	1,782
Other assets	16,170	15,713
Separate account assets	153,566	132,833
Total assets	$ 334,761	$ 298,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Future contract benefits	$ 36,420	$ 34,648
Other contract holder funds	98,018	91,233
Short-term debt	300	-
Long-term debt	6,067	5,839
Reinsurance related embedded derivatives	327	3
Funds withheld reinsurance liabilities	1,810	1,740
Payables for collateral on investments	5,082	4,805
Other liabilities	13,482	12,696
Separate account liabilities	153,566	132,833
Total liabilities	315,072	283,797
Contingencies and Commitments (See Note 14)		
Stockholders' Equity		
Preferred stock – 10,000,000 shares authorized	-	-
Common stock – 800,000,000 shares authorized; 196,668,532 and 205,862,760 shares issued and outstanding as of December 31, 2019, and December 31, 2018, respectively	5,162	5,392
Retained earnings	8,854	8,551
Accumulated other comprehensive income (loss)	5,673	407
Total stockholders' equity	19,689	14,350
Total liabilities and stockholders' equity	$ 334,761	$ 298,147

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions, except per share data)

	For the Years Ended December 31, 2019	2018	2017
Revenues			
Insurance premiums	$ 5,513	$ 4,601	$ 3,256
Fee income	6,497	5,986	5,619
Net investment income	5,223	5,085	4,990
Realized gain (loss):			
Total other-than-temporary impairment losses on securities	(30)	(7)	(18)
Portion of loss recognized in other comprehensive income	15	-	-
Net other-than-temporary impairment losses on securities recognized in earnings	(15)	(7)	(18)
Realized gain (loss), excluding other-than-temporary impairment losses on securities	(595)	148	(152)
Total realized gain (loss)	(610)	141	(170)
Amortization of deferred gain on business sold through reinsurance	31	9	23
Other revenues	604	602	539
Total revenues	17,258	16,424	14,257
Expenses			
Interest credited	2,780	2,617	2,590
Benefits	7,880	6,786	5,160
Commissions and other expenses	5,287	4,763	4,176
Interest and debt expense	326	297	253
Strategic digitization expense	66	76	43
Impairment of intangibles	-	-	905
Total expenses	16,339	14,539	13,127
Income (loss) before taxes	919	1,885	1,130
Federal income tax expense (benefit)	33	244	(949)
Net income (loss)	886	1,641	2,079
Other comprehensive income (loss), net of tax:			
Unrealized investment gains (losses)	5,288	(3,449)	1,643
Foreign currency translation adjustment	6	(9)	13
Funded status of employee benefit plans	(28)	(7)	8
Total other comprehensive income (loss), net of tax	5,266	(3,465)	1,664
Comprehensive income (loss)	$ 6,152	$ (1,824)	$ 3,743
Net Income (Loss) Per Common Share			
Basic	$ 4.41	$ 7.60	$ 9.36
Diluted	$ 4.38	$ 7.40	$ 9.22
Cash Dividends Declared Per Common Share	$ 1.51	$ 1.36	$ 1.20

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	For the Years Ended December 31,		
	2019	2018	2017
Common Stock			
Balance as of beginning-of-year	$ 5,392	$ 5,693	$ 5,869
Stock compensation/issued for benefit plans	42	45	94
Retirement of common stock/cancellation of shares	(272)	(346)	(270)
Balance as of end-of-year	5,162	5,392	5,693
Retained Earnings			
Balance as of beginning-of-year	8,551	8,399	7,043
Cumulative effect from adoption of new accounting standards	-	(642)	-
Net income (loss)	886	1,641	2,079
Retirement of common stock	(278)	(554)	(455)
Common stock dividends declared	(305)	(293)	(268)
Balance as of end-of-year	8,854	8,551	8,399
Accumulated Other Comprehensive Income (Loss)			
Balance as of beginning-of-year	407	3,230	1,566
Cumulative effect from adoption of new accounting standards	-	642	-
Other comprehensive income (loss), net of tax	5,266	(3,465)	1,664
Balance as of end-of-year	5,673	407	3,230
Total stockholders' equity as of end-of-year	$ 19,689	$ 14,350	$ 17,322

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	For the Years Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities			
Net income (loss)	$ 886	$ 1,641	$ 2,079
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Trading securities purchases, sales and maturities, net	(2,510)	(118)	121
Change in:			
Deferred acquisition costs, value of business acquired, deferred sales inducements and deferred front-end loads deferrals and interest, net of amortization	(409)	(81)	16
Premiums and fees receivable	105	(87)	34
Accrued investment income	(29)	(17)	(16)
Future contract benefits and other contract holder funds	(1,479)	(105)	(1,720)
Reinsurance related assets and liabilities	(134)	718	128
Accrued expenses	107	(101)	113
Federal income tax accruals	(227)	154	(1,119)
Realized (gain) loss	610	(141)	170
Amortization of deferred gain on business sold through reinsurance	(31)	(9)	(23)
Impairment of intangibles	-	-	905
Other	425	89	100
Net cash provided by (used in) operating activities	(2,686)	1,943	788
Cash Flows from Investing Activities			
Purchases of available-for-sale securities and equity securities	(15,326)	(12,650)	(10,148)
Sales of available-for-sale securities and equity securities	6,807	3,668	1,612
Maturities of available-for-sale securities	6,571	6,004	5,886
Purchase of common stock in acquisition, net of cash acquired	-	(1,410)	-
Sale of business, net	-	(12)	-
Purchases of alternative investments	(433)	(314)	(357)
Sales and repayments of alternative investments	131	178	184
Issuance of mortgage loans on real estate	(4,262)	(2,927)	(2,058)
Repayment and maturities of mortgage loans on real estate	1,163	1,085	1,184
Issuance and repayment of policy loans, net	32	21	51
Net change in collateral on investments, derivatives and related settlements	79	735	(429)
Other	(261)	(193)	(113)
Net cash provided by (used in) investing activities	(5,499)	(5,815)	(4,188)
Cash Flows from Financing Activities			
Payment of long-term debt, including current maturities	(308)	(537)	-
Issuance of long-term debt, net of issuance costs	744	1,094	-
Payment related to early extinguishment of debt	(42)	(23)	-
Proceeds from sale-leaseback transactions	-	88	62
Payment related to sale-leaseback transactions	(83)	-	-
Proceeds from certain financing arrangements	107	-	-
Deposits of fixed account values, including the fixed portion of variable	16,069	13,638	10,797
Withdrawals of fixed account values, including the fixed portion of variable	(5,849)	(6,007)	(5,825)
Transfers to and from separate accounts, net	(1,362)	(2,469)	(1,787)
Common stock issued for benefit plans	(20)	(6)	46
Repurchase of common stock	(550)	(900)	(725)
Dividends paid to common stockholders	(303)	(289)	(262)
Net cash provided by (used in) financing activities	8,403	4,589	2,306
Net increase (decrease) in cash, invested cash and restricted cash	218	717	(1,094)
Cash, invested cash and restricted cash as of beginning-of-year	2,345	1,628	2,722
Cash, invested cash and restricted cash as of end-of-year	$ 2,563	$ 2,345	$ 1,628

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies

Nature of Operations

Lincoln National Corporation and its majority-owned subsidiaries ("LNC" or the "Company," which also may be referred to as "we," "our" or "us") operate multiple insurance businesses through four business segments. See Note 21 for additional details. The collective group of businesses uses "Lincoln Financial Group" as its marketing identity. Through our business segments, we sell a wide range of wealth protection, accumulation, retirement income and group protection products and solutions. These products primarily include fixed and indexed annuities, variable annuities, universal life insurance ("UL"), variable universal life insurance ("VUL"), linked-benefit UL, indexed universal life insurance ("IUL"), term life insurance, employer-sponsored retirement plans and services, and group life, disability and dental.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with United States of America generally accepted accounting principles ("GAAP"). Certain GAAP policies, which significantly affect the determination of financial condition, results of operations and cash flows, are summarized below.

Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LNC and all other entities in which we have a controlling financial interest and any variable interest entities ("VIEs") in which we are the primary beneficiary. As discussed in Note 3, on May 1, 2018, LNC and The Lincoln National Life Insurance Company ("LNL") completed the acquisition of Liberty Life Assurance Company of Boston ("Liberty Life"), which effective September 1, 2019, was renamed Lincoln Life Assurance Company of Boston ("LLACB"). We use the equity method of accounting to recognize all of our investments in limited liability partnerships. All material inter-company accounts and transactions have been eliminated in consolidation.

Our involvement with VIEs is primarily to invest in assets that allow us to gain exposure to a broadly diversified portfolio of asset classes. A VIE is an entity that does not have sufficient equity to finance its own activities without additional financial support or where investors lack certain characteristics of a controlling financial interest. We assess our contractual, ownership or other interests in a VIE to determine if our interest participates in the variability the VIE was designed to absorb and pass onto variable interest holders. We perform an ongoing qualitative assessment of our variable interests in VIEs to determine whether we have a controlling financial interest and would therefore be considered the primary beneficiary of the VIE. If we determine we are the primary beneficiary of a VIE, we consolidate the assets and liabilities of the VIE in our consolidated financial statements.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain investments and derivatives, other-than-temporary impairment ("OTTI") and asset valuation allowances, deferred acquisition costs ("DAC"), value of business acquired ("VOBA"), deferred sales inducements ("DSI"), goodwill, future contract benefits, other contract holder funds including deferred front-end loads ("DFEL"), pension plans, stock-based incentive compensation, income taxes and the potential effects of resolving litigated matters.

Business Combinations

We use the acquisition method of accounting for all business combination transactions, and accordingly, recognize the fair values of assets acquired, liabilities assumed and any noncontrolling interests in our consolidated financial statements. The allocation of fair values may be subject to adjustment after the initial allocation for up to a one-year period as more information becomes available relative to the fair values as of the acquisition date. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

Fair Value Measurement

Our measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset or non-performance risk ("NPR"), which would include our own credit risk. Our estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability ("entry price"). Pursuant to the Fair Value

Measurements and Disclosures Topic of the Financial Accounting Standards Board ("FASB") *Accounting Standards Codification*™ ("ASC"), we categorize our financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique. The three-level hierarchy for fair value measurement is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date, except for large holdings subject to "blockage discounts" that are excluded;
- Level 2 – inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 – inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability, and we make estimates and assumptions related to the pricing of the asset or liability, including assumptions regarding risk.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. However, Level 3 fair value investments may include, in addition to the unobservable or Level 3 inputs, observable components, which are components that are actively quoted or can be validated to market-based sources.

Fixed Maturity Available-For-Sale Securities – Fair Valuation Methodologies and Associated Inputs

Securities classified as available-for-sale ("AFS") consist of fixed maturity securities and are stated at fair value with unrealized gains and losses included within accumulated other comprehensive income (loss) ("AOCI"), net of associated DAC, VOBA, DSI, future contract benefits, other contract holder funds and deferred income taxes.

We measure the fair value of our securities classified as fixed maturity AFS based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security, and we consistently apply the valuation methodology to measure the security's fair value. Our fair value measurement is based on a market approach that utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach primarily include third-party pricing services, independent broker quotations or pricing matrices. We do not adjust prices received from third parties; however, we do analyze the third-party pricing services' valuation methodologies and related inputs and perform additional evaluation to determine the appropriate level within the fair value hierarchy.

The observable and unobservable inputs to our valuation methodologies are based on a set of standard inputs that we generally use to evaluate all of our fixed maturity AFS securities. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. In addition, market indicators, industry and economic events are monitored, and further market data is acquired if certain triggers are met. For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For private placement securities, we use pricing matrices that utilize observable pricing inputs of similar public securities and Treasury yields as inputs to the fair value measurement. Depending on the type of security or the daily market activity, standard inputs may be prioritized differently or may not be available for all fixed maturity AFS securities on any given day. For broker-quoted only securities, non-binding quotes from market makers or broker-dealers are obtained from sources recognized as market participants. For securities trading in less liquid or illiquid markets with limited or no pricing information, we use unobservable inputs to measure fair value.

The following summarizes our fair valuation methodologies and associated inputs, which are particular to the specified security type and are in addition to the defined standard inputs to our valuation methodologies for all of our fixed maturity AFS securities discussed above:

- Corporate bonds and U.S. government bonds – We also use Trade Reporting and Compliance Engine™ reported tables for our corporate bonds and vendor trading platform data for our U.S. government bonds.
- Mortgage- and asset-backed securities ("ABS") – We also utilize additional inputs, which include new issues data, monthly payment information and monthly collateral performance, including prepayments, severity, delinquencies, step-down features and over collateralization features for each of our mortgage-backed securities ("MBS"), which include collateralized mortgage obligations and mortgage pass through securities backed by residential mortgages ("RMBS"), commercial mortgage-backed securities ("CMBS"), collateralized loan obligations ("CLOs") and collateralized debt obligations ("CDOs").
- State and municipal bonds – We also use additional inputs that include information from the Municipal Securities Rule Making Board, as well as material event notices, new issue data, issuer financial statements and Municipal Market Data benchmark yields for our state and municipal bonds.
- Hybrid and redeemable preferred securities – We also utilize additional inputs of exchange prices (underlying and common stock of the same issuer) for our hybrid and redeemable preferred securities.

In order to validate the pricing information and broker-dealer quotes, we employ, where possible, procedures that include comparisons with similar observable positions, comparisons with subsequent sales and observations of general market movements for those security classes. We have policies and procedures in place to review the process that is utilized by our third-party pricing service and the output that is provided to us by the pricing service. On a periodic basis, we test the pricing for a sample of securities to evaluate the inputs and assumptions used by the pricing service, and we perform a comparison of the pricing service output to an alternative pricing source. We also evaluate prices provided by our primary pricing service to ensure that they are not stale or unreasonable by reviewing the prices for unusual changes from period to period based on certain parameters or for lack of change from one period to the next.

Fixed Maturity AFS Securities – Evaluation for Recovery of Amortized Cost

We regularly review our fixed maturity AFS securities (also referred to as "debt securities") for declines in fair value that we determine to be other-than-temporary.

For our debt securities, we generally consider the following to determine whether our debt securities with unrealized losses are other-than-temporarily impaired:

- The estimated range and average period until recovery;
- The estimated range and average holding period to maturity;
- Remaining payment terms of the security;
- Current delinquencies and nonperforming assets of underlying collateral;
- Expected future default rates;
- Collateral value by vintage, geographic region, industry concentration or property type;
- Subordination levels or other credit enhancements as of the balance sheet date as compared to origination; and
- Contractual and regulatory cash obligations.

For a debt security, if we intend to sell a security, or it is more likely than not we will be required to sell a debt security before recovery of its amortized cost basis and the fair value of the debt security is below amortized cost, we conclude that an OTTI has occurred and the amortized cost is written down to current fair value, with a corresponding charge to realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). If we do not intend to sell a debt security, or it is not more likely than not we will be required to sell a debt security before recovery of its amortized cost basis but the present value of the cash flows expected to be collected is less than the amortized cost of the debt security (referred to as the credit loss), we conclude that an OTTI has occurred and the amortized cost is written down to the estimated recovery value with a corresponding charge to realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss), as this amount is deemed the credit portion of the OTTI. The remainder of the decline to fair value is recorded in other comprehensive income ("OCI") to unrealized OTTI on fixed maturity AFS securities on our Consolidated Statements of Stockholders' Equity, as this amount is considered a noncredit (i.e., recoverable) impairment.

When assessing our intent to sell a debt security, or if it is more likely than not we will be required to sell a debt security before recovery of its cost basis, we evaluate facts and circumstances such as, but not limited to, decisions to reposition our security portfolio, sales of securities to meet cash flow needs and sales of securities to capitalize on favorable pricing. Management considers the following as part of the evaluation:

- The current economic environment and market conditions;
- Our business strategy and current business plans;
- The nature and type of security, including expected maturities and exposure to general credit, liquidity, market and interest rate risk;
- Our analysis of data from financial models and other internal and industry sources to evaluate the current effectiveness of our hedging and overall risk management strategies;
- The current and expected timing of contractual maturities of our assets and liabilities, expectations of prepayments on investments and expectations for surrenders and withdrawals of life insurance policies and annuity contracts;
- The capital risk limits approved by management; and
- Our current financial condition and liquidity demands.

In order to determine the amount of the credit loss for a debt security, we calculate the recovery value by performing a discounted cash flow analysis based on the current cash flows and future cash flows we expect to recover. The discount rate is the effective interest rate implicit in the underlying debt security. The effective interest rate is the original yield, or the coupon if the debt security was previously impaired. See the discussion below for additional information on the methodology and significant inputs, by security type, that we use to determine the amount of a credit loss.

To determine the recovery period of a debt security, we consider the facts and circumstances surrounding the underlying issuer including, but not limited to, the following:

- Historical and implied volatility of the security;
- Length of time and extent to which the fair value has been less than amortized cost;
- Adverse conditions specifically related to the security or to specific conditions in an industry or geographic area;

- Failure, if any, of the issuer of the security to make scheduled payments; and
- Recoveries or additional declines in fair value subsequent to the balance sheet date.

In periods subsequent to the recognition of an OTTI, the fixed maturity AFS security is accounted for as if it had been purchased on the measurement date of the OTTI. Therefore, for the fixed maturity AFS security, the original discount or reduced premium is reflected in net investment income over the contractual term of the investment in a manner that produces a constant effective yield.

To determine recovery value of a corporate bond, CLO or CDO, we perform additional analysis related to the underlying issuer including, but not limited to, the following:

- Fundamentals of the issuer to determine what we would recover if they were to file bankruptcy versus the price at which the market is trading;
- Fundamentals of the industry in which the issuer operates;
- Earnings multiples for the given industry or sector of an industry that the underlying issuer operates within, divided by the outstanding debt to determine an expected recovery value of the security in the case of a liquidation;
- Expected cash flows of the issuer (e.g., whether the issuer has cash flows in excess of what is required to fund its operations);
- Expectations regarding defaults and recovery rates;
- Changes to the rating of the security by a rating agency; and
- Additional market information (e.g., if there has been a replacement of the corporate debt security).

Each quarter, we review the cash flows for the MBS to determine whether or not they are sufficient to provide for the recovery of our amortized cost. We revise our cash flow projections only for those securities that are at most risk for impairment based on current credit enhancement and trends in the underlying collateral performance. To determine recovery value of a MBS, we perform additional analysis related to the underlying issuer including, but not limited to, the following:

- Discounted cash flow analysis based on the current cash flows and future cash flows we expect to recover;
- Level of creditworthiness of the home equity loans or residential mortgages that back an RMBS or commercial mortgages that back a CMBS;
- Susceptibility to fair value fluctuations for changes in the interest rate environment;
- Susceptibility to reinvestment risks, in cases where market yields are lower than the securities' book yield earned;
- Susceptibility to reinvestment risks, in cases where market yields are higher than the book yields earned on a security;
- Expectations of sale of such a security where market yields are higher than the book yields earned on a security; and
- Susceptibility to variability of prepayments.

When evaluating MBS and mortgage-related ABS, we consider a number of pool-specific factors as well as market level factors when determining whether or not the impairment on the security is temporary or other-than-temporary. The most important factor is the performance of the underlying collateral in the security and the trends of that performance in the prior periods. We use this information about the collateral to forecast the timing and rate of mortgage loan defaults, including making projections for loans that are already delinquent and for those loans that are currently performing but may become delinquent in the future. Other factors used in this analysis include the credit characteristics of borrowers, geographic distribution of underlying loans and timing of liquidations by state. Once default rates and timing assumptions are determined, we then make assumptions regarding the severity of a default if it were to occur. Factors that impact the severity assumption include expectations for future home price appreciation or depreciation, loan size, first lien versus second lien, existence of loan level private mortgage insurance, type of occupancy and geographic distribution of loans. Once default and severity assumptions are determined for the security in question, cash flows for the underlying collateral are projected including expected defaults and prepayments. These cash flows on the collateral are then translated to cash flows on our tranche based on the cash flow waterfall of the entire capital security structure. If this analysis indicates the entire principal on a particular security will not be returned, the security is reviewed for OTTI by comparing the expected cash flows to amortized cost. To the extent that the security has already been impaired or was purchased at a discount, such that the amortized cost of the security is less than or equal to the present value of cash flows expected to be collected, no impairment is required. Otherwise, if the amortized cost of the security is greater than the present value of the cash flows expected to be collected, and the security was not purchased at a discount greater than the expected principal loss, then impairment is recognized.

We further monitor the cash flows of all of our fixed maturity AFS securities backed by mortgages on an ongoing basis. We also perform detailed analysis on all of our subprime, Alt-A, non-agency residential MBS and on a significant percentage of our fixed maturity AFS securities backed by pools of commercial mortgages. The detailed analysis includes revising projected cash flows by updating the cash flows for actual cash received and applying assumptions with respect to expected defaults, foreclosures and recoveries in the future. These revised projected cash flows are then compared to the amount of credit enhancement (subordination) in the structure to determine whether the amortized cost of the security is recoverable. If it is not recoverable, we record an impairment of the security.

Trading Securities

Trading securities consist of fixed maturity securities in designated portfolios, some of which support modified coinsurance ("Modco") and coinsurance with funds withheld ("CFW") reinsurance agreements. Investment results for the portfolios that support Modco and CFW reinsurance agreements, including gains and losses from sales, are passed directly to the reinsurers pursuant to contractual terms of the reinsurance agreements. Trading securities are carried at fair value, and changes in fair value and changes in the fair value of embedded derivative liabilities associated with the underlying reinsurance agreements are recorded in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss) as they occur.

Equity Securities

Equity securities are carried at fair value, and changes in fair value are recorded in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss) as they occur. Equity securities consist primarily of common stock of publicly-traded companies, privately placed securities and mutual fund shares. We measure the fair value of our equity securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the equity security. Fair values of publicly-traded equity securities are determined using quoted prices in active markets for identical or comparable securities. When quoted prices are not available, we use valuation methodologies most appropriate for the specific asset. Fair values for private placement securities are determined using discounted cash flow, earnings multiple and other valuation models. The fair values of mutual fund shares that transact regularly are based on transaction prices of identical fund shares.

Alternative Investments

Alternative investments, which consist primarily of investments in limited partnerships ("LPs"), are included in other investments on our Consolidated Balance Sheets. We account for our investments in LPs using the equity method to determine the carrying value. Recognition of alternative investment income is delayed due to the availability of the related financial statements, which are generally obtained from the partnerships' general partners. As a result, our private equity investments are generally on a three-month delay and our hedge funds are on a one-month delay. In addition, the impact of audit adjustments related to completion of calendar-year financial statement audits of the investees are typically received during the second quarter of each calendar year. Accordingly, our investment income from alternative investments for any calendar-year period may not include the complete impact of the change in the underlying net assets for the partnership for that calendar-year period.

Payables for Collateral on Investments

When we enter into collateralized financing transactions on our investments, a liability is recorded equal to the cash or non-cash collateral received. This liability is included within payables for collateral on investments on our Consolidated Balance Sheets. Income and expenses associated with these transactions are recorded as investment income and investment expenses within net investment income on our Consolidated Statements of Comprehensive Income (Loss). Changes in payables for collateral on investments are reflected within cash flows from investing activities on our Consolidated Statements of Cash Flows.

Mortgage Loans on Real Estate

Mortgage loans on real estate consist of commercial and residential mortgage loans and are carried at unpaid principal balances adjusted for amortization of premiums and accretion of discounts and are net of valuation allowances. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate. Premiums and discounts are amortized using the effective yield method over the life of the loan. Interest income and amortization of premiums and discounts are reported in net investment income on our Consolidated Statements of Comprehensive Income (Loss) along with mortgage loan fees, which are recorded as they are incurred.

Our policy for commercial mortgage loans is to report loans that are 60 or more days past due, which equates to two or more payments missed, as delinquent. Our policy for residential mortgage loans is to report loans that are 90 or more days past due, which equates to three or more payments missed, as delinquent. We do not accrue interest on loans 90 days past due, and any interest received on these loans is either applied to the principal or recorded in net investment income on our Consolidated Statements of Comprehensive Income (Loss) when received, depending on the assessment of the collectability of the loan. We resume accruing interest once a loan complies with all of its original terms or restructured terms. Mortgage loans deemed uncollectible are charged against the valuation allowance, and subsequent recoveries, if any, are credited to the valuation allowance.

We establish a valuation allowance to provide for the risk of credit losses inherent in our portfolio. The valuation allowance includes specific valuation allowances for loans that are deemed to be impaired as well as general valuation allowances for pools of loans with similar risk characteristics where a property risk or market specific risk has not been identified but for which we anticipate a loss may occur. Loans are considered impaired when it is probable that, based upon current information and events, we will be unable to collect all amounts due under the contractual terms of the loan agreement. When we determine that a loan is impaired, a specific valuation allowance is established for the excess carrying value of the loan over its estimated value. The loan's estimated value is based on: the present value of expected future cash flows discounted at the loan's effective interest rate; the loan's observable market price; or the fair value of the loan's collateral. Changes in valuation allowances are reported in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). General valuation allowances are primarily based on loss history adjusted for current conditions.

Valuation allowances are maintained at a level we believe is adequate to absorb estimated probable credit losses. Our periodic evaluation of the adequacy of the valuation allowances is based on historical loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of the underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors.

Our commercial loan portfolio is primarily comprised of long-term loans secured by existing commercial real estate. We believe all of the commercial loans in our portfolio share three primary risks: borrower credit worthiness; sustainability of the cash flow of the property; and market risk; therefore, our methods of monitoring and assessing credit risk are consistent for our entire portfolio.

For our commercial mortgage loan portfolio, trends in market vacancy and rental rates are incorporated into the analysis that we perform for monitored loans and may contribute to the establishment of (or an increase or decrease in) a valuation allowance. In addition, we review each loan individually in our commercial mortgage loan portfolio on an annual basis to identify emerging risks. We focus on properties that experienced a reduction in debt-service coverage or that have significant exposure to tenants with deteriorating credit profiles. Where warranted, we establish or increase a valuation allowance for a specific loan based upon this analysis.

We measure and assess the credit quality of our commercial mortgage loans by using loan-to-value and debt-service coverage ratios. The loan-to-value ratio compares the principal amount of the loan to the fair value at origination of the underlying property collateralizing the loan and is commonly expressed as a percentage. Loan-to-value ratios greater than 100% indicate that the principal amount is greater than the collateral value. Therefore, all else being equal, a lower loan-to-value ratio generally indicates a higher quality loan. The debt-service coverage ratio compares a property's net operating income to its debt-service payments. Debt-service coverage ratios of less than 1.0 indicate that property operations do not generate enough income to cover its current debt payments. Therefore, all else being equal, a higher debt-service coverage ratio generally indicates a higher quality loan.

Our residential loan portfolio is primarily comprised of first lien mortgages secured by existing residential real estate. In contrast to the commercial mortgage loan portfolio, residential mortgage loans are primarily smaller-balance homogenous loans that share similar risk characteristics. Therefore, these pools of loans are collectively evaluated for inherent credit losses. Such evaluations consider numerous factors, including, but not limited to borrower credit scores, collateral values, loss forecasts, geographic location, delinquency rates and economic trends. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Residential mortgage loan pools exclude loans that have been impaired as those loans are evaluated individually using the evaluation framework for specific valuation allowances described above.

For residential mortgage loans, our primary credit quality indicator is whether the loan is performing or nonperforming. We generally define nonperforming residential mortgage loans as those that are 90 or more days past due and/or in nonaccrual status. There is generally a higher risk of experiencing credit losses when a residential mortgage loan is nonperforming.

Policy Loans

Policy loans represent loans we issue to contract holders that use the cash surrender value of their life insurance policy as collateral. Policy loans are carried at unpaid principal balances.

Real Estate

Real estate includes both real estate held for the production of income and real estate held-for-sale. Real estate held for the production of income is carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. We periodically review properties held for the production of income for impairment. Properties whose carrying values are greater than their projected undiscounted cash flows are written down to estimated fair value, with impairment losses reported in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). The estimated fair value of real estate is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks. Real estate classified as held-for-sale is stated at the lower of depreciated cost or fair value less expected disposition costs at the time classified as held-for-sale. Real estate is not depreciated while it is classified as held-for-sale. Also, valuation allowances are established, as appropriate, for real estate held-for-sale and any changes to the valuation allowances are reported in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss). Real estate acquired through foreclosure proceedings is recorded at fair value at the settlement date.

Derivative Instruments

We hedge certain portions of our exposure to interest rate risk, foreign currency exchange risk, equity market risk and credit risk by entering into derivative transactions. All of our derivative instruments are recognized as either assets or liabilities on our Consolidated Balance Sheets at estimated fair value. We categorized derivatives into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique as discussed above in "Fair Value Measurement." The accounting for changes in the estimated fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument based upon the exposure being hedged: as a cash flow hedge or a fair value hedge.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI and reclassified into net income in the same period or periods during which the hedged transaction affects net income. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of designated future cash flows of the hedged item (hedge ineffectiveness), if any, is recognized in net income during the period of change. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in net income during the period of change in estimated fair values. For derivative instruments not designated as hedging instruments, but that are economic hedges, the gain or loss is recognized in net income.

We purchase and issue financial instruments and products that contain embedded derivative instruments. When it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host for measurement purposes. The embedded derivative is carried at fair value with changes in fair value recognized in net income during the period of change.

We employ several different methods for determining the fair value of our derivative instruments. The fair value of our derivative contracts are measured based on current settlement values, which are based on quoted market prices, industry standard models that are commercially available and broker quotes. These techniques project cash flows of the derivatives using current and implied future market conditions. We calculate the present value of the cash flows to measure the current fair market value of the derivative.

Cash and Invested Cash

Cash and invested cash is carried at cost and includes all highly liquid debt instruments purchased with an original maturity of three months or less.

DAC, VOBA, DSI and DFEL

Acquisition costs directly related to successful contract acquisitions or renewals of UL insurance, VUL insurance, traditional life insurance, annuities and other investment contracts have been deferred (i.e., DAC) to the extent recoverable. VOBA is an intangible asset that reflects the estimated fair value of in-force contracts in a life insurance company acquisition and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in force at the acquisition date. Bonus credits and excess interest for dollar cost averaging contracts are considered DSI. Contract sales charges that are collected in the early years of an insurance contract are deferred (i.e., DFEL), and the unamortized balance is reported in other contract holder funds on our Consolidated Balance Sheets.

Both DAC and VOBA amortization, excluding amounts reported in realized gain (loss), is reported within commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss). DSI amortization, excluding amounts reported in realized gain (loss), is reported in interest credited on our Consolidated Statements of Comprehensive Income (Loss). The amortization of DFEL, excluding amounts reported in realized gain (loss), is reported within fee income on our Consolidated Statements of Comprehensive Income (Loss). The methodology for determining the amortization of DAC, VOBA, DSI and DFEL varies by product type. For all insurance contracts, amortization is based on assumptions consistent with those used in the development of the underlying contract adjusted for emerging experience and expected trends.

Acquisition costs for UL and VUL insurance and investment-type products, which include fixed and variable deferred annuities, are generally amortized over the lives of the policies in relation to the incidence of estimated gross profits ("EGPs") from surrender charges, investment, mortality net of reinsurance ceded and expense margins and actual realized gain (loss) on investments. Contract lives for UL and VUL policies are estimated to be 40 years based on the expected lives of the contracts. Contract lives for fixed and variable deferred annuities are generally between 15 and 30 years, while some of our fixed multi-year guarantee products have amortization periods equal to the guarantee period. The front-end load annuity product has an assumed life of 25 years. Longer lives are assigned to those blocks that have demonstrated lower lapse experience.

Acquisition costs for all traditional contracts, including traditional life insurance contracts, such as individual whole life, group business and term life insurance, are amortized over the expected premium-paying period that generally results in amortization less than 30 years. Acquisition costs are either amortized on a straight-line basis or as a level percent of premium of the related policies depending on the block of business. There is currently no DAC, VOBA, DSI or DFEL balance or related amortization for fixed and variable payout annuities.

We account for modifications of insurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. We account for modifications of insurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract.

The carrying amounts of DAC, VOBA, DSI and DFEL are adjusted for the effects of realized and unrealized gains and losses on securities classified as fixed maturity AFS and certain derivatives and embedded derivatives. Amortization expense of DAC, VOBA, DSI and DFEL reflects an assumption for an expected level of credit-related investment losses. When actual credit-related investment losses are realized, we recognize a true-up to our DAC, VOBA, DSI and DFEL amortization within realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss) reflecting the incremental effect of actual versus expected credit-related investment losses. These actual to expected amortization adjustments can create volatility from period to period in realized gain (loss).

During the third quarter of each year, we conduct our annual comprehensive review of the assumptions and the projection models used for our estimates of future gross profits underlying the amortization of DAC, VOBA, DSI and DFEL and the calculations of the embedded derivatives and reserves for life insurance and annuity products. These assumptions include, but are not limited to, capital markets, investment margins, mortality, retention, rider utilization and maintenance expenses (costs associated with maintaining records relating to insurance and individual and group annuity contracts, and with the processing of premium collections, deposits, withdrawals and commissions). Based on our review, the cumulative balances of DAC, VOBA, DSI and DFEL included on our Consolidated Balance Sheets are adjusted with an offsetting benefit or charge to revenue or amortization expense to reflect such change related to our expectations of future EGPs ("unlocking"). We may have unlocking in other quarters as we become aware of information that warrants updating assumptions outside of our annual comprehensive review. We may also identify and implement actuarial modeling refinements that result in increases or decreases to the carrying values of DAC, VOBA, DSI, DFEL, embedded derivatives and reserves for life insurance and annuity products with living benefit and death benefit guarantees.

DAC, VOBA, DSI and DFEL are reviewed to ensure that the unamortized portion does not exceed the expected recoverable amounts.

Reinsurance

Our insurance subsidiaries enter into reinsurance agreements in the normal course of business to limit our exposure to the risk of loss and to enhance our capital management.

In order for a reinsurance agreement to qualify for reinsurance accounting, the agreement must satisfy certain risk transfer conditions that include, among other items, a reasonable possibility of a significant loss for the assuming entity. When we apply reinsurance accounting, premiums, benefits and DAC amortization are reported net of insurance ceded on our Consolidated Statements of Comprehensive Income (Loss). Amounts currently recoverable, such as ceded reserves, are reported in reinsurance recoverables and amounts currently payable to the reinsurers, such as premiums, are included in other liabilities on our Consolidated Balance Sheets. Assets and liabilities and premiums and benefits from certain reinsurance contracts that grant statutory surplus relief to our insurance companies are netted on our Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income (Loss), respectively, if there is a contractual right of offset.

We use deposit accounting to recognize reinsurance agreements that do not transfer significant insurance risk. This accounting treatment results in amounts paid or received by our insurance subsidiaries to be considered on deposit with the reinsurer and such amounts are reported in other assets and other liabilities, respectively, on our Consolidated Balance Sheets. As amounts are paid or received, consistent with the underlying contracts, deposit assets or liabilities are adjusted.

Goodwill

We recognize the excess of the purchase price, plus the fair value of any noncontrolling interest in the acquiree, over the fair value of identifiable net assets acquired as goodwill. Goodwill is not amortized, but is reviewed for impairment annually as of October 1 and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

We perform a quantitative goodwill impairment test where the fair value of the reporting unit is determined and compared to the carrying value of the reporting unit. If the carrying value of the reporting unit is greater than the reporting unit's fair value, goodwill is impaired and written down to the reporting unit's fair value; and a charge is reported in impairment of intangibles on our Consolidated Statements of Comprehensive Income (Loss). The results of one goodwill impairment test on one reporting unit cannot subsidize the results of another reporting unit.

Other Assets and Other Liabilities

Other assets consist primarily of DSI, specifically identifiable intangible assets, property and equipment owned by the Company, balances associated with corporate-owned and bank-owned life insurance, certain reinsurance assets, receivables resulting from sales of securities that had not yet settled as of the balance sheet date, debt issuance costs associated with line-of-credit arrangements, operating lease right-of-use ("ROU") assets, finance lease assets, certain financing arrangements and other prepaid expenses. Other liabilities consist primarily of current and deferred taxes, pension and other employee benefit liabilities, derivative instrument liabilities, certain reinsurance payables, payables resulting from purchases of securities that had not yet settled as of the balance sheet date, interest on borrowed funds, long-term operating lease liabilities, finance lease liabilities, certain financing arrangements, deferred gain on business sold through reinsurance and other accrued expenses.

Other assets and other liabilities on our Consolidated Balance Sheets include guaranteed living benefit ("GLB") features and remaining guaranteed interest and similar contracts that are carried at fair value, which may be reported in either other assets or other liabilities. The fair value of these items represents approximate exit price including an estimate for our NPR. Certain of these features have elements of both insurance benefits and embedded derivatives. Through our hybrid accounting approach, for reserve calculation purposes we assign product cash flows to the embedded derivative or insurance portion of the reserves based on the life-contingent nature of the benefits. We classify these GLB reserves embedded derivatives in Level 3 within the hierarchy levels described above in "Fair Value Measurement." We report the insurance portion of the reserves in future contract benefits.

The carrying values of specifically identifiable intangible assets are reviewed at least annually for indicators of impairment in value that are other-than-temporary, including unexpected or adverse changes in the following: the economic or competitive environments in which the company operates; profitability analyses; cash flow analyses; and the fair value of the relevant business operation. If there was an indication of impairment, then the discounted cash flow method would be used to measure the impairment, and the carrying value would be adjusted as necessary and reported in impairment of intangibles on our Consolidated Statements of Comprehensive Income

(Loss). Sales force intangibles are attributable to the value of the new business distribution system acquired through business combinations. These assets are amortized on a straight-line basis over their useful life of 25 years. Specifically identifiable intangible assets also includes the value of customer relationships acquired ("VOCRA") and value of distribution agreements ("VODA") that were acquired through our business combination during 2018. The carrying values of VOCRA and VODA are amortized using a straight-line basis over their weighted average life of 20 years and 13 years, respectively. See Note 10 for more information regarding specifically identifiable intangible assets acquired.

Property and equipment owned for company use is carried at cost less allowances for depreciation. Provisions for depreciation of investment real estate and property and equipment owned for company use are computed principally on the straight-line method over the estimated useful lives of the assets, which include buildings, computer hardware and software and other property and equipment. Certain assets on our Consolidated Balance Sheets are related to finance leases and certain financing arrangements and are depreciated in a manner consistent with our current depreciation policy for owned assets. We periodically review the carrying value of our long-lived assets, including property and equipment, for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. For long-lived assets to be held and used, impairments are recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Long-lived assets to be disposed of by abandonment or in an exchange for a similar productive long-lived asset are classified as held-for-use until they are disposed. Long-lived assets to be sold are classified as held-for-sale and are no longer depreciated. Certain criteria have to be met in order for the long-lived asset to be classified as held-for-sale, including that a sale is probable and expected to occur within one year. Long-lived assets classified as held-for-sale are recorded at the lower of their carrying amount or fair value less cost to sell.

Effective January 1, 2019, we adopted ASU 2016-02, which resulted in a new measurement and recognition of our long-term operating leases on our Consolidated Balance Sheets. We lease office space and certain equipment under various long-term lease agreements. We determine if an arrangement is a lease at inception. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Our leases do not provide an implicit rate; therefore, we use our incremental borrowing rate at the commencement date in determining the present value of future payments. The ROU asset is calculated using the lease liability carrying amount, plus or minus prepaid/accrued lease payments, minus the unamortized balance of lease incentives received, plus unamortized initial direct costs. Lease terms used to calculate our lease obligation include options when we are reasonably certain that we will exercise such options. Our lease agreements may contain both lease and non-lease components, which are accounted for separately. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. See Notes 2 and 14 for additional information.

Other liabilities includes a deferred gain on business sold through reinsurance attributable to our annuity reinsurance agreement with Athene Holding Ltd. ("Athene") effective October 1, 2018. We are recognizing the gain related to this transaction over the period over which the majority of account values are expected to run off, or 20 years.

Separate Account Assets and Liabilities

We maintain separate account assets, which are reported at fair value. The related liabilities are reported at an amount equivalent to the separate account assets. Investment risks associated with market value changes are borne by the contract holders, except to the extent of minimum guarantees made by the Company with respect to certain accounts.

We issue variable annuity contracts through our separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder (traditional variable annuities). We also issue variable annuity and life contracts through separate accounts that may include various types of guaranteed death benefit ("GDB"), guaranteed withdrawal benefit ("GWB") and guaranteed income benefit ("GIB") features. The GDB features include those where we contractually guarantee to the contract holder either: return of no less than total deposits made to the contract less any partial withdrawals ("return of net deposits"); total deposits made to the contract less any partial withdrawals plus a minimum return ("minimum return"); or the highest contract value on any contract anniversary date through age 80. The highest contract value is increased by purchase payments and is decreased by withdrawals subsequent to that anniversary date in the same proportion that withdrawals reduce the contract value.

As discussed in Note 6, certain features of these guarantees are accounted for as embedded derivative reserves, whereas other guarantees are accounted for as benefit reserves. Other guarantees contain characteristics of both and are accounted for under an approach that calculates the value of the embedded derivative reserve and the benefit reserve based on the specific characteristics of each GLB feature. We use derivative instruments to hedge our exposure to the risks and earnings volatility that result from the embedded derivatives for living benefits in certain of our variable annuity products. The change in fair value of these instruments tends to move in the opposite direction of the change in the value of the associated reserves. The net impact of these changes is reported as a component of realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

The "market consistent scenarios" used in the determination of the fair value of the GLB liability are similar to those used by an investment bank to value derivatives for which the pricing is not transparent and the aftermarket is nonexistent or illiquid. We use risk-neutral Monte Carlo simulations in our calculation to value the entire block of guarantees, which involve 100 unique scenarios per policy or approximately 49 million scenarios. The market consistent scenario assumptions, as of each valuation date, are those we view to be appropriate for a hypothetical market participant. The market consistent inputs include, but are not limited to, assumptions for capital markets (e.g., implied volatilities, correlation among indices, risk-free swap curve, etc.), policyholder behavior (e.g., policy lapse, rider utilization, etc.), mortality, risk margins, maintenance expenses and a margin for profit. We believe these assumptions are consistent with those that would be used by a market participant; however, as the related markets develop we will continue to reassess our assumptions. It is possible that different valuation techniques and assumptions could produce a materially different estimate of fair value.

Future Contract Benefits and Other Contract Holder Funds

Future contract benefits represent liability reserves that we have established and carry based on estimates of how much we will need to pay for future benefits and claims. Other contract holder funds represent liabilities for fixed account values, including the fixed portion of variable, dividends payable, premium deposit funds, undistributed earnings on participating business and other contract holder funds as well as the carrying value of DFEL discussed above.

The liabilities for future contract benefits and claim reserves for UL and VUL insurance policies consist of contract account balances that are equal to deposits net of withdrawals, excluding surrender charges and fees, plus interest credited, and if applicable an additional reserve for other insurance benefit guarantees. The liabilities for future insurance contract benefits and claim reserves for traditional life policies are computed using assumptions for investment yields, mortality and withdrawals based principally on generally accepted actuarial methods and assumptions at the time of contract issue. Investment yield assumptions for traditional direct individual life reserves for all contracts range from 2.25% to 7.75% depending on the time of contract issue. The investment yield assumptions for immediate and deferred paid-up annuities range from 1.25% to 12.75%. These investment yield assumptions are intended to represent an estimation of the interest rate experience for the period that these contract benefits are payable.

The liabilities for future claim reserves for variable annuity products containing GDB features are calculated by estimating the present value of total expected benefit payments over the life of the contract from inception divided by the present value of total expected assessments over the life of the contract ("benefit ratio") multiplied by the cumulative assessments recorded from the contract inception through the balance sheet date less the cumulative GDB payments plus interest on the liability. The change in the liability for a period is the benefit ratio multiplied by the assessments recorded for the period less GDB claims paid in the period plus interest. As experience or assumption changes result in a change in expected benefit payments or assessments, the benefit ratio is unlocked, that is, recalculated using the updated expected benefit payments and assessments over the life of the contract since inception. The revised benefit ratio is then applied to the liability calculation described above, with the resulting change in liability reported in benefits on our Consolidated Statements of Comprehensive Income (Loss).

The liability for future claim reserves for long-term disability contracts for incurred and reported claims are calculated based on assumptions as to interest, claim resolution rates and offsets for other insurance including social security. Claim resolution rate assumptions and social security offsets are based on our actual experience. The interest rate assumptions used for discounting claim reserves are based on projected portfolio yield rates, after consideration for defaults and investment expenses, for assets supporting the liabilities. The incurred but not reported claim reserves are based on our experiences as to the reporting lags and ultimate loss experience. Claim reserves are subject to revision as current claim experience and projections of future factors affecting claim experience change. Claim reserves do not include a provision for adverse deviation.

With respect to our future contract benefits and other contract holder funds, we continually review overall reserve position, reserving techniques and reinsurance arrangements. As experience develops and new information becomes known, liabilities are adjusted as deemed necessary. The effects of changes in estimates are included in the operating results for the period in which such changes occur.

The business written or assumed by us includes participating life insurance contracts, under which the contract holder is entitled to share in the earnings of such contracts via receipt of dividends. The dividend scale for participating policies is reviewed annually and may be adjusted to reflect recent experience and future expectations. As of December 31, 2019 and 2018, participating policies comprised less than 1% of the face amount of business in force, and dividend expenses were $51 million, $56 million and $57 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Liabilities for the secondary guarantees on UL-type products are calculated by multiplying the benefit ratio by the cumulative assessments recorded from contract inception through the balance sheet date less the cumulative secondary guarantee benefit payments plus interest. If experience or assumption changes result in a new benefit ratio, the reserves are adjusted to reflect the changes in a manner similar to the unlocking of DAC, VOBA, DFEL and DSI. The accounting for secondary guarantee benefits impacts, and is impacted by, EGPs used to calculate amortization of DAC, VOBA, DFEL and DSI.

Certain of our variable annuity contracts reported within future contract benefits contain GLB reserves embedded derivatives, a portion of which may be reported in either other assets or other liabilities, and include guaranteed interest and similar contracts, that are carried at fair value on our Consolidated Balance Sheets, which represents approximate exit price including an estimate for our NPR. Certain of these features have elements of both insurance benefits and embedded derivatives. Through our hybrid accounting approach, for reserve calculation purposes we assign product cash flows to the embedded derivative or insurance portion of the reserves based on the life-contingent nature of the benefits. We classify these GLB reserves embedded derivatives items in Level 3 within the hierarchy levels described above in "Fair Value Measurement." We report the insurance portion of the reserves in future contract benefits.

The fair value of our indexed annuity contracts is based on their approximate surrender values.

Borrowed Funds

LNC's short-term borrowings are defined as borrowings with contractual or expected maturities of one year or less. Long-term borrowings have contractual or expected maturities greater than one year.

Contingencies and Commitments

Contingencies arising from environmental remediation costs, regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

Fee Income

Fee income for investment and interest-sensitive life insurance contracts consists of asset-based fees, percent of premium charges, contract administration charges and surrender charges that are assessed against contract holder account balances. Investment products consist primarily of individual and group variable and fixed deferred annuities. Interest-sensitive life insurance products include UL insurance, VUL insurance and other interest-sensitive life insurance policies. These products include life insurance sold to individuals, corporate-owned life insurance and bank-owned life insurance.

In bifurcating the embedded derivative of our GLB features on our variable annuity products, we attribute to the embedded derivative the portion of total fees collected from the contract holder that relate to the GLB riders (the "attributed fees"), which are not reported within fee income on our Consolidated Statements of Comprehensive Income (Loss). These attributed fees represent the present value of future claims expected to be paid for the GLB at the inception of the contract plus a margin that a theoretical market participant would include for risk/profit and are reported within realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

The timing of revenue recognition as it relates to fees assessed on investment contracts is determined based on the nature of such fees. Asset-based fees, cost of insurance and contract administration charges are assessed on a daily or monthly basis and recognized as revenue as performance obligations are met, over the period underlying customer assets are owned or advisory services are provided. Wholesaling-related 12b-1 fees received from separate account fund sponsors as compensation for servicing the underlying mutual funds are recorded as revenues based on a contractual percentage of the market value of mutual fund assets over the period shares are owned by customers. Net investment advisory fees related to asset management of certain separate account funds are recorded as revenues based on a contractual percentage of the customer's managed assets over the period advisory services are provided. Percent of premium charges are assessed at the time of premium payment and recognized as revenue when assessed and earned. Certain amounts assessed that represent compensation for services to be provided in future periods are reported as unearned revenue and recognized in income over the periods benefited. Surrender charges are recognized upon surrender of a contract by the contract holder in accordance with contractual terms. For investment and interest-sensitive life insurance contracts, the amounts collected from contract holders are considered deposits and are not included in revenue.

Insurance Premiums

Our insurance premiums for traditional life insurance and group insurance products are recognized as revenue when due from the contract holder. Our traditional life insurance products include those products with fixed and guaranteed premiums and benefits and consist primarily of whole life insurance, limited-payment life insurance, term life insurance and certain annuities with life contingencies. Our group insurance products consist primarily of term life, disability and dental.

Net Investment Income

We earn investment income on the underlying general account investments supporting our fixed products less related expenses. Dividends and interest income, recorded in net investment income, are recognized when earned. Amortization of premiums and accretion of discounts on investments in debt securities are reflected in net investment income over the contractual terms of the investments in a manner that produces a constant effective yield.

For CLOs and MBS, included in the trading and fixed maturity AFS securities portfolios, we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from originally anticipated prepayments, the retrospective effective yield is recalculated to reflect actual payments to date and a catch up adjustment is recorded in the current period. In addition, the new effective yield, which reflects anticipated future payments, is used prospectively. Any adjustments resulting from changes in effective yield are reflected in net investment income on our Consolidated Statements of Comprehensive Income (Loss).

Realized Gain (Loss)

Realized gain (loss) includes realized gains and losses from the sale of investments, write-downs for other-than-temporary impairments of investments, changes in fair value of equity securities, certain derivative and embedded derivative gains and losses, gains and losses on the sale of subsidiaries and businesses and net gains and losses on reinsurance embedded derivatives and trading securities. Realized gains and losses on the sale of investments are determined using the specific identification method. Realized gain (loss) is recognized in net income, net of associated amortization of DAC, VOBA, DSI and DFEL. Realized gain (loss) is also net of allocations of investment gains and losses to certain contract holders and certain funds withheld on reinsurance arrangements for which we have a contractual obligation.

Other Revenues

Other revenues consists primarily of fees attributable to broker-dealer services recorded as performance obligations are met, either at the time of sale or over time based on a contractual percentage of customer account values, changes in the market value of our seed capital investments, and proceeds from reinsurance recaptures. The broker-dealer services primarily relate to our retail sales network and consist of commission revenue for the sale of non-affiliated securities recorded on a trade date basis and advisory fee income. Advisory fee income is asset-based revenues recorded as earned based on a contractual percentage of customer account values. Other revenues earned by our Group Protection segment consist of fees from administrative services performed, which are recognized as performance obligations are met over the terms of the underlying agreements.

Interest Credited

We credit interest to our contract holder account balances based on the contractual terms supporting our products.

Benefits

Benefits for UL and other interest-sensitive life insurance products include benefit claims incurred during the period in excess of contract account balances. Benefits also include the change in reserves for life insurance products with secondary guarantee benefits, annuity products with guaranteed death and living benefits and certain annuities with life contingencies. For traditional life, group health and disability income products, benefits are recognized when incurred in a manner consistent with the related premium recognition policies.

Strategic Digitization Expense

Strategic digitization expense consists primarily of costs related to our enterprise-wide digitization initiative.

Pension and Other Postretirement Benefit Plans

Pursuant to the accounting rules for our obligations to employees and agents under our various pension and other postretirement benefit plans, we are required to make a number of assumptions to estimate related liabilities and expenses. The mortality assumption is based on actual and anticipated plan experience, determined using acceptable actuarial methods. We use assumptions for the weighted-average discount rate and expected return on plan assets to estimate pension expense. The discount rate assumptions are determined using an analysis of current market information and the projected benefit flows associated with these plans. The expected long-term rate of return on plan assets is based on historical and projected future rates of return on the funds invested in the plan. The calculation of our accumulated postretirement benefit obligation also uses an assumption of weighted-average annual rate of increase in the per capita cost of covered benefits, which reflects a health care cost trend rate.

Stock-Based Compensation

In general, we expense the fair value of stock awards included in our incentive compensation plans. As of the date our stock awards are approved, the fair value of stock options is determined using a Black-Scholes options valuation methodology, and the fair value of other stock awards is based upon the market value of the stock. The fair value of the awards is expensed over the performance or service period, which generally corresponds to the vesting period, and is recognized as an increase to common stock in stockholders' equity. We apply an estimated forfeiture rate to our accrual of compensation cost. We classify certain stock awards as liabilities. For these awards, the settlement value is classified as a liability on our Consolidated Balance Sheets, and the liability is marked-to-market through net income at the end of each reporting period. Stock-based compensation expense is reflected in commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss).

Interest and Debt Expense

Interest expense on our short-term and long-term debt is recognized as due and any associated premiums, discounts and costs are amortized (accreted) over the term of the related borrowing utilizing the effective interest method. In addition, gains or losses related to certain derivative instruments associated with debt are recognized in interest and debt expense during the period of the change.

Income Taxes

We file a U.S. consolidated income tax return that includes all of our eligible subsidiaries. Ineligible subsidiaries file separate individual corporate tax returns. Subsidiaries operating outside of the U.S. are taxed, and income tax expense is recorded, based on applicable foreign statutes. Deferred income taxes are recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to the extent required. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, we consider many factors, including: the nature and character of the deferred tax assets and liabilities; taxable income in prior carryback years; future reversals of temporary differences; the length of time carryovers can be utilized; and any tax planning strategies we would employ to avoid a tax benefit from expiring unused.

Foreign Currency Translation

The balance sheet accounts and income statement items of foreign subsidiaries, reported in functional currencies other than the U.S. dollar are translated at the current and average exchange rates for the year, respectively. Resulting translation adjustments and other translation adjustments for foreign currency transactions that affect cash flows are reported in AOCI, a component of stockholders' equity.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the average common shares outstanding. Diluted EPS is computed assuming the conversion or exercise of dilutive convertible preferred securities, nonvested stock, stock options, performance share units and warrants outstanding during the year.

Our deferred compensation plans allow participants the option to diversify from LNC stock to other investment alternatives. When calculating our weighted-average dilutive shares, we presume the investment option will be settled in cash and exclude these shares from our calculation, unless the effect of settlement in shares would be more dilutive to our diluted EPS calculation.

For any period where a net loss is experienced, shares used in the diluted EPS calculation represent basic shares, as the use of diluted shares would result in a lower loss per share.

2. New Accounting Standards

Adoption of New Accounting Standards

The following table provides a description of our adoption of new Accounting Standards Updates ("ASUs") issued by the FASB and the impact of the adoption on our financial statements. ASUs not listed below were assessed and determined to be either not applicable or insignificant in presentation or amount.

Standard	Description	Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-02, Leases and all related amendments	This standard establishes a new accounting model for leases. Lessees will recognize most leases on the balance sheet as a ROU asset and a related lease liability. The lease liability is measured as the present value of the lease payments over the lease term with the ROU asset measured at the lease liability amount and including adjustments for certain lease incentives and initial direct costs. Lease expense recognition will continue to differentiate between finance leases and operating leases resulting in a similar pattern of lease expense recognition as under current GAAP. This ASU permits a modified retrospective adoption approach that includes a number of optional practical expedients that entities may elect upon adoption. Early adoption is permitted.	January 1, 2019	We adopted this standard and all related amendments, which resulted in the recognition of \$207 million in ROU assets and \$214 million in operating lease liabilities reported in other assets and other liabilities, respectively, on our Consolidated Balance Sheets as of January 1, 2019. Comparative periods continue to be measured and presented under historical guidance, and only the period of adoption is subject to this ASU. Also, on transition, we have elected not to reassess: 1) whether expired or existing contracts contain a lease under the new definition of a lease; 2) lease classification for expired or existing leases; and 3) whether previously capitalized initial direct costs would qualify for capitalization under this ASU. Additionally, there is not a significant difference in our pattern of lease expense recognition under this ASU, and there is no impact on cash flows. For more information, see Note 1.
ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities	These amendments require an entity to shorten the amortization period for certain callable debt securities held at a premium so that the premium is amortized to the earliest call date. Early adoption is permitted, and the ASU requires adoption under a modified retrospective basis through a cumulative effect adjustment to the beginning balance of retained earnings.	January 1, 2019	We adopted the provisions of this ASU, which did not result in a change to our existing practices; therefore, no cumulative effect adjustment was recorded. As such, there was no impact on our consolidated financial condition and results of operations.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	These amendments change both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. These amendments retain the threshold of highly effective for hedging relationships, remove the requirement to bifurcate between the portions of the hedging relationship that are effective and ineffective, record hedge item and hedging instrument results in the same financial statement line item, require quantitative assessment initially for all hedging relationships unless the hedging relationship meets the definition of either the shortcut method or critical terms match method and allow the contractual specified index rate to be designated as the hedged risk in a cash flow hedge of interest rate risk of a variable rate financial instrument. These amendments also eliminate the benchmark interest rate concept for variable rate instruments. Early adoption is permitted.	January 1, 2019	We adopted the provisions of this ASU, which did not have an impact on our consolidated financial condition and results of operations. This ASU does result in our modification of certain hedge documentation and effectiveness methods, which we have reflected in applicable disclosures in Note 6.

Future Adoption of New Accounting Standards

The following table provides a description of future adoptions of new accounting standards that may have an impact on our financial statements when adopted:

Standard	Description	Projected Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-13, Measurement of Credit Losses on Financial Instruments and related amendments	These amendments adopt a new model in ASC Topic 326 to measure and recognize credit losses for most financial assets. The ASU requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected over the life of the asset using an allowance for credit losses. Changes in the allowance are charged to earnings. The measurement of expected credit losses is based on relevant information about past events, including historical experience, as well as current economic conditions and reasonable and supportable forecasts that affect the collectability of the financial asset. The method used to measure estimated credit losses for fixed maturity AFS securities will be unchanged from current GAAP; however, the amendments require credit losses to be recognized through an allowance rather than as a reduction to the amortized cost of those securities. The amendments will permit entities to recognize improvements in credit loss estimates on fixed maturity AFS securities by reducing the allowance account immediately through earnings. The amendments will be adopted through a cumulative effect adjustment to the beginning balance of retained earnings as of the first reporting period in which the amendments are effective. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein.	January 1, 2020	The adoption of this standard and related amendments will result in the recognition of a cumulative effect adjustment that is not expected to be material to our retained earnings, to record allowances for credit losses as of the date of adoption, primarily related to commercial and residential mortgage loans, as well as reinsurance recoverables.
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging and Topic 825, Financial Instruments	These amendments clarify the measurement, recognition and presentation of the allowance for credit losses on accrued interest receivable balances; the inclusion of recoveries when estimating the allowance for credit losses; the inclusion of all ASC Topic 944 – *Financial Services – Insurance* reinsurance recoverables within the scope of ASC 326-20; and provide additional targeted clarifications on the calculation of the allowance for credit losses. These amendments also make targeted clarifications to ASC Topics 815 and 825. Early adoption is permitted.	January 1, 2020	Our adoption of ASU 2016-13 and related amendments is discussed above. The adoption of the remainder of this guidance will not have a material impact on our consolidated financial condition and results of operations.
ASU 2019-05, Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief	The amendments provide entities that have certain instruments within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments – Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of ASC Topic 326.	January 1, 2020	We will recognize a cumulative effect increase to retained earnings of approximately $14 million, after-tax, to elect the fair value option for certain mortgage loans in connection with our adoption of ASC Topic 326.

Standard	Description	Projected Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts and related amendments	These amendments make changes to the accounting and reporting for long-duration contracts issued by an insurance entity that will significantly change how insurers account for long-duration contracts, including how they measure, recognize and make disclosures about insurance liabilities and DAC. Under this ASU, insurers will be required to review cash flow assumptions at least annually and update them if necessary. They also will have to make quarterly updates to the discount rate assumptions they use to measure the liability for future policyholder benefits. The ASU creates a new category of market risk benefits (i.e., features that protect the contract holder from capital market risk and expose the insurer to that risk) that insurers will have to measure at fair value. The ASU provides various transition methods by topic that entities may elect upon adoption. The ASU is currently effective January 1, 2022, and early adoption is permitted.	January 1, 2022	We are currently evaluating the impact of adopting this ASU on our consolidated financial condition and results of operations.

3. Acquisition

On May 1, 2018, we completed the acquisition from Liberty Mutual Insurance Company of 100% of the capital stock of Liberty Life, an operator of a group benefits business (the "Liberty Group Business") and an individual life and individual and group annuity business (the "Liberty Life Business"). The acquisition expanded the scale and capabilities of the Group Protection business while further diversifying the Company's sources of earnings.

In connection with the acquisition and pursuant to the Master Transaction Agreement ("MTA"), dated January 18, 2018, which is filed as Exhibit 2.1 to this Form 10-K, Liberty Life sold the Liberty Life Business on May 1, 2018, by entering into reinsurance agreements and related ancillary documents (including administrative services agreements and transition services agreements) with Protective Life Insurance Company and its wholly-owned subsidiary, Protective Life and Annuity Insurance Company (together with Protective Life Insurance Company, "Protective"), providing for the reinsurance and administration of the Liberty Life Business.

We recognized $85 million of acquisition-related costs, pre-tax, for the year ended December 31, 2018. These costs were included in commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss).

In the year following the May 1, 2018 acquisition date, we adjusted assets acquired by $(5) million and liabilities acquired by $23 million for an increase in goodwill of $28 million. Under the terms of the MTA, a final balance sheet will be agreed upon at a later date. The following table presents the adjusted fair values (in millions) of the net assets acquired related to the Liberty Group Business:

		Adjusted Fair Value
Assets		
Investments	$	2,493
Mortgage loans on real estate		658
Cash and invested cash		107
Reinsurance recoverables		76
Premiums and fees receivable		83
Accrued investment income		24
Other intangible assets acquired		640
Other assets acquired		142
Separate account assets		99
Total assets acquired	$	4,322
Liabilities		
Future contract benefits	$	2,930
Other contract holder funds		46
Other liabilities acquired		140
Separate account liabilities		99
Total liabilities assumed	$	3,215
Net identifiable assets acquired	$	1,107
Goodwill		410
Net assets acquired	$	1,517

Financial Information

Since the acquisition date of May 1, 2018, the revenues and net income of the business acquired have been included in our Consolidated Statements of Comprehensive Income (Loss) in the Group Protection segment and were $1.5 billion and $36 million, respectively, for the period ended December 31, 2018.

The following unaudited pro forma condensed consolidated results of operations of the Company assume that the acquisition of Liberty Life was completed on January 1, 2017 (in millions):

	For the Years Ended December 31,			
		2018		2017
Revenue	$	17,163	$	16,189
Net income		1,707		2,066

Pro forma adjustments include the revenue and net income of the acquired business for each period as well as amortization of identifiable intangible assets acquired and the fair value adjustment to acquired insurance reserves and investments. Other pro forma adjustments include the incremental increase to interest expense attributable to financing the acquisition, and the impact of reflecting acquisition and integration costs and investment expenses directly attributable to the business combination in 2017 instead of in 2018. Pro forma adjustments do not include retrospective adjustments to defer and amortize acquisition costs as would be recorded under our accounting policy.

4. Variable Interest Entities

Consolidated VIEs

Reinsurance Related Notes

In July 2013, we formed a new limited liability company, Lincoln Financial Limited Liability Company I ("LFLLCI"), and we became the sole equity owner of LFLLCI through our capital contribution. The activities of LFLLCI relate solely to our captive reinsurance subsidiary, the Lincoln Reinsurance Company of Vermont V ("LRCVV"), and are primarily to acquire, hold and issue notes with LRCVV as well as pay and collect interest on the notes. LFLLCI holds a surplus note issued by LRCVV that had an outstanding principal balance of $613 million as of December 31, 2019. LFLLCI issued a long-term note to LRCVV that has a principal balance that moves concurrently with any variability in the face amount of the surplus note LFLLCI received from LRCVV. We concluded that LFLLCI is a VIE and that LNC is the primary beneficiary as we have the power to direct the most significant activities affecting the performance of LFLLCI.

Asset information (dollars in millions) for the consolidated VIEs included on our Consolidated Balance Sheets was as follows:

	As of December 31, 2019			As of December 31, 2018		
	Number of Instruments	Notional Amounts	Carrying Value	Number of Instruments	Notional Amounts	Carrying Value
Assets						
Total return swap	1	$ 613	$ -	1	$ 600	$ -
Total assets	1	$ 613	$ -	1	$ 600	$ -

There were no gains or losses for consolidated VIEs recognized on our Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018.

Unconsolidated VIEs

Reinsurance Related Notes

Effective September 30, 2014, we entered into a new transaction with a non-affiliated VIE whose primary activities are to acquire, hold and issue notes and loans, pay and collect interest on the notes and loans, and enter into derivative instruments. We issued a long-term senior note to the non-affiliated VIE in exchange for a corporate bond AFS security of like principal and duration that was assigned to one of our subsidiaries. The outstanding principal balance of this long-term senior note was $925 million as of December 31, 2019, and it is variable in nature; moving concurrently with any variability in the face amount of the corporate bond AFS security up to a maximum amount of $1.1 billion. We have concluded that we are not the primary beneficiary of the non-affiliated VIE because we do not have power over the activities that most significantly affect its economic performance. In addition, the terms of the senior note provide us with a set-off right with the corporate bond AFS security we purchased from the VIE; therefore, neither appears on our Consolidated Balance Sheets. The VIE has entered into a total return swap with an unaffiliated third party that supports any necessary principal funding of the corporate bond AFS security required by our subsidiaries while the security is outstanding.

Effective October 1, 2017, our captive reinsurance subsidiary, the Lincoln Reinsurance Company of Vermont VI, restructured the $275 million, long-term surplus note which was originally issued to a non-affiliated VIE in October 2015 in exchange for two corporate bond AFS securities of like principal and duration. The activities of the VIE are primarily to acquire, hold and issue notes and loans and to pay and collect interest on the notes and loans. The outstanding principal balance of the long-term surplus note is variable in nature; moving concurrently with any variability in the face amount of the corporate bond AFS securities. We have concluded that we are not the primary beneficiary of the non-affiliated VIE because we do not have power over the activities that most significantly affect its economic performance. As of December 31, 2019, the principal balance of the long-term surplus note was zero and we do not currently have any exposure to this VIE.

Effective November 1, 2019, we entered into a new transaction with a non-affiliated VIE whose primary activities are to acquire, hold and issue notes, as well as pay and collect interest on the notes. We issued a long-term senior note to the non-affiliated VIE in exchange for a corporate bond AFS security of like principal and duration that was assigned to one of our subsidiaries. The outstanding principal balance of this long-term senior note was $352 million as of December 31, 2019, and it is variable in nature, moving concurrently with any variability in the face amount of the corporate bond AFS security up to a maximum amount of $500 million. We have concluded that we are not the primary beneficiary of the non-affiliated VIE due to our lack of power over the activities that most significantly affect its economic performance as well as the extent of our obligation to absorb its losses. In addition, the terms of the senior note provide us with a set-off right with the corporate bond AFS security we purchased from the VIE; therefore, neither appears on our Consolidated Balance Sheets.

Structured Securities

Through our investment activities, we make passive investments in structured securities issued by VIEs for which we are not the manager. These structured securities include our ABS, RMBS, CMBS and CLOs. We have not provided financial or other support with respect to these VIEs other than our original investment. We have determined that we are not the primary beneficiary of these VIEs due to the relative size of our investment in comparison to the principal amount of the structured securities issued by the VIEs and the level of credit subordination that reduces our obligation to absorb losses or right to receive benefits. Our maximum exposure to loss on these structured securities is limited to the amortized cost for these investments. We recognize our variable interest in these VIEs at fair value on our Consolidated Balance Sheets. For information about these structured securities, see Note 5.

Limited Partnerships and Limited Liability Companies

We invest in certain LPs and limited liability companies ("LLCs"), including qualified affordable housing projects, that we have concluded are VIEs. We do not hold any substantive kick-out or participation rights in the LPs and LLCs, and we do not receive any performance fees or decision maker fees from the LPs and LLCs. Based on our analysis of the LPs and LLCs, we are not the primary beneficiary of the VIEs as we do not have the power to direct the most significant activities of the LPs and LLCs.

The carrying amounts of our investments in the LPs and LLCs are recognized in other investments on our Consolidated Balance Sheets and were $1.9 billion and $1.7 billion as of December 31, 2019 and 2018, respectively. Included in these carrying amounts are our investments in qualified affordable housing projects, which were $13 million and $20 million as of December 31, 2019 and 2018, respectively. We do not have any contingent commitments to provide additional capital funding to these qualified affordable housing projects. We receive returns from these qualified affordable housing projects in the form of income tax credits and other tax benefits, which are recognized in federal income tax expense (benefit) on our Consolidated Statements of Comprehensive Income (Loss) and were $2 million and $1 million for the years ended December 31, 2019 and 2018, respectively.

Our exposure to loss is limited to the capital we invest in the LPs and LLCs, and there have been no indicators of impairment that would require us to recognize an impairment loss related to the LPs and LLCs as of December 31, 2019.

5. Investments

Fixed Maturity AFS Securities

The amortized cost, gross unrealized gains, losses and OTTI and fair value of fixed maturity AFS securities (in millions) were as follows:

	As of December 31, 2019				
	Amortized	Gross Unrealized			Fair
	Cost	Gains	Losses	OTTI (1)	Value
Fixed maturity AFS securities:					
Corporate bonds	$ 79,417	$ 9,479	$ 184	$ (4)	$ 88,716
U.S. government bonds	384	51	-	-	435
State and municipal bonds	4,778	1,113	7	-	5,884
Foreign government bonds	329	64	-	-	393
RMBS	3,042	190	10	(19)	3,241
CMBS	1,038	45	1	(1)	1,083
ABS	4,810	62	18	(35)	4,889
Hybrid and redeemable preferred securities	497	82	20	-	559
Total fixed maturity AFS securities	$ 94,295	$ 11,086	$ 240	$ (59)	$ 105,200

	As of December 31, 2018				
	Amortized	Gross Unrealized			Fair
	Cost	Gains	Losses	OTTI [(1)]	Value
Fixed maturity AFS securities:					
Corporate bonds	$ 79,623	$ 2,980	$ 2,263	$ (8)	$ 80,348
U.S. government bonds	390	29	2	-	417
State and municipal bonds	4,647	716	18	-	5,345
Foreign government bonds	406	42	-	-	448
RMBS	3,308	118	67	(14)	3,373
CMBS	811	6	16	(3)	804
ABS	2,662	45	30	(19)	2,696
Hybrid and redeemable preferred securities	582	45	34	-	593
Total fixed maturity AFS securities	$ 92,429	$ 3,981	$ 2,430	$ (44)	$ 94,024

(1) Includes unrealized (gains) and losses on credit-impaired securities related to changes in the fair value of such securities subsequent to the impairment measurement date.

The amortized cost and fair value of fixed maturity AFS securities by contractual maturities (in millions) as of December 31, 2019, were as follows:

	Amortized Cost	Fair Value
Due in one year or less	$ 2,825	$ 2,811
Due after one year through five years	15,123	15,708
Due after five years through ten years	17,049	18,503
Due after ten years	50,408	58,965
Subtotal	85,405	95,987
Structured securities (RMBS, CMBS, ABS)	8,890	9,213
Total fixed maturity AFS securities	$ 94,295	$ 105,200

Actual maturities may differ from contractual maturities because issuers may have the right to call or pre-pay obligations.

The fair value and gross unrealized losses, including the portion of OTTI recognized in OCI, of fixed maturity AFS securities (dollars in millions), aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

	As of December 31, 2019					
	Less Than or Equal to Twelve Months		Greater Than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses and OTTI	Fair Value	Gross Unrealized Losses and OTTI	Fair Value	Gross Unrealized Losses and OTTI
Fixed maturity AFS securities:						
Corporate bonds	$ 2,935	$ 46	$ 1,406	$ 141	$ 4,341	$ 187
State and municipal bonds	333	7	18	-	351	7
RMBS	536	10	15	-	551	10
CMBS	48	1	4	-	52	1
ABS	1,792	8	303	10	2,095	18
Hybrid and redeemable preferred securities	29	1	102	19	131	20
Total fixed maturity AFS securities	$ 5,673	$ 73	$ 1,848	$ 170	$ 7,521	$ 243
Total number of fixed maturity AFS securities in an unrealized loss position						895

	As of December 31, 2018					
	Less Than or Equal to Twelve Months		Greater Than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses and OTTI	Fair Value	Gross Unrealized Losses and OTTI	Fair Value	Gross Unrealized Losses and OTTI
Fixed maturity AFS securities:						
Corporate bonds	$ 32,493	$ 1,530	$ 7,228	$ 735	$ 39,721	$ 2,265
U.S. government bonds	70	1	23	1	93	2
State and municipal bonds	404	8	96	10	500	18
RMBS	472	10	863	60	1,335	70
CMBS	470	11	82	5	552	16
ABS	1,241	23	246	17	1,487	40
Hybrid and redeemable preferred securities	96	6	133	28	229	34
Total fixed maturity AFS securities	$ 35,246	$ 1,589	$ 8,671	$ 856	$ 43,917	$ 2,445
Total number of fixed maturity AFS securities in an unrealized loss position						3,414

The fair value, gross unrealized losses, the portion of OTTI recognized in OCI (in millions) and number of fixed maturity AFS securities where the fair value had declined and remained below amortized cost by greater than 20% were as follows:

	As of December 31, 2019			
	Fair Value	Gross Unrealized Losses	Gross Unrealized OTTI	Number of Securities (1)
Less than six months	$ 15	$ 5	$ -	7
Six months or greater, but less than nine months	10	3	-	4
Twelve months or greater	132	76	-	31
Total	$ 157	$ 84	$ -	42

	As of December 31, 2018			
	Fair Value	Gross Unrealized Losses	Gross Unrealized OTTI	Number of Securities (1)
Less than six months	$ 395	$ 124	$ 1	45
Six months or greater, but less than nine months	96	49	-	11
Nine months or greater, but less than twelve months	11	8	-	2
Twelve months or greater	143	74	8	32
Total	$ 645	$ 255	$ 9	90

(1) We may reflect a security in more than one aging category based on various purchase dates.

We regularly review our investment holdings for OTTI. Our gross unrealized losses, including the portion of OTTI recognized in OCI, on fixed maturity AFS securities decreased by $2.2 billion for the year ended December 31, 2019. As discussed further below, we believe the unrealized loss position as of December 31, 2019, did not represent OTTI as (i) we did not intend to sell these fixed maturity AFS securities; (ii) it is not more likely than not that we will be required to sell the fixed maturity AFS securities before recovery of their amortized cost basis; and (iii) the estimated future cash flows were equal to or greater than the amortized cost basis of the debt securities.

Based upon this evaluation as of December 31, 2019, management believes we have the ability to generate adequate amounts of cash from our normal operations (e.g., insurance premiums, fee income and investment income) to meet cash requirements with a prudent margin of safety without requiring the sale of our temporarily-impaired securities.

As of December 31, 2019, the unrealized losses associated with our corporate bond securities were attributable primarily to widening credit spreads and rising interest rates since purchase. We performed a detailed analysis of the financial performance of the underlying issuers and determined that we expected to recover the entire amortized cost for each temporarily-impaired security.

As of December 31, 2019, the unrealized losses associated with our MBS and ABS were attributable primarily to widening credit spreads and rising interest rates since purchase. We assessed for credit impairment using a cash flow model that incorporates key assumptions including default rates, severities and prepayment rates. We estimated losses for a security by forecasting the underlying loans in each transaction. The forecasted loan performance was used to project cash flows to the various tranches in the structure, as applicable. Our forecasted cash flows also considered, as applicable, independent industry analyst reports and forecasts and other independent market data. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared to our subordination or other credit enhancement, we expected to recover the entire amortized cost of each temporarily-impaired security.

As of December 31, 2019, the unrealized losses associated with our hybrid and redeemable preferred securities were attributable primarily to wider credit spreads caused by illiquidity in the market and subordination within the capital structure, as well as credit risk of underlying issuers. For our hybrid and redeemable preferred securities, we evaluated the financial performance of the underlying issuers based upon credit performance and investment ratings and determined that we expected to recover the entire amortized cost of each temporarily-impaired security.

Changes in the amount of credit loss of OTTI recognized in net income (loss) where the portion related to other factors was recognized in OCI (in millions) on fixed maturity AFS securities were as follows:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Balance as of beginning-of-year	$ 355	$ 378	$ 430
Increases attributable to:			
Credit losses on securities for which an OTTI was not previously recognized	13	5	13
Credit losses on securities for which an OTTI was previously recognized	3	2	7
Decreases attributable to:			
Securities sold, paid down or matured	(160)	(30)	(72)
Balance as of end-of-year	$ 211	$ 355	$ 378

During 2019, 2018 and 2017, we recorded credit losses on securities for which an OTTI was not previously recognized as we determined the cash flows expected to be collected would not be sufficient to recover the entire amortized cost basis of the debt security. The credit losses we recorded on securities for which an OTTI was not previously recognized were attributable primarily to one or a combination of the following reasons:

- Failure of the issuer of the security to make scheduled payments;
- Deterioration of creditworthiness of the issuer;
- Deterioration of conditions specifically related to the security;
- Deterioration of fundamentals of the industry in which the issuer operates; and
- Deterioration of the rating of the security by a rating agency.

We recognize the OTTI attributed to the noncredit portion as a separate component in OCI referred to as unrealized OTTI on fixed maturity AFS securities.

Determination of Credit Losses on Corporate Bonds

As of December 31, 2019 and 2018, we reviewed our corporate bond portfolio for potential shortfalls in contractual principal and interest based on numerous subjective and objective inputs. The factors used to determine the amount of credit loss for each individual security, include, but are not limited to, near-term risk, substantial discrepancy between book and market value, sector or company-specific volatility, negative operating trends and trading levels wider than peers.

Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by Standard & Poor's ("S&P") Rating Services or Baa3 or higher by Moody's Investors Service ("Moody's"), are generally considered by the rating agencies and market participants to be low credit risk. As of December 31, 2019 and 2018, 96% of the fair value of our corporate bond portfolio was rated investment grade. As of December 31, 2019 and 2018, the portion of our corporate bond portfolio rated below investment grade had an amortized cost of $3.2 billion and a fair value of $3.3 billion and $3.0 billion, respectively. Based upon the analysis discussed above, we believed as of December 31, 2019 and 2018, that we would recover the amortized cost of each corporate bond.

Determination of Credit Losses on MBS and ABS

As of December 31, 2019 and 2018, default rates were projected by considering underlying MBS and ABS loan performance and collateral type. Projected default rates on existing delinquencies vary depending on loan type and severity of delinquency status. In addition, we estimate the potential contributions of currently performing loans that may become delinquent in the future based on the change in delinquencies and loan liquidations experienced in the recent history. Finally, we develop a default rate timing curve by aggregating the defaults for all loans in the pool (delinquent loans, foreclosure and real estate owned and new delinquencies from currently performing loans) and the associated loan-level loss severities.

We use certain available loan characteristics such as lien status, loan sizes and occupancy to estimate the loss severity of loans. Second lien loans are assigned 100% severity, if defaulted. For first lien loans, we assume a minimum of 30% severity, with higher severity assumed for investor properties and further adjusted by housing price assumptions. With the default rate timing curve and loan-level loss severity, we derive the future expected credit losses.

Trading Securities

Trading securities at fair value (in millions) consisted of the following:

	As of December 31,	
	2019	2018
Fixed maturity securities:		
Corporate bonds	$ 2,947	$ 1,639
U.S. government bonds	45	43
State and municipal bonds	17	16
Foreign government bonds	44	23
RMBS	170	79
CMBS	163	7
ABS	1,238	121
Hybrid and redeemable preferred securities	49	22
Total trading securities	$ 4,673	$ 1,950

The portion of the market adjustment for trading gains and losses recognized in realized gain (loss) that relate to trading securities still held as of December 31, 2019, 2018 and 2017, was $228 million, $(58) million and $7 million, respectively.

Mortgage Loans on Real Estate

The following provides the current and past due composition of our mortgage loans on real estate (in millions):

	As of December 31, 2019			As of December 31, 2018		
	Commercial	Residential	Total	Commercial	Residential	Total
Current	$ 15,620	$ 659	$ 16,279	$ 13,029	$ 230	$ 13,259
30 to 59 days past due	3	27	30	-	9	9
60 to 89 days past due	-	10	10	-	1	1
90 or more days past due	-	16	16	-	-	-
Valuation allowance	-	(2)	(2)	-	-	-
Unamortized premium (discount)	(17)	23	6	(17)	8	(9)
Total carrying value	$ 15,606	$ 733	$ 16,339	$ 13,012	$ 248	$ 13,260

As of December 31, 2019, we had 38 residential mortgage loans that were either delinquent or in foreclosure. As of December 31, 2018, we had no loans that were either delinquent or in foreclosure.

For our commercial mortgage loans, there was one specifically identified impaired loan with a carrying value of less than $1 million as of December 31, 2019. There were no specifically identified impaired commercial mortgage loans as of December 31, 2018.

For our residential mortgage loans, there were four specifically identified impaired loans with an aggregate carrying value of $1 million as of December 31, 2019. There were no specifically identified impaired residential mortgage loans as of December 31, 2018. The general allowance established on residential mortgage loans was $2 million and less than $1 million as of December 31, 2019 and 2018, respectively.

We establish a valuation allowance to provide for the risk of credit losses inherent in our portfolio. The valuation allowance includes specific valuation allowances for loans that are deemed to be impaired as well as general valuation allowances for pools of loans with similar risk characteristics where a property risk or market specific risk has not been identified but for which we anticipate a loss has occurred.

The changes in the valuation allowance associated with impaired commercial mortgage loans on real estate (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Valuation Allowance			
Balance as of beginning-of-year	$ -	$ 3	$ 2
Additions	-	-	1
Charge-offs, net of recoveries	-	(3)	-
Balance as of end-of-year	$ -	$ -	$ 3

Additional information related to impaired commercial mortgage loans on real estate (in millions) was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Average carrying value for impaired commercial mortgage loans on real estate	$ -	$ 5	$ 6
Interest income recognized on impaired commercial mortgage loans on real estate	-	1	-
Interest income collected on impaired commercial mortgage loans on real estate	-	1	-

As described in Note 1, we use loan-to-value and debt-service coverage ratios as credit quality indicators for our commercial mortgage loans on real estate (dollars in millions) as follows:

	As of December 31, 2019			As of December 31, 2018		
Loan-to-Value Ratio	Carrying Value	% of Total	Debt-Service Coverage Ratio	Carrying Value	% of Total	Debt-Service Coverage Ratio
Less than 65%	$ 14,206	91.0%	2.35	$ 11,716	90.1%	2.30
65% to 74%	1,399	9.0%	1.87	1,238	9.5%	1.76
75% to 100%	1	0.0%	1.09	58	0.4%	0.95
Total	$ 15,606	100.0%		$ 13,012	100.0%	

As described in Note 1, we use loan performance status as the primary credit quality indicator for our residential mortgage loans on real estate (dollars in millions) as follows:

	As of December 31, 2019		As of December 31, 2018	
Performance Indicator	Carrying Value	% of Total	Carrying Value	% of Total
Performing	$ 716	97.7%	$ 247	99.6%
Nonperforming	17	2.3%	1	0.4%
Total	$ 733	100.0%	$ 248	100.0%

Our commercial mortgage loan portfolio is geographically diversified with the largest concentrations in California, which accounted for 24% and 23% of commercial mortgage loans on real estate as of December 31, 2019 and 2018, respectively, and Texas, which accounted for 11% and 12% of commercial mortgage loans on real estate as of December 31, 2019 and 2018, respectively.

Our residential mortgage loan portfolio is geographically diversified with the largest concentrations in California, which accounted for 34% of residential mortgage loans on real estate as of December 31, 2019 and 2018, and Florida, which accounted for 20% and 19% of residential mortgage loans on real estate as of December 31, 2019 and 2018, respectively.

Alternative Investments

As of December 31, 2019 and 2018, alternative investments included investments in 258 and 237 different partnerships, respectively, and the portfolios represented approximately 1% of our total investments.

Net Investment Income

The major categories of net investment income (in millions) on our Consolidated Statements of Comprehensive Income (Loss) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fixed maturity AFS securities	$ 4,281	$ 4,209	$ 4,163
Equity AFS securities	-	-	12
Trading securities	191	84	94
Equity securities	4	4	-
Mortgage loans on real estate	629	496	440
Real estate	1	1	2
Policy loans	129	123	135
Invested cash	40	26	11
Commercial mortgage loan prepayment and bond make-whole premiums	119	79	139
Alternative investments	22	222	165
Consent fees	8	4	6
Other investments	30	23	2
Investment income	5,454	5,271	5,169
Investment expense	(231)	(186)	(179)
Net investment income	$ 5,223	$ 5,085	$ 4,990

Realized Gain (Loss)

Details underlying realized gain (loss) (in millions) reported on our Consolidated Statements of Comprehensive Income (Loss) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Fixed maturity AFS securities:			
Gross gains	$ 45	$ 38	$ 19
Gross losses	(73)	(80)	(44)
Gross OTTI	(16)	(7)	(20)
Equity AFS securities:			
Gross gains	-	-	6
Gain (loss) on other investments [1]	(16)	(13)	(12)
Associated amortization of DAC, VOBA, DSI and DFEL and changes in other contract holder funds	(13)	(22)	(21)
Total realized gain (loss) related to certain investments	(73)	(84)	(72)
Realized gain (loss) on the mark-to-market on certain instruments [2]	(127)	4	(11)
Indexed annuity and IUL contracts net derivatives results: [3]			
Gross gain (loss)	(80)	(51)	(22)
Associated amortization of DAC, VOBA, DSI and DFEL	2	12	(2)
Variable annuity net derivatives results: [4]			
Gross gain (loss)	(389)	295	(71)
Associated amortization of DAC, VOBA, DSI and DFEL	57	(35)	8
Total realized gain (loss)	$ (610)	$ 141	$ (170)

(1) Includes market adjustments on equity securities still held of $(4) million and $(17) million for the years ended December 31, 2019 and 2018, respectively.

(2) Represents changes in the fair values of certain derivative investments (not including those associated with our variable and indexed annuity and IUL contracts net derivative results), reinsurance related embedded derivatives and trading securities. See Notes 1 and 9 for information regarding Modco.

(3) Represents the net difference between the change in fair value of the index options that we hold and the change in the fair value of the embedded derivative liabilities of our indexed annuity and IUL contracts along with changes in the fair value of embedded derivative liabilities related to index options we may purchase or sell in the future to hedge contract holder index allocations applicable to future reset periods for our indexed annuity products.

(4) Includes the net difference in the change in embedded derivative reserves of our GLB riders and the change in the fair value of the derivative instruments we own to hedge the change in embedded derivative reserves on our GLB riders and the benefit ratio unlocking on our GLB and GDB riders, including the cost of purchasing the hedging instruments.

Details underlying write-downs taken as a result of OTTI that were recognized in net income (loss) and included in realized gain (loss) on fixed maturity AFS securities above and the portion of OTTI recognized in OCI (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
OTTI Recognized in Net Income (Loss)			
Fixed maturity AFS securities:			
Corporate bonds	$ (14)	$ (5)	$ (13)
State and municipal bonds	-	-	(1)
RMBS	(1)	(1)	(2)
CMBS	-	-	(2)
ABS	(1)	(1)	(2)
Gross OTTI recognized in net income (loss)	(16)	(7)	(20)
Associated amortization of DAC, VOBA, DSI and DFEL	1	-	2
Net OTTI recognized in net income (loss)	$ (15)	$ (7)	$ (18)
OTTI Recognized in OCI			
Gross OTTI recognized in OCI	$ 16	$ -	$ -
Change in DAC, VOBA, DSI and DFEL	(1)	-	-
Net OTTI recognized in OCI	$ 15	$ -	$ -

Payables for Collateral on Investments

The carrying value of the payables for collateral on investments included on our Consolidated Balance Sheets and the fair value of the related investments or collateral (in millions) consisted of the following:

	As of December 31, 2019		As of December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Collateral payable for derivative investments (1)	$ 1,388	$ 1,388	$ 637	$ 637
Securities pledged under securities lending agreements (2)	114	110	88	85
Securities pledged under repurchase agreements (3)	-	-	150	185
Investments pledged for Federal Home Loan Bank of Indianapolis ("FHLBI") (4)	3,580	5,480	3,930	5,923
Total payables for collateral on investments	$ 5,082	$ 6,978	$ 4,805	$ 6,830

(1) We obtain collateral based upon contractual provisions with our counterparties. These agreements take into consideration the counterparties' credit rating as compared to ours, the fair value of the derivative investments and specified thresholds that if exceeded result in the receipt of cash that is typically invested in cash and invested cash. See Note 6 for additional information.

(2) Our pledged securities under securities lending agreements are included in fixed maturity AFS securities on our Consolidated Balance Sheets. We generally obtain collateral in an amount equal to 102% and 105% of the fair value of the domestic and foreign securities, respectively. We value collateral daily and obtain additional collateral when deemed appropriate. The cash received in our securities lending program is typically invested in cash and invested cash or fixed maturity AFS securities.

(3) Our pledged securities under repurchase agreements are included in fixed maturity AFS securities on our Consolidated Balance Sheets. The collateral requirements are generally 80% to 95% of the fair value of the securities, and our agreements with third parties contain contractual provisions to allow for additional collateral to be obtained when necessary. The cash received in our repurchase program is typically invested in fixed maturity AFS securities. As of December 31, 2019, we are not participating in any open repurchase agreements.

(4) Our pledged investments for FHLBI are included in fixed maturity AFS securities and mortgage loans on real estate on our Consolidated Balance Sheets. The collateral requirements are generally 105% to 115% of the fair value for fixed maturity AFS securities and 155% to 175% of the fair value for mortgage loans on real estate. The cash received in these transactions is primarily invested in cash and invested cash or fixed maturity AFS securities.

Increase (decrease) in payables for collateral on investments (in millions) consisted of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Collateral payable for derivative investments	$ 751	$ (128)	$ (129)
Securities pledged under securities lending agreements	26	(134)	6
Securities pledged under repurchase agreements	(150)	(380)	(5)
Investments pledged for FHLBI	(350)	1,030	(450)
Total increase (decrease) in payables for collateral on investments	$ 277	$ 388	$ (578)

We have elected not to offset our securities lending and repurchase agreements transactions in our financial statements. The remaining contractual maturities of securities lending and repurchase agreements transactions accounted for as secured borrowings (in millions) were as follows:

	As of December 31, 2019				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater Than 90 Days	Total
Securities Lending					
Corporate bonds	$ 114	$ -	$ -	$ -	$ 114
Total gross secured borrowings	$ 114	$ -	$ -	$ -	$ 114

	As of December 31, 2018				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater Than 90 Days	Total
Securities Lending					
Corporate bonds	$ 88	$ -	$ -	$ -	$ 88
Repurchase Agreements					
Corporate bonds	-	-	-	150	150
Total gross secured borrowings	$ 88	$ -	$ -	$ 150	$ 238

We accept collateral in the form of securities in connection with repurchase agreements. In instances where we are permitted to sell or re-pledge the securities received, we report the fair value of the collateral received and a related obligation to return the collateral in the financial statements. In addition, we receive securities in connection with securities borrowing agreements which we are permitted to sell or re-pledge. As of December 31, 2019, the fair value of all collateral received that we are permitted to sell or re-pledge was $25 million. As of December 31, 2019, we have re-pledged $25 million of this collateral to cover initial margin and over-the-counter collateral requirements on certain derivative investments.

Investment Commitments

As of December 31, 2019, our investment commitments were $2.0 billion, which included $1.0 billion of LPs, $553 million of mortgage loans on real estate and $425 million of private placement securities.

Concentrations of Financial Instruments

As of December 31, 2019 and 2018, our most significant investments in one issuer were our investments in securities issued by the Federal Home Loan Mortgage Corporation with a fair value of $1.3 billion and $1.4 billion, respectively, or 1% of total investments, and our investments in securities issued by the Federal National Mortgage Association with a fair value of $1.0 billion and $1.3 billion, respectively, or 1% of total investments. These concentrations include fixed maturity AFS, trading and equity securities.

As of December 31, 2019 and 2018, our most significant investments in one industry were our investments in securities in the financial services industry with a fair value of $16.4 billion and $14.2 billion, respectively, or 12% of total investments, and our investments in securities in the consumer non-cyclical industry with a fair value of $16.3 billion and $14.5 billion, respectively, or 12% and 13%, respectively, of total investments. These concentrations include fixed maturity AFS, trading and equity securities.

6. Derivative Instruments

We maintain an overall risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate risk, foreign currency exchange risk, equity market risk, basis risk and credit risk. We assess these risks by continually identifying and monitoring changes in our exposures that may adversely affect expected future cash flows and by evaluating hedging opportunities.

Derivative activities are monitored by various management committees. The committees are responsible for overseeing the implementation of various hedging strategies that are developed through the analysis of financial simulation models and other internal and industry sources. The resulting hedging strategies are incorporated into our overall risk management strategies.

See Note 1 for a detailed discussion of the accounting treatment for derivative instruments. See Note 20 for additional disclosures related to the fair value of our derivative instruments and Note 4 for derivative instruments related to our consolidated VIEs.

We adopted ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, in 2019. See Note 2 for additional information.

Interest Rate Contracts

We use derivative instruments as part of our interest rate risk management strategy. These instruments are economic hedges unless otherwise noted and include:

Forward-Starting Interest Rate Swaps

We use forward-starting interest rate swaps designated and qualifying as cash flow hedges to hedge our exposure to interest rate fluctuations related to the forecasted purchases of certain assets and anticipated issuances of fixed-rate securities.

We also use forward-starting interest rate swaps to hedge the interest rate exposure within our life products related to the forecasted purchases of certain assets.

Interest Rate Cap Corridors

We use interest rate cap corridors to provide a level of protection from the effect of rising interest rates for certain life insurance products and annuity contracts. Interest rate cap corridors involve purchasing an interest rate cap at a specific cap rate and selling an interest rate cap with a higher cap rate. For each corridor, the amount of quarterly payments, if any, is determined by the rate at which the underlying index rate resets above the original capped rate. The corridor limits the benefit the purchaser can receive as the related interest rate index rises above the higher capped rate. There is no additional liability to us other than the purchase price associated with the interest rate cap corridor.

Interest Rate Futures

We use interest rate futures contracts to hedge the liability exposure on certain options in variable annuity products. These futures contracts require payment between our counterparty and us on a daily basis for changes in the futures index price.

Interest Rate Swap Agreements

We use interest rate swap agreements to hedge the liability exposure on certain options in variable annuity products.

We also use interest rate swap agreements designated and qualifying as cash flow hedges to hedge the interest rate risk of floating-rate bond coupon payments by replicating a fixed-rate bond.

Finally, we use interest rate swap agreements designated and qualifying as fair value hedges to hedge against changes in the fair value of certain fixed-rate long-term debt and fixed maturity securities due to interest rate risks.

Treasury and Reverse Treasury Locks

We use treasury locks designated and qualifying as cash flow hedges to hedge the interest rate exposure related to our issuance of fixed-rate securities or the anticipated future cash flows of floating-rate fixed maturity securities due to changes in interest rates. In addition, we use reverse treasury locks designated and qualifying as cash flow hedges to hedge the interest rate exposure related to the anticipated purchase of fixed-rate securities or the anticipated future cash flows of floating-rate fixed maturity securities due to changes in interest rates. These derivatives are primarily structured to hedge interest rate risk inherent in the assumptions used to price certain liabilities.

Foreign Currency Contracts

We use derivative instruments as part of our foreign currency risk management strategy. These instruments are economic hedges unless otherwise noted and include:

Currency Futures

We use currency futures to hedge foreign exchange risk associated with certain options in variable annuity products. Currency futures exchange one currency for another at a specified date in the future at a specified exchange rate.

Foreign Currency Swaps

We use foreign currency swaps to hedge foreign exchange risk of investments in fixed maturity securities denominated in foreign currencies. A foreign currency swap is a contractual agreement to exchange one currency for another at specified dates in the future at a specified exchange rate.

We also use foreign currency swaps designated and qualifying as cash flow hedges to hedge foreign exchange risk of investments in fixed maturity securities denominated in foreign currencies.

Foreign Currency Forwards

We use foreign currency forwards to hedge foreign exchange risk of investments in fixed maturity securities denominated in foreign currencies. A foreign currency forward is a contractual agreement to exchange one currency for another at specified dates in the future at a specified current exchange rate.

Equity Market Contracts

We use derivative instruments as part of our equity market risk management strategy that are economic hedges and include:

Call Options Based on the S&P 500 and Other Indices

We use call options to hedge the liability exposure on certain options in variable annuity products.

Our indexed annuity and IUL contracts permit the holder to elect an interest rate return or an equity market component, where interest credited to the contracts is linked to the performance of the Standard & Poor's 500 Index ("S&P 500") or other indices. Contract holders may elect to rebalance index options at renewal dates. At the end of each indexed term, which can be up to 6 years, we have the opportunity to re-price the indexed component by establishing participation rates, caps, spreads and specified rates, subject to contractual guarantees. We use call options that are highly correlated to the portfolio allocation decisions of our contract holders, such that we are economically hedged with respect to equity returns for the current reset period.

Consumer Price Index Swaps

We use consumer price index swaps to hedge the liability exposure on certain options in fixed annuity products. Consumer price index swaps are contracts entered into at no cost and whose payoff is the difference between the consumer price index inflation rate and the fixed-rate determined as of inception.

Equity Futures

We use equity futures contracts to hedge the liability exposure on certain options in variable annuity products. These futures contracts require payment between our counterparty and us on a daily basis for changes in the futures index price.

Put Options

We use put options to hedge the liability exposure on certain options in variable annuity products. Put options are contracts that require the seller to pay the buyer at a specified future date the amount, if any, by which a specified equity index is less than the strike rate stated in the agreement, applied to a notional amount.

Total Return Swaps

We use total return swaps to hedge the liability exposure on certain options in variable annuity products.

In addition, we use total return swaps to hedge a portion of the liability related to our deferred compensation plans. We receive the total return on a portfolio of indexes and pay a floating-rate of interest.

Credit Contracts

We use derivative instruments as part of our credit risk management strategy that are economic hedges and include:

Credit Default Swaps – Buying Protection

We use credit default swaps to hedge the liability exposure on certain options in variable annuity products.

We buy credit default swaps to hedge against a drop in bond prices due to credit concerns of certain bond issuers. A credit default swap allows us to put the bond back to the counterparty at par upon a default event by the bond issuer. A default event is defined as bankruptcy, failure to pay, obligation acceleration or restructuring.

Credit Default Swaps – Selling Protection

We use credit default swaps to hedge the liability exposure on certain options in variable annuity products.

We sell credit default swaps to offer credit protection to contract holders and investors. The credit default swaps hedge the contract holders and investors against a drop in bond prices due to credit concerns of certain bond issuers. A credit default swap allows the investor to put the bond back to us at par upon a default event by the bond issuer. A default event is defined as bankruptcy, failure to pay, obligation acceleration or restructuring.

Embedded Derivatives

We have embedded derivatives that include:

GLB Reserves Embedded Derivatives

We use a hedging strategy designed to mitigate the risk and income statement volatility caused by changes in the equity markets, interest rates and volatility associated with GLBs offered in our variable annuity products, including products with GWB and GIB features. Changes in the value of the hedge contracts due to changes in equity markets, interest rates and implied volatilities hedge the income statement effect of changes in embedded derivative GLB reserves caused by those same factors. We rebalance our hedge positions based upon changes in these factors as needed. While we actively manage our hedge positions, these hedge positions may not be totally effective in offsetting changes in the embedded derivative reserve due to, among other things, differences in timing between when a market exposure changes and corresponding changes to the hedge positions, extreme swings in the equity markets and interest rates, market volatility, contract holder behavior, divergence between the performance of the underlying funds and the hedging indices, divergence between the actual and expected performance of the hedge instruments and our ability to purchase hedging instruments at prices consistent with our desired risk and return trade-off.

Certain features of these guarantees have elements of both insurance benefits accounted for under the Financial Services – Insurance – Claim Costs and Liabilities for Future Policy Benefits Subtopic of the FASB ASC ("benefit reserves") and embedded derivatives accounted for under the Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the FASB ASC ("embedded derivative reserves"). We calculate the value of the benefit reserves and the embedded derivative reserves based on the specific characteristics of each GLB feature.

Indexed Annuity and IUL Contracts Embedded Derivatives

Our indexed annuity and IUL contracts permit the holder to elect an interest rate return or an equity market component, where interest credited to the contracts is linked to the performance of the S&P 500 or other indices. Contract holders may elect to rebalance index options at renewal dates. At the end of each indexed term, which can be up to 6 years, we have the opportunity to re-price the indexed component by establishing participation rates, caps, spreads and specified rates, subject to contractual guarantees. We use options that are highly correlated to the portfolio allocation decisions of our contract holders, such that we are economically hedged with respect to equity returns for the current reset period.

Reinsurance Related Embedded Derivatives

We have certain Modco and coinsurance with funds withheld reinsurance agreements with embedded derivatives related to the withheld assets of the related funds. These derivatives are considered total return swaps with contractual returns that are attributable to various assets and liabilities associated with these reinsurance agreements.

We have derivative instruments with off-balance-sheet risks whose notional or contract amounts exceed the related credit exposure. Outstanding derivative instruments with off-balance-sheet risks (in millions) were as follows:

	As of December 31, 2019			As of December 31, 2018		
	Notional	Fair Value		Notional	Fair Value	
	Amounts	Asset	Liability	Amounts	Asset	Liability
Qualifying Hedges						
Cash flow hedges:						
Interest rate contracts (1)	$ 2,387	$ 108	$ 245	$ 2,741	$ 70	$ 9
Foreign currency contracts (1)	2,874	191	51	2,326	167	39
Total cash flow hedges	5,261	299	296	5,067	237	48
Fair value hedges:						
Interest rate contracts (1)	1,261	123	203	1,268	55	137
Non-Qualifying Hedges						
Interest rate contracts (1)	112,921	1,082	219	100,628	464	138
Foreign currency contracts (1)	262	1	3	47	-	-
Equity market contracts (1)	43,555	1,442	664	30,487	676	162
Credit contracts (1)	55	-	-	-	-	-
Embedded derivatives:						
GLB direct (2)	-	450	-	-	123	-
GLB ceded (2)	-	60	9	-	72	-
Reinsurance related (3)	-	-	327	-	-	3
Indexed annuity and IUL contracts (2) (4)	-	927	2,585	-	902	1,305
Total derivative instruments	$ 163,315	$ 4,384	$ 4,306	$ 137,497	$ 2,529	$ 1,793

(1) Reported in derivative investments and other liabilities on our Consolidated Balance Sheets.

(2) Reported in other assets on our Consolidated Balance Sheets.

(3) Reported in reinsurance related embedded derivatives on our Consolidated Balance Sheets.

(4) Reported in future contract benefits on our Consolidated Balance Sheets.

The maturity of the notional amounts of derivative instruments (in millions) was as follows:

	Remaining Life as of December 31, 2019					
	Less Than 1 Year	1 - 5 Years	6 - 10 Years	11 - 30 Years	Over 30 Years	Total
Interest rate contracts (1)	$ 11,341	$ 53,011	$ 20,948	$ 29,556	$ 1,713	$ 116,569
Foreign currency contracts (2)	218	383	961	1,473	101	3,136
Equity market contracts	27,594	7,992	3,762	13	4,194	43,555
Credit contracts	-	55	-	-	-	55
Total derivative instruments with notional amounts	$ 39,153	$ 61,441	$ 25,671	$ 31,042	$ 6,008	$ 163,315

(1) As of December 31, 2019, the latest maturity date for which we were hedging our exposure to the variability in future cash flows for these instruments was April 20, 2067.

(2) As of December 31, 2019, the latest maturity date for which we were hedging our exposure to the variability in future cash flows for these instruments was February 26, 2050.

The following amounts (in millions) were recorded on the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges:

Line Items in which the Hedged Items are Recorded	As of December 31, 2019 Amortized Cost of the Hedged Assets (Liabilities)	Cumulative Fair Value Hedging Adjustment Included in the Amortized Cost of the Hedged Assets (Liabilities)
Fixed maturity AFS securities, at fair value	$ 776	$ 202
Long-term debt [1]	(1,035)	(160)

[1] Includes $(118) million of unamortized adjustments from discontinued hedges as of December 31, 2019.

The change in our unrealized gain (loss) on derivative instruments within AOCI (in millions) was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Unrealized Gain (Loss) on Derivative Instruments			
Balance as of beginning-of-year	$ 139	$ (29)	$ 49
Other comprehensive income (loss):			
Unrealized holding gains (losses) arising during the period:			
Cumulative effect from adoption of new accounting standard	-	(6)	-
Cash flow hedges:			
Interest rate contracts	(201)	100	7
Foreign currency contracts	108	44	20
Change in foreign currency exchange rate adjustment	(52)	111	(137)
Change in DAC, VOBA, DSI and DFEL	(4)	(13)	2
Income tax benefit (expense)	31	(51)	38
Less:			
Reclassification adjustment for gains (losses) included in net income (loss):			
Cash flow hedges:			
Interest rate contracts [1]	3	4	4
Interest rate contracts [2]	(5)	(7)	(18)
Foreign currency contracts [1]	35	27	18
Foreign currency contracts [3]	9	-	9
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	(2)	(1)
Income tax benefit (expense)	(9)	(5)	(4)
Balance as of end-of-period	$ (11)	$ 139	$ (29)

[1] The OCI offset is reported within net investment income on our Consolidated Statements of Comprehensive Income (Loss).
[2] The OCI offset is reported within interest and debt expense on our Consolidated Statements of Comprehensive Income (Loss).
[3] The OCI offset is reported within realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

The effects of qualifying and non-qualifying hedges (in millions) on the Consolidated Statements of Comprehensive Income (Loss) were as follows:

	Gain (Loss) Recognized in Income For the Year Ended December 31, 2019		
	Realized Gain (Loss)	Net Investment Income	Interest and Debt Expense
Total Line Items in which the Effects of Fair Value or Cash Flow Hedges are Recorded	$ (610)	$ 5,223	$ 326
Qualifying Hedges			
Gain or (loss) on fair value hedging relationships:			
Interest rate contracts:			
Hedged items	-	63	(93)
Derivatives designated as hedging instruments	-	(63)	93
Gain or (loss) on cash flow hedging relationships:			
Interest rate contracts:			
Amount of gain or (loss) reclassified from AOCI into income	-	3	(5)
Foreign currency contracts:			
Amount of gain or (loss) reclassified from AOCI into income	9	35	-
Non-Qualifying Hedges			
Interest rate contracts	984	-	-
Foreign currency contracts	(1)	-	-
Equity market contracts	(137)	-	-
Embedded derivatives:			
GLB	306	-	-
Reinsurance related	(324)	-	-
Indexed annuity and IUL contracts	(742)	-	-

The gains (losses) on derivative instruments (in millions) recorded within income (loss) from continuing operations on our Consolidated Statements of Comprehensive Income (Loss) were as follows:

	For the Years Ended December 31,	
	2018	2017
Qualifying Hedges		
Cash flow hedges:		
Interest rate contracts (1)	$ 4	$ 4
Interest rate contracts (2)	(7)	(18)
Foreign currency contracts (1)	-	18
Foreign currency contracts (3)	27	9
Total cash flow hedges	24	13
Fair value hedges:		
Interest rate contracts (1)	(14)	(23)
Interest rate contracts (2)	13	27
Interest rate contracts (3)	37	7
Total fair value hedges	36	11
Non-Qualifying Hedges		
Interest rate contracts (3)	(150)	103
Foreign currency contracts (3)	5	-
Equity market contracts (3)	444	(1,427)
Equity market contracts (4)	(18)	29
Credit contracts (3)	-	1
Embedded derivatives:		
GLB (3)	(692)	1,055
Reinsurance related (3)	54	10
Indexed annuity and IUL contracts (3)	81	(400)
Total derivative instruments	$ (216)	$ (605)

(1) Reported in net investment income on our Consolidated Statements of Comprehensive Income (Loss).
(2) Reported in interest and debt expense on our Consolidated Statements of Comprehensive Income (Loss).
(3) Reported in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).
(4) Reported in commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss).

Gains (losses) recognized as a component of OCI (in millions) on derivative instruments designated and qualifying as cash flow hedges were as follows:

	For the Years Ended December 31,	
	2018	2017
Offset to net investment income	$ 4	$ 22
Offset to realized gain (loss)	27	9
Offset to interest and debt expense	(7)	(18)

As of December 31, 2019, $34 million of the deferred net gains (losses) on derivative instruments in AOCI were expected to be reclassified to earnings during the next 12 months. This reclassification would be due primarily to interest rate variances related to our interest rate swap agreements.

For the years ended December 31, 2019 and 2018, there were no material reclassifications to earnings due to hedged firm commitments no longer deemed probable or due to hedged forecasted transactions that had not occurred by the end of the originally specified time period.

As of December 31, 2019, information related to our credit default swaps for which we are the seller (dollars in millions) was as follows:

Credit Contract Type	Maturity	Reason for Entering	Nature of Recourse	Credit Rating of Underlying Obligation (1)	Number of Instruments	Fair Value (2)	Maximum Potential Payout
Basket credit default swaps	12/20/2024	(3)	(4)	BBB+	1	$ 1	$ 55

(1) Represents average credit ratings based on the midpoint of the applicable ratings among Moody's, S&P and Fitch Ratings, as scaled to the corresponding S&P ratings.

(2) Broker quotes are used to determine the market value of our credit default swaps.

(3) Credit default swaps were entered into in order to hedge the liability exposure on certain variable annuity products.

(4) Sellers do not have the right to demand indemnification or compensation from third parties in case of a loss (payment) on the contract.

As of December 31, 2018, we had no exposure related to credit default swaps for which we are the seller.

Details underlying the associated collateral of our credit default swaps for which we are the seller if credit risk-related contingent features were triggered (in millions) were as follows:

	As of December 31, 2019	As of December 31, 2018
Maximum potential payout	$ 55	$ -
Less: Counterparty thresholds	-	-
Maximum collateral potentially required to post	$ 55	$ -

Certain of our credit default swap agreements contain contractual provisions that allow for the netting of collateral with our counterparties related to all of our collateralized financing transactions that we have outstanding. If these netting agreements were not in place, we would have been required to post collateral if the market value was less than zero.

Credit Risk

We are exposed to credit losses in the event of non-performance by our counterparties on various derivative contracts and reflect assumptions regarding the credit or NPR. The NPR is based upon assumptions for each counterparty's credit spread over the estimated weighted average life of the counterparty exposure, less collateral held. As of December 31, 2019, the NPR adjustment was zero. The credit risk associated with such agreements is minimized by entering into agreements with financial institutions with long-standing, superior performance records. Additionally, we maintain a policy of requiring derivative contracts to be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement. We are required to maintain minimum ratings as a matter of routine practice in negotiating ISDA agreements. Under some ISDA agreements, our insurance subsidiaries have agreed to maintain certain financial strength or claims-paying ratings. A downgrade below these levels could result in termination of derivative contracts, at which time any amounts payable by us would be dependent on the market value of the underlying derivative contracts. In certain transactions, we and the counterparty have entered into a credit support annex requiring either party to post collateral when net exposures exceed pre-determined thresholds. These thresholds vary by counterparty and credit rating. The amount of such exposure is essentially the net replacement cost or market value less collateral held for such agreements with each counterparty if the net market value is in our favor. We did not have any exposure as of December 31, 2019 or 2018.

The amounts recognized (in millions) by S&P credit rating of counterparty, for which we had the right to reclaim cash collateral or were obligated to return cash collateral, were as follows:

	As of December 31, 2019		As of December 31, 2018	
S&P Credit Rating of Counterparty	Collateral Posted by Counter-Party (Held by LNC)	Collateral Posted by LNC (Held by Counter-Party)	Collateral Posted by Counter-Party (Held by LNC)	Collateral Posted by LNC (Held by Counter-Party)
AA-	$ 441	$ (167)	$ 33	$ (3)
A+	555	(339)	296	(96)
A	36	-	106	(56)
A-	355	(51)	4	-
BBB+	-	-	197	-
	$ 1,387	$ (557)	$ 636	$ (155)

Balance Sheet Offsetting

Information related to the effects of offsetting on our Consolidated Balance Sheets (in millions) was as follows:

	As of December 31, 2019		
	Derivative Instruments	Embedded Derivative Instruments	Total
Financial Assets			
Gross amount of recognized assets	$ 2,619	$ 1,437	$ 4,056
Gross amounts offset	(708)	-	(708)
Net amount of assets	1,911	1,437	3,348
Gross amounts not offset:			
Cash collateral	(1,387)	-	(1,387)
Non-cash collateral	(242)	-	(242)
Net amount	$ 282	$ 1,437	$ 1,719
Financial Liabilities			
Gross amount of recognized liabilities	$ 1,005	$ 2,921	$ 3,926
Gross amounts offset	(138)	-	(138)
Net amount of liabilities	867	2,921	3,788
Gross amounts not offset:			
Cash collateral	(557)	-	(557)
Non-cash collateral	-	-	-
Net amount	$ 310	$ 2,921	$ 3,231

	As of December 31, 2018		
	Derivative Instruments	Embedded Derivative Instruments	Total
Financial Assets			
Gross amount of recognized assets	$ 1,330	$ 1,097	$ 2,427
Gross amounts offset	(223)	-	(223)
Net amount of assets	1,107	1,097	2,204
Gross amounts not offset:			
Cash collateral	(636)	-	(636)
Non-cash collateral	(58)	-	(58)
Net amount	$ 413	$ 1,097	$ 1,510
Financial Liabilities			
Gross amount of recognized liabilities	$ 784	$ 1,308	$ 2,092
Gross amounts offset	(103)	-	(103)
Net amount of liabilities	681	1,308	1,989
Gross amounts not offset:			
Cash collateral	(155)	-	(155)
Non-cash collateral	(190)	-	(190)
Net amount	$ 336	$ 1,308	$ 1,644

7. Federal Income Taxes

The federal income tax expense (benefit) on continuing operations (in millions) was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Current	$ 181	$ 91	$ 210
Deferred	(148)	153	(1,159)
Federal income tax expense (benefit)	$ 33	$ 244	$ (949)

A reconciliation of the effective tax rate differences (in millions) was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Income (loss) before taxes	$ 919	$ 1,885	$ 1,130
Federal statutory rate	21%	21%	35%
Federal income tax expense (benefit) at federal statutory rate	193	396	396
Effect of:			
Tax-preferred investment income [1]	(99)	(87)	(280)
Tax credits	(40)	(39)	(29)
Excess tax benefits from stock-based compensation	(9)	(5)	(12)
Goodwill impairment	-	-	316
Tax impact associated with the Tax Cuts and Jobs Act [2]	(17)	(19)	(1,322)
Other items	5	(2)	(18)
Federal income tax expense (benefit)	$ 33	$ 244	$ (949)
Effective tax rate	4%	13%	-84%

(1) Relates primarily to separate account dividends eligible for the dividends-received deduction. As a result of the Tax Cuts and Jobs Act (the "Tax Act"), the recorded tax benefit for the separate account dividends-received deduction was substantially less in 2019 and 2018 as compared to 2017.

(2) As a result of the enactment of the Tax Act in 2017, we remeasured our existing deferred tax balances at the prevailing corporate federal income tax rate of 21% and recognized a $1.3 billion tax benefit. In 2018, we recognized a $27 million net tax benefit from the impact of the reduced federal statutory rate under the Tax Act on our adoption of an Internal Revenue Service pronouncement related to variable annuity contracts. In 2019, we recognized a $17 million net tax benefit from the impact of the reduced corporate tax rate under the Tax Act on our election to revalue policyholder tax reserves.

The federal income tax asset (liability) (in millions) was as follows:

	As of December 31,	
	2019	2018
Current	$ 60	$ (24)
Deferred	(2,443)	(1,158)
Total federal income tax asset (liability)	$ (2,383)	$ (1,182)

Significant components of our deferred tax assets and liabilities (in millions) were as follows:

	As of December 31,	
	2019	2018
Deferred Tax Assets		
Future contract benefits and other contract holder funds	$ 643	$ 649
Reinsurance related embedded derivative asset	69	1
Compensation and benefit plans	190	179
Intangibles	26	40
Net operating losses	216	264
Other	14	56
Total deferred tax assets	$ 1,158	$ 1,189
Deferred Tax Liabilities		
DAC	$ 813	$ 1,339
VOBA	194	305
Net unrealized gain on fixed maturity AFS securities	2,308	338
Net unrealized gain on trading securities	72	27
Investment activity	109	332
Other	105	6
Total deferred tax liabilities	$ 3,601	$ 2,347
Net deferred tax asset (liability)	$ (2,443)	$ (1,158)

As of December 31, 2019, we have $1.0 billion of net operating losses to carry forward to future years. The net operating losses arose in tax year 2018, and under the Tax Act changes, have an unlimited carryforward period. As a result, management believes that it is more likely than not that the deferred tax asset associated with the loss carryforwards will be realized. Inclusive of the tax attribute for the net operating losses, although realization is not assured, management believes that it is more likely than not that we will realize the benefits of all of our deferred tax assets, and, accordingly, no valuation allowance has been recorded.

As of December 31, 2019 and 2018, $48 million and $16 million, respectively, of our unrecognized tax benefits presented below, if recognized, would have affected our federal income tax expense (benefit) and our effective tax rate. We are not aware of any events for which it is likely that unrecognized tax benefits will significantly increase or decrease within the next year. A reconciliation of the unrecognized tax benefits (in millions) was as follows:

	For the Years Ended December 31,	
	2019	2018
Balance as of beginning-of-year	$ 16	$ 11
Increases for prior year tax positions	32	-
Increases for current year tax positions	-	5
Balance as of end-of-year	$ 48	$ 16

We recognize interest and penalties accrued, if any, related to unrecognized tax benefits as a component of tax expense. For the years ended December 31, 2019, 2018 and 2017, we recognized no interest and penalty expense (benefit), and there was no accrued interest and penalty expense related to the unrecognized tax benefits as of December 31, 2019 and 2018.

We are subject to examination by U.S. federal, state, local and non-U.S. income authorities. We are currently not under examination by the Internal Revenue Service; however, tax years 2016 and forward remain open under the applicable statute of limitations. We are currently under examination by several state and local taxing jurisdictions; however, we do not expect these examinations will materially impact us.

8. DAC, VOBA, DSI and DFEL

Changes in DAC (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Balance as of beginning-of-year	$ 9,448	$ 7,887	$ 8,243
Business acquired (sold) through reinsurance	-	(246)	-
Deferrals	1,902	1,600	1,348
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(950)	(951)	(965)
Unlocking	(489)	(115)	61
Adjustment related to realized (gains) losses	54	(47)	(12)
Adjustment related to unrealized (gains) losses	(2,613)	1,320	(788)
Balance as of end-of-year	$ 7,352	$ 9,448	$ 7,887

Changes in VOBA (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Balance as of beginning-of-year	$ 816	$ 516	$ 891
Business acquired (sold) through reinsurance	-	(11)	-
Business acquired	-	30	-
Deferrals	6	7	7
Amortization:			
Amortization, excluding unlocking	(114)	(127)	(105)
Unlocking	140	(60)	(48)
Accretion of interest (1)	45	48	52
Adjustment related to realized (gains) losses	(1)	(2)	(1)
Adjustment related to unrealized (gains) losses	(550)	415	(280)
Balance as of end-of-year	$ 342	$ 816	$ 516

(1) The interest accrual rates utilized to calculate the accretion of interest ranged from 4.2% to 6.9%.

Estimated future amortization of VOBA, net of interest (in millions), as of December 31, 2019, was as follows:

2020	$ 72
2021	66
2022	67
2023	65
2024	61

Changes in DSI (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Balance as of beginning-of-year	$ 248	$ 238	$ 243
Business acquired (sold) through reinsurance	-	(21)	-
Deferrals	26	47	29
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(29)	(28)	(30)
Unlocking	(3)	-	(4)
Adjustment related to realized (gains) losses	2	(1)	(1)
Adjustment related to unrealized (gains) losses	(10)	13	1
Balance as of end-of-year	$ 234	$ 248	$ 238

Changes in DFEL (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Balance as of beginning-of-year	$ 2,769	$ 1,445	$ 1,874
Deferrals	1,095	875	755
Amortization, net of interest:			
Amortization, excluding unlocking, net of interest	(544)	(482)	(396)
Unlocking	(426)	(53)	1
Adjustment related to realized (gains) losses	-	(20)	(14)
Adjustment related to unrealized (gains) losses	(2,244)	1,004	(775)
Balance as of end-of-year	$ 650	$ 2,769	$ 1,445

9. Reinsurance

The following summarizes reinsurance amounts (in millions) recorded on our Consolidated Statements of Comprehensive Income (Loss), excluding amounts attributable to the indemnity reinsurance agreements with Protective and Swiss Re Life & Health America, Inc. ("Swiss Re"):

	For the Years Ended December 31,		
	2019	2018	2017
Direct insurance premiums and fee income	$ 13,498	$ 12,041	$ 10,269
Reinsurance assumed	91	89	91
Reinsurance ceded	(1,579)	(1,543)	(1,485)
Total insurance premiums and fee income	$ 12,010	$ 10,587	$ 8,875
Direct insurance benefits	$ 9,574	$ 8,592	$ 6,770
Reinsurance recoveries netted against benefits	(1,694)	(1,806)	(1,610)
Total benefits	$ 7,880	$ 6,786	$ 5,160

Our insurance companies cede insurance to other companies. The portion of our life insurance and annuity risks exceeding each of our insurance companies' retention limit is reinsured with other insurers. We seek reinsurance coverage to limit our exposure to mortality losses and to enhance our capital management.

As of December 31, 2019, the policy for our reinsurance program was to retain up to $20 million on a single insured life. As the amount we retain varies by policy, we reinsured approximately 25% of the mortality risk on newly issued life insurance contracts in 2019.

We focus on obtaining reinsurance from a diverse group of reinsurers, and we monitor concentration as well as financial strength ratings of our reinsurers. Our amounts recoverable from reinsurers represent receivables from and reserves ceded to reinsurers. The amounts recoverable from reinsurers were $17.1 billion and $17.7 billion as of December 31, 2019 and 2018, respectively.

Protective represents our largest reinsurance exposure following the sale of the Liberty Life Business as discussed in Note 3, which resulted in amounts recoverable from Protective of $11.8 billion and $12.1 billion as of December 31, 2019 and 2018, respectively. Protective has funded trusts, of which the balance in the trusts changes as a result of ongoing reinsurance activity, to support the business ceded, which totaled $14.7 billion and $13.7 billion as of December 31, 2019 and 2018, respectively.

Our reinsurance operations were acquired by Swiss Re in December 2001 through a series of indemnity reinsurance transactions. As such, Swiss Re reinsured certain liabilities and obligations under the indemnity reinsurance agreements. As we are not relieved of our liability to the ceding companies for this business, the liabilities and obligations associated with the reinsured policies remain on our Consolidated Balance Sheets with a corresponding reinsurance receivable from Swiss Re, which totaled $1.3 billion and $1.5 billion as of December 31, 2019 and 2018, respectively. Swiss Re has funded a trust, with a balance of $2.7 billion as of December 31, 2019, to support this business. In addition to various remedies that we would have in the event of a default by Swiss Re, we continue to hold assets in support of certain of the transferred reserves. These assets consist of those reported as trading securities and certain mortgage loans. Our liabilities for funds withheld and embedded derivatives as of December 31, 2019, included $164 million and $31 million, respectively, related to the business sold to Swiss Re.

Some portions of our annuity business have been reinsured on a Modco basis with other companies. In a Modco agreement, we as the ceding company retain the reserves, as well as the assets backing those reserves, and the reinsurer shares proportionally in all financial terms of the reinsured policies based on their respective percentage of the risk. Effective October 1, 2018, we entered into one such Modco agreement with Athene Holding Ltd. ("Athene") to reinsure fixed and fixed indexed annuity products, which resulted in a deposit asset of $6.6 billion and $7.5 billion as of December 31, 2019 and 2018, respectively, within other assets on our Consolidated Balance Sheets. We held investments of $6.9 billion as of December 31, 2019, in support of reserves associated with the transaction in a Modco investment portfolio. As of December 31, 2019, the portfolio included trading securities, fixed maturity AFS securities, commercial mortgage loans, derivative investments, other investments, cash, accrued investment income and equity securities that had carrying values of $3.5 billion, $2.3 billion, $698 million, $130 million, $94 million, $62 million, $57 million and $14 million, respectively. In addition, the portfolio was supported by $201 million of over-collateralization and a $200 million letter of credit as of December 31, 2019. As described in Note 1, we recorded a deferred gain on business sold through reinsurance related to the transaction with Athene and amortized $30 million and $8 million of the gain during 2019 and 2018, respectively.

In repositioning the Modco investment portfolio, purchases of securities classified as trading during 2019 primarily resulted in negative cash flows from operating activities that were largely offset by sales of securities classified as fixed maturity AFS within investing activities in our Consolidated Statements of Cash Flows.

See "Realized Gain (Loss)" in Note 5 for information on reinsurance related embedded derivatives.

10. Goodwill and Specifically Identifiable Intangible Assets

The changes in the carrying amount of goodwill (in millions) by reportable segment were as follows:

	For the Year Ended December 31, 2019				
	Gross Goodwill as of Beginning-of-Year	Accumulated Impairment as of Beginning-of-Year	Acquisition Accounting Adjustments	Impairment	Net Goodwill as of End-of-Year
Annuities	$ 1,040	$ (600)	$ -	$ -	$ 440
Retirement Plan Services	20	-	-	-	20
Life Insurance	2,188	(1,554)	-	-	634
Group Protection	688	-	(4)	-	684
Total goodwill	$ 3,936	$ (2,154)	$ (4)	$ -	$ 1,778

	For the Year Ended December 31, 2018				
	Gross Goodwill as of Beginning-of-Year	Accumulated Impairment as of Beginning-of-Year	Acquisition Accounting Adjustments	Impairment	Net Goodwill as of End-of-Year
Annuities	$ 1,040	$ (600)	$ -	$ -	$ 440
Retirement Plan Services	20	-	-	-	20
Life Insurance	2,188	(1,554)	-	-	634
Group Protection	274	-	414	-	688
Total goodwill	$ 3,522	$ (2,154)	$ 414	$ -	$ 1,782

The fair values of our reporting units (Level 3 fair value estimates) are comprised of the value of in-force (i.e., existing) business and the value of new business. Specifically, new business is representative of cash flows and profitability associated with policies or contracts we expect to issue in the future, reflecting our forecasts of future sales volume and product mix over a 10-year period. To determine the values of in-force and new business, we use a discounted cash flows technique that applies a discount rate reflecting the market expected, weighted-average rate of return adjusted for the risk factors associated with operations to the projected future cash flows for each reporting unit.

As of October 1, 2019 and 2018, we performed our annual quantitative goodwill impairment test for our reporting units, and, as of each such date, the fair value was in excess of each reporting unit's carrying value for Annuities, Retirement Plan Services, Life Insurance and Group Protection.

As of October 1, 2017, the date of our annual quantitative assessment of goodwill, our Annuities, Retirement Plan Services and Group Protection reporting units had fair values that exceeded the carrying value of each reporting unit. Our early adoption of ASU 2017-04, "Simplifying the Test for Goodwill Impairment," resulted in impairment of the Life Insurance reporting unit goodwill of $905 million during the fourth quarter of 2017 driven primarily from the impact of the December 22, 2017, enactment of the Tax Act that increased the carrying value of the Life Insurance reporting unit in excess of its fair value.

The gross carrying amounts and accumulated amortization (in millions) for each major specifically identifiable intangible asset class by reportable segment were as follows:

	As of December 31, 2019		As of December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Retirement Plan Services:				
Mutual fund contract rights (1)	$ 5	$ -	$ 5	$ -
Life Insurance:				
Sales force	100	55	100	51
Group Protection:				
VOCRA	576	25	576	5
VODA	31	2	31	-
Insurance licenses (1)	3	-	3	-
Total	$ 715	$ 82	$ 715	$ 56

(1) No amortization recorded as the intangible asset has indefinite life.

Future estimated amortization of specifically identifiable intangible assets (in millions) as of December 31, 2019, was as follows:

2020	$ 37
2021	37
2022	37
2023	37
2024	37
Thereafter	440

11. Guaranteed Benefit Features

Information on the GDB features outstanding (dollars in millions) was as follows:

	As of December 31,	
	2019 (1)	2018 (1)
Return of Net Deposits		
Total account value	$ 101,601	$ 89,783
Net amount at risk (2)	71	1,002
Average attained age of contract holders	65 years	65 years
Minimum Return		
Total account value	$ 92	$ 88
Net amount at risk (2)	13	18
Average attained age of contract holders	77 years	77 years
Guaranteed minimum return	5%	5%
Anniversary Contract Value		
Total account value	$ 25,763	$ 23,365
Net amount at risk (2)	384	2,007
Average attained age of contract holders	71 years	71 years

(1) Our variable contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed are not mutually exclusive.
(2) Represents the amount of death benefit in excess of the account balance that is subject to market fluctuations.

The determination of GDB liabilities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates and mortality experience. The following summarizes the balances of and changes in the liabilities for GDBs (in millions), which were recorded in future contract benefits on our Consolidated Balance Sheets:

	For the Years Ended December 31,		
	2019	2018	2017
Balance as of beginning-of-year	$ 161	$ 100	$ 110
Changes in reserves	(24)	77	8
Benefits paid	(20)	(16)	(18)
Balance as of end-of-year	$ 117	$ 161	$ 100

Variable Annuity Contracts

Account balances of variable annuity contracts, including those with guarantees, (in millions) were invested in separate account investment options as follows:

	As of December 31,	
	2019	2018
Asset Type		
Domestic equity	$ 64,093	$ 54,060
International equity	19,852	18,359
Fixed income	41,405	37,942
Total	$ 125,350	$ 110,361
Percent of total variable annuity separate account values	98%	99%

Secondary Guarantee Products

Future contract benefits and other contract holder funds include reserves for our secondary guarantee products sold through our Life Insurance segment. Reserves on UL and VUL products with secondary guarantees represented 37% and 35% of total life insurance in-force reserves as of December 31, 2019 and 2018, respectively. UL and VUL products with secondary guarantees represented 27%, 36% and 27% of total life insurance sales for the years ended December 31, 2019, 2018 and 2017, respectively.

12. Liability for Unpaid Claims

The liability for unpaid claims consists primarily of long-term disability claims and is reported in future contract benefits on our Consolidated Balance Sheets. Changes in the liability for unpaid claims (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Balance as of beginning-of-year	$ 5,335	$ 2,222	$ 2,242
Reinsurance recoverable	143	57	69
Net balance as of beginning-of-year	5,192	2,165	2,173
Business acquired (1)	-	2,842	-
Incurred related to:			
Current year	3,193	2,531	1,346
Prior years:			
Interest	151	120	69
All other incurred (2)	(308)	(208)	(76)
Total incurred	3,036	2,443	1,339
Paid related to:			
Current year	(1,518)	(1,197)	(798)
Prior years	(1,310)	(1,061)	(549)
Total paid	(2,828)	(2,258)	(1,347)
Net balance as of end-of-year	5,400	5,192	2,165
Reinsurance recoverable	152	143	57
Balance as of end-of-year	$ 5,552	$ 5,335	$ 2,222

(1) Represents acquired group life and disability reserves, net, as of May 1, 2018. See Note 3 for additional information.

(2) All other incurred is primarily impacted by the level of claim resolutions in the period compared to that which is expected by the reserve assumption. A negative number implies a favorable result where claim resolutions were more favorable than assumed. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the long-term life of the block of claims. It will vary from actual experience in any one period, both favorably and unfavorably.

The interest rate assumption used for discounting long-term claim reserves is an important part of the reserving process due to the long benefit period for these claims. Interest accrued on prior years' reserves has been calculated on the opening reserve balance less one-half of the prior years' incurred claim payments at our average reserve discount rate.

Long-term disability benefits may extend for many years, and claim development schedules do not reflect these longer benefit periods. As a result, we use longer term retrospective runoff studies, experience studies and prospective studies to develop our liability estimates. Long-term disability reserves are discounted using rates ranging from 3.25% to 5%. The discount rates vary by year of claim incurral.

13. Short-Term and Long-Term Debt

Details underlying short-term and long-term debt (in millions) were as follows:

	As of December 31,	
	2019	2018
Short-Term Debt		
Current maturities of long-term debt	$ 300	$ -
Total short-term debt	$ 300	$ -
Long-Term Debt, Excluding Current Portion		
Senior notes:		
6.25% notes, due 2020 (1)	$ -	$ 300
4.85% notes, due 2021 (1)	296	300
4.20% notes, due 2022 (1)	300	300
LIBOR + 100 bps loan, due 2023	-	200
4.00% notes, due 2023 (1)	500	500
LIBOR + 87.5 bps loan, due 2024	250	-
3.35% notes, due 2025 (1)	300	300
3.63% notes, due 2026 (1)	400	400
3.80% notes, due 2028 (1)	500	500
3.05% notes, due 2030 (1)	500	-
6.15% notes, due 2036 (1)	243	348
6.30% notes, due 2037 (1)(2)	375	375
7.00% notes, due 2040 (1)(2)	500	500
4.35% notes, due 2048 (1)	450	450
Total senior notes	4,614	4,473
Capital securities:		
LIBOR + 236 bps, due 2066 (3)	722	722
LIBOR + 204 bps, due 2067 (3)	491	491
Total capital securities	1,213	1,213
Unamortized premiums (discounts)	(4)	(3)
Unamortized debt issuance costs	(34)	(33)
Unamortized adjustments from discontinued hedges	118	123
Fair value hedge on interest rate swap agreements	160	66
Total long-term debt	$ 6,067	$ 5,839

(1) We have the option to repurchase the outstanding notes by paying the greater of 100% of the principal amount of the notes to be redeemed or the make-whole amount (as defined in each note agreement), plus in each case any accrued and unpaid interest as of the date of redemption.

(2) Categorized as operating debt for leverage ratio calculations as the proceeds were primarily used as a long-term structured solution to reduce the strain on increasing statutory reserves associated with secondary guarantee UL and term policies.

(3) To hedge the variability in rates, we purchased interest rate swaps to lock in a fixed rate of approximately 5% over the remaining terms of the capital securities.

Details underlying the recognition of a gain (loss) on the early extinguishment of debt (in millions) reported within interest expense on our Consolidated Statements of Comprehensive Income (Loss) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Principal balance outstanding prior to payoff (1)	$ 109	$ 287	$ -
Unamortized debt issuance costs and discounts	(1)	(1)	5
Amount paid to retire debt	(150)	(309)	-
Gain (loss) on early extinguishment of debt, pre-tax	$ (42)	$ (23)	$ 5

(1) During the third quarter of 2019, we repurchased $105 million of our 6.15% senior notes due 2036 and $4 million of our 4.85% senior notes due 2021. During the first quarter of 2018, we repurchased $287 million of our 8.75% senior notes due 2019.

Future principal payments due on long-term debt (in millions) as of December 31, 2019, were as follows:

2020	$ 300
2021	296
2022	300
2023	500
2024	250
Thereafter	4,481
Total	$ 6,127

For our long-term debt outstanding, unsecured senior debt, which consists of senior notes, fixed-rate notes and other notes with varying interest rates, ranks highest in priority, followed by capital securities.

Credit Facilities and Letters of Credit

Credit facilities, which allow for borrowing or issuances of letters of credit ("LOCs"), and LOCs (in millions) were as follows:

		As of December 31, 2019	
	Expiration Date	Maximum Available	LOCs Issued
Credit Facilities			
Five-year revolving credit facility	July 31, 2024	$ 2,250	$ 346
LOC facility [1]	August 26, 2031	990	965
LOC facility [1]	October 1, 2031	982	982
Total		$ 4,222	$ 2,293

(1) Our wholly-owned subsidiaries entered into irrevocable LOC facility agreements with third-party lenders supporting inter-company reinsurance agreements.

On July 31, 2019, we refinanced our existing credit facility with a syndicate of banks. This facility (the "credit facility") allows for the issuance of LOCs and borrowing of up to $2.25 billion. The credit facility is unsecured and has a commitment termination date of July 31, 2024. The LOCs under the credit facility are used primarily to satisfy reserve credit requirements of (i) our domestic insurance companies for which reserve credit is provided by our affiliated reinsurance companies and (ii) certain ceding companies of our legacy reinsurance business.

The credit agreement governing the credit facility contains or includes:

- Customary terms and conditions, including covenants restricting our ability to incur liens, merge or consolidate with another entity where we are not the surviving entity and dispose of all or substantially all of our assets;
- Financial covenants including maintenance of a minimum consolidated net worth (as defined in the credit agreement) equal to the sum of $10.6 billion plus 50% of the aggregate net proceeds of equity issuances received by us as set forth in the credit agreement; and a debt-to-capital ratio as defined in accordance with the credit facility not to exceed 0.35 to 1.00;
- A cap on secured non-operating indebtedness and non-operating indebtedness of our subsidiaries equal to 7.5% of total capitalization, as defined in accordance with the credit agreement; and
- Customary events of default, subject to certain materiality thresholds and grace periods for certain of those events of default.

Upon an event of default, the credit agreement provides that, among other things, the commitments may be terminated and the loans then outstanding may be declared due and payable. As of December 31, 2019, we were in compliance with all such covenants.

Our LOC facility agreements each contain customary terms and conditions, including early termination fees, covenants restricting the ability of the subsidiaries to incur liens, merge or consolidate with another entity and dispose of all or substantially all of their assets. Upon an event of early termination, the agreements require the immediate payment of all or a portion of the present value of the future LOC fees that would have otherwise been paid. Further, the agreements contain customary events of default, subject to certain materiality thresholds and grace periods for certain of those events of default. The events of default include payment defaults, covenant defaults, material inaccuracies in representations and warranties, bankruptcy and liquidation proceedings and other customary defaults. Upon an event of default, the agreements provide that, among other things, obligations to issue, amend or increase the amount of any LOC shall be terminated and any obligations shall become immediately due and payable. As of December 31, 2019, we were in compliance with all such covenants.

Shelf Registration

We currently have an effective shelf registration statement, which allows us to issue, in unlimited amounts, securities, including debt securities, preferred stock, common stock, warrants, stock purchase contracts, stock purchase units and depository shares.

Certain Debt Covenants on Capital Securities

Our $1.2 billion in principal amount of capital securities outstanding contain certain covenants that require us to make interest payments in accordance with an alternative coupon satisfaction mechanism ("ACSM") if we determine that one of the following trigger events exists as of the 30th day prior to an interest payment date ("determination date"):

- LNL's risk-based capital ("RBC") ratio is less than 175% (based on the most recent annual financial statement filed with the State of Indiana); or
- (i) The sum of our consolidated net income for the four trailing fiscal quarters ending on the quarter that is two quarters prior to the most recently completed quarter prior to the determination date is zero or negative; and (ii) our consolidated stockholders' equity (excluding AOCI and any increase in stockholders' equity resulting from the issuance of preferred stock during a quarter), or "adjusted stockholders' equity," as of (x) the most recently completed quarter and (y) the end of the quarter that is two quarters before the most recently completed quarter, has declined by 10% or more as compared to the quarter that is 10 fiscal quarters prior to the last completed quarter, or the "benchmark quarter."

The ACSM would generally require us to use commercially reasonable efforts to satisfy our obligation to pay interest in full on the capital securities with the net proceeds from sales of our common stock and warrants to purchase our common stock with an exercise price greater than the market price. We would have to utilize the ACSM until the trigger events no longer existed. Our failure to pay interest pursuant to the ACSM will not result in an event of default with respect to the capital securities nor will a nonpayment of interest unless it lasts for 10 consecutive years, although such breaches may result in monetary damages to the holders of the capital securities. As of December 31, 2019, we were in compliance with all such covenants.

14. Contingencies and Commitments

Contingencies

Regulatory and Litigation Matters

Regulatory bodies, such as state insurance departments, the SEC, Financial Industry Regulatory Authority and other regulatory bodies regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws, laws governing the activities of broker-dealers, registered investment advisers and unclaimed property laws.

LNC is involved in various pending or threatened legal or regulatory proceedings, including purported class actions, arising from the conduct of business both in the ordinary course and otherwise. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding verdicts obtained in the jurisdiction for similar matters. This variability in pleadings, together with the actual experiences of LNC in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

Due to the unpredictable nature of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time is normally difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

We establish liabilities for litigation and regulatory loss contingencies when information related to the loss contingencies shows both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some matters could require us to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of December 31, 2019. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material adverse effect on LNC's financial condition.

For some matters, the Company is able to estimate a reasonably possible range of loss. For such matters in which a loss is probable, an accrual has been made. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. Accordingly, the estimate contained in this paragraph reflects two types of matters. For some matters included within this estimate, an accrual has been made, but there is a reasonable possibility that an exposure exists in excess of the amount accrued. In these cases, the estimate reflects the reasonably possible range of loss in excess of the accrued amount. For other matters included within this estimation, no accrual has been made because a loss, while potentially estimable, is believed to be reasonably possible but not probable. In these cases, the estimate reflects the reasonably possible loss or range of loss. As of December 31, 2019, we estimate the aggregate range of reasonably possible losses, including amounts in excess of amounts accrued for these matters as of such date, to be up to approximately $90 million. Any estimate is not an indication of expected loss, if any, or of the Company's maximum possible loss exposure on such matters.

For other matters, we are not currently able to estimate the reasonably possible loss or range of loss. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts and the progress of settlement negotiations. On a quarterly and annual basis, we review relevant information with respect to litigation contingencies and update our accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

Certain reinsurers have sought rate increases on certain yearly renewable term treaties. We are disputing the requested rate increases under these treaties. We have initiated and will initiate arbitration proceedings, as necessary, under these treaties in order to protect our contractual rights. Additionally, reinsurers may initiate arbitration proceedings against us. We believe it is unlikely the outcome of these disputes will have a material adverse effect on our financial condition. For more information about reinsurance, see Note 9.

Cost of Insurance Litigation

Glover v. Connecticut General Life Insurance Company and The Lincoln National Life Insurance Company, filed in the U.S. District Court for the District of Connecticut, No. 3:16-cv-00827, is a putative class action that was served on LNL on June 8, 2016. Plaintiff is the owner of a universal life insurance policy who alleges that LNL charged more for non-guaranteed cost of insurance than permitted by the policy. Plaintiff seeks to represent all universal life and variable universal life policyholders who owned policies containing non-guaranteed cost of insurance provisions that are similar to those of Plaintiff's policy and seeks damages on behalf of all such policyholders. On January 11, 2019, the court dismissed Plaintiff's complaint in its entirety. In response, Plaintiff filed a motion for leave to amend the complaint, which we have opposed.

Hanks v. The Lincoln Life and Annuity Company of New York ("LLANY") and Voya Retirement Insurance and Annuity Company ("Voya"), filed in the U.S. District Court for the Southern District of New York, No. 1:16-cv-6399, is a putative class action that was served on LLANY on August 12, 2016. Plaintiff owns a universal life policy originally issued by Aetna (now Voya) and alleges that (i) Voya breached the terms of the policy when it increased non-guaranteed cost of insurance rates on Plaintiff's policy; and (ii) LLANY, as reinsurer and administrator of Plaintiff's policy, engaged in wrongful conduct related to the cost of insurance increase and was unjustly enriched as a result. Plaintiff seeks to represent all owners of Aetna life insurance policies that were subject to non-guaranteed cost of insurance rate increases in 2016 and seeks damages on their behalf. On March 13, 2019, the court issued an order granting plaintiff's motion for class certification for the breach of contract claim and denying such motion with respect to the unjust enrichment claim against LLANY, and, on September 12, 2019, the court issued an order approving the parties' joint stipulation of dismissal with respect to the unjust enrichment claim and dismissed LLANY as a defendant in the case. In light of LLANY's role as reinsurer and administrator under the 1998 coinsurance agreement with Aetna (now Voya), and of the parties' rights and obligations thereunder, LLANY continues to be actively engaged in the vigorous defense of this action.

EFG Bank AG, Cayman Branch, et al. v. The Lincoln National Life Insurance Company, pending in the U.S. District Court for the Eastern District of Pennsylvania, No. 2:17-cv-02592, is a civil action filed on February 1, 2017. Plaintiffs own Legend Series universal life insurance policies originally issued by Jefferson-Pilot (now LNL). Plaintiffs allege that LNL breached the terms of policyholders' contracts when it increased non-guaranteed cost of insurance rates beginning in 2016. We are vigorously defending this matter.

In re: Lincoln National COI Litigation, pending in the U.S. District Court for the Eastern District of Pennsylvania, Master File No. 2:16-cv-06605-GJP, is a consolidated litigation matter related to multiple putative class action filings that were consolidated by an order dated March 20, 2017. In addition to consolidating a number of existing matters, the order also covers any future cases filed in the same district related to the same subject matter. Plaintiffs own universal life insurance policies originally issued by Jefferson-Pilot (now LNL). Plaintiffs allege that LNL and LNC breached the terms of policyholders' contracts by increasing non-guaranteed cost of insurance rates beginning in 2016. Plaintiffs seek to represent classes of policyowners and seek damages on their behalf. We are vigorously defending this matter.

In re: Lincoln National 2017 COI Rate Litigation, Master File No. 2:17-cv-04150 is a consolidated litigation matter related to multiple putative class action filings that were consolidated by an order of the court in March 2018. Plaintiffs own universal life insurance policies originally issued by former Jefferson-Pilot (now LNL). Plaintiffs allege that LNL and LNC breached the terms of policyholders' contracts by increasing non-guaranteed cost of insurance rates beginning in 2017. Plaintiffs seek to represent classes of policyholders and seek damages on their behalf. We are vigorously defending this matter.

Iwanski v. First Penn-Pacific Life Insurance Company ("FPP"), No. 2:18-cv-01573 filed in the U.S. District Court for the District Court, Eastern District of Pennsylvania is a putative class action that was filed on April 13, 2018. Plaintiff alleges that defendant FPP breached the terms of his life insurance policy by deducting non-guaranteed cost of insurance charges in excess of what is permitted by the policies. Plaintiff seeks to represent all owners of universal life insurance policies issued by FPP containing non-guaranteed cost of insurance provisions that are similar to those of Plaintiff's policy and seeks damages on their behalf. Breach of contract is the only cause of action asserted. We are vigorously defending this matter.

TVPX ARS INC., as Securities Intermediary for Consolidated Wealth Management, LTD. v. The Lincoln National Life Insurance Company, filed in the U.S. District Court for the Eastern District of Pennsylvania, No. 2:18-cv-02989, is a putative class action that was filed on July 17, 2018. Plaintiff alleges that LNL charged more for non-guaranteed cost of insurance than permitted by the policy. Plaintiff seeks to represent all universal life and variable universal life policyholders who own policies issued by LNL or its predecessors containing non-guaranteed cost of insurance provisions that are similar to those of Plaintiff's policy and seeks damages on behalf of all such policyholders. We are vigorously defending this matter.

LSH Co. and Wells Fargo Bank, National Association, as securities intermediary for LSH Co. v. Lincoln National Corporation and The Lincoln National Life Insurance Company, pending in the U.S. District Court for the Eastern District of Pennsylvania, No. 2:18-cv-05529, is a civil action filed on December 21, 2018. Plaintiffs own universal life insurance policies originally issued by Jefferson-Pilot (now LNL). Plaintiffs allege that LNL breached the terms of policyholders' contracts when it increased non-guaranteed cost of insurance rates in 2016 and 2017. We are vigorously defending this matter.

Vida Longevity Fund, LP v. Lincoln Life & Annuity Company of New York, pending in the U.S. District Court for the Southern District of New York, No. 1:19-cv-06004, is a putative class action that was filed on June 27, 2019. Plaintiff alleges that LLANY charged more for non-guaranteed cost of insurance than was permitted by the policies. Plaintiff seeks to represent all current and former owners of universal life (including variable universal life) policies who own or owned policies issued by LLANY and its predecessors in interest that were in force at any time on or after June 27, 2013, and which contain non-guaranteed cost of insurance provisions that are similar to those of Plaintiff's policies. Plaintiff also seeks to represent a sub-class of such policyholders who own or owned "life insurance policies issued in the State of New York." Plaintiff seeks damages on behalf of the policyholder class and sub-class. We are vigorously defending this matter.

Commitments

Leases

We recognized operating lease ROU assets of $233 million and associated lease liabilities of $240 million as of December 31, 2019. We classified the operating lease ROU assets within other assets and the lease liabilities within other liabilities on our Consolidated Balance Sheets. The weighted-average discount rate and remaining lease term were 3.2% and 6 years, respectively, as of December 31, 2019. Operating lease expense for the years ended December 31, 2019, 2018 and 2017, was $54 million, $50 million and $43 million, respectively, and reported in commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss).

As of December 31, 2019, the net book value of assets recorded as finance leases was $128 million, and the associated accumulated amortization was $345 million. These transactions have been classified as other assets on our Consolidated Balance Sheets. These assets will continue to be amortized on a straight-line basis over the assets' remaining lives. The weighted-average discount rate and remaining lease term were 2.2% and 2 years, respectively, as of December 31, 2019.

Finance lease expense (in millions) was as follows:

	For the Year Ended December 31, 2019
Amortization of ROU assets (1)	$ 67
Interest on lease liabilities (2)	13
Total	$ 80

(1) Amortization of ROU assets is reported in commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss).

(2) Interest on lease liabilities is reported in interest and debt expense on our Consolidated Statements of Comprehensive Income (Loss).

The table below presents cash flow information (in millions) related to leases:

	For the Year Ended December 31, 2019
Supplemental Cash Flow Information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 56
Financing cash flows from finance leases	96
Supplemental Non-cash Information	
ROU assets obtained in exchange for new lease obligations:	
Operating leases	$ 80

Our future minimum lease payments (in millions) under non-cancellable leases as of December 31, 2019, were as follows:

	Operating Leases	Finance Leases
2020	$ 49	$ 56
2021	48	66
2022	44	66
2023	42	90
2024	28	17
Thereafter	67	12
Total future minimum lease payments	278	307
Less: Amount representing interest	38	26
Present value of minimum lease payments	$ 240	$ 281

As of December 31, 2019, we had no leases that had not yet commenced.

Vulnerability from Concentrations

As of December 31, 2019, we did not have a concentration of: business transactions with a particular customer or lender; sources of supply of labor or services used in the business; or a market or geographic area in which business is conducted that makes us vulnerable to an event that is at least reasonably possible to occur in the near term and which could cause a severe impact to our financial condition. For information on our investment and reinsurance concentrations, see Notes 5 and 9, respectively.

Other Contingency Matters

State guaranty funds assess insurance companies to cover losses to contract holders of insolvent or rehabilitated companies. Mandatory assessments may be partially recovered through a reduction in future premium taxes in some states. We have accrued for expected assessments and the related reductions in future state premium taxes, which net to assessments (recoveries) of $(12) million and $(17) million as of December 31, 2019 and 2018, respectively.

15. Shares and Stockholders' Equity

Common Shares

The changes in our common stock (number of shares) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Common Stock			
Balance as of beginning-of-year	205,862,760	218,090,114	226,335,105
Stock issued for exercise of warrants	258,633	212,670	344,901
Stock compensation/issued for benefit plans	942,318	800,325	1,793,234
Retirement/cancellation of shares	(10,395,179)	(13,240,349)	(10,383,126)
Balance as of end-of-year	196,668,532	205,862,760	218,090,114
Common Stock as of End-of-Year			
Basic basis	196,668,532	205,862,760	218,090,114
Diluted basis	199,196,043	209,034,686	221,309,830

Our common stock is without par value.

Average Shares

A reconciliation of the denominator (number of shares) in the calculations of basic and diluted earnings (loss) per common share was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Weighted-average shares, as used in basic calculation	200,608,737	215,936,448	222,128,687
Shares to cover exercise of outstanding warrants	58,765	568,602	761,353
Shares to cover non-vested stock	973,901	1,534,142	1,626,908
Average stock options outstanding during the year	1,507,049	1,739,029	2,360,372
Assumed acquisition of shares with assumed proceeds from exercising outstanding warrants	(9,594)	(81,260)	(109,034)
Assumed acquisition of shares with assumed proceeds and benefits from exercising stock options (at average market price for the year)	(1,033,507)	(1,074,406)	(1,414,857)
Shares repurchasable from measured but unrecognized stock option expense	(217)	(14,600)	(53,241)
Average deferred compensation shares	-	944,151	920,792
Weighted-average shares, as used in diluted calculation	202,105,134	219,552,106	226,220,980

In the event the average market price of LNC common stock exceeds the issue price of stock options and the options have a dilutive effect to our EPS, such options will be shown in the table above.

We have participants in our deferred compensation plans who selected LNC stock as the measure for the investment return attributable to all or a portion of their deferral amounts. For the years ended December 31, 2018 and 2017, the effect of settling this obligation in LNC stock ("equity classification") was more dilutive than the scenario of settling in cash ("liability classification"). Therefore, for our EPS calculation for these periods, we added these shares to the denominator and adjusted the numerator to present net income as if the shares had been accounted for under equity classification by removing the mark-to-market adjustment included in net income attributable to these deferred units of LNC stock. The amount of this adjustment was $18 million and $(7) million for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2019, we had no outstanding warrants. The remaining outstanding warrants issued in 2009, each representing the right to purchase one share of our common stock, expired on July 10, 2019.

AOCI

The following summarizes the components and changes in AOCI (in millions):

	For the Years Ended December 31,		
	2019	2018	2017
Unrealized Gain (Loss) on AFS Securities			
Balance as of beginning-of-year	$ 557	$ 3,486	$ 1,784
Cumulative effect from adoption of new accounting standards	-	674	-
Unrealized holding gains (losses) arising during the year	9,267	(6,274)	3,032
Change in foreign currency exchange rate adjustment	46	(107)	134
Change in DAC, VOBA, DSI, future contract benefits and other contract holder funds	(2,462)	1,748	(705)
Income tax benefit (expense)	(1,457)	981	(797)
Less:			
Reclassification adjustment for gains (losses) included in net income (loss)	(28)	(42)	(39)
Associated amortization of DAC, VOBA, DSI and DFEL	(12)	(20)	(20)
Income tax benefit (expense)	8	13	21
Balance as of end-of-year	$ 5,983	$ 557	$ 3,486
Unrealized OTTI on AFS Securities			
Balance as of beginning-of-year	$ 33	$ 44	$ 25
(Increases) attributable to:			
Cumulative effect from adoption of new accounting standards	-	9	-
Gross OTTI recognized in OCI during the year	(16)	-	-
Change in DAC, VOBA, DSI and DFEL	1	-	-
Income tax benefit (expense)	3	-	-
Decreases attributable to:			
Changes in fair value, sales, maturities or other settlements of AFS securities	31	(19)	34
Change in DAC, VOBA, DSI and DFEL	(1)	(6)	(5)
Income tax benefit (expense)	(6)	5	(10)
Balance as of end-of-year	$ 45	$ 33	$ 44
Unrealized Gain (Loss) on Derivative Instruments			
Balance as of beginning-of-year	$ 139	$ (29)	$ 49
Cumulative effect from adoption of new accounting standard	-	(6)	-
Unrealized holding gains (losses) arising during the year	(93)	144	27
Change in foreign currency exchange rate adjustment	(52)	111	(137)
Change in DAC, VOBA, DSI and DFEL	(4)	(13)	2
Income tax benefit (expense)	31	(51)	38
Less:			
Reclassification adjustment for gains (losses) included in net income (loss)	42	24	13
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	(2)	(1)
Income tax benefit (expense)	(9)	(5)	(4)
Balance as of end-of-year	$ (11)	$ 139	$ (29)
Foreign Currency Translation Adjustment			
Balance as of beginning-of-year	$ (23)	$ (14)	$ (27)
Foreign currency translation adjustment arising during the year	6	(9)	13
Balance as of end-of-year	$ (17)	$ (23)	$ (14)
Funded Status of Employee Benefit Plans			
Balance as of beginning-of-year	$ (299)	$ (257)	$ (265)
Cumulative effect from adoption of new accounting standard	-	(35)	-
Adjustment arising during the year	(20)	(12)	18
Income tax benefit (expense)	(8)	5	(10)
Balance as of end-of-year	$ (327)	$ (299)	$ (257)

The following summarizes the reclassifications out of AOCI (in millions) and the associated line item in the Consolidated Statements of Comprehensive Income (Loss):

	For the Years Ended December 31,			
	2019	2018	2017	
Unrealized Gain (Loss) on AFS Securities				
Gross reclassification	$ (28)	$ (42)	$ (39)	Total realized gain (loss)
Associated amortization of DAC, VOBA, DSI and DFEL	(12)	(20)	(20)	Total realized gain (loss)
Reclassification before income tax benefit (expense)	(40)	(62)	(59)	Income (loss) from continuing operations before taxes
Income tax benefit (expense)	8	13	21	Federal income tax expense (benefit)
Reclassification, net of income tax	$ (32)	$ (49)	$ (38)	Net income (loss)
Unrealized OTTI on AFS Securities				
Gross reclassification	$ 4	$ 8	$ 5	Total realized gain (loss)
Change in DAC, VOBA, DSI and DFEL	-	-	(1)	Total realized gain (loss)
Reclassification before income tax benefit (expense)	4	8	4	Income (loss) from continuing operations before taxes
Income tax benefit (expense)	(1)	(2)	(1)	Federal income tax expense (benefit)
Reclassification, net of income tax	$ 3	$ 6	$ 3	Net income (loss)
Unrealized Gain (Loss) on Derivative Instruments				
Gross reclassifications:				
Interest rate contracts	$ 3	$ 4	$ 4	Net investment income
Interest rate contracts	(5)	(7)	(18)	Interest and debt expense
Foreign currency contracts	35	27	18	Net investment income
Foreign currency contracts	9	-	9	Total realized gain (loss)
Total gross reclassifications	42	24	13	
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	(2)	(1)	Commissions and other expenses
Reclassifications before income tax benefit (expense)	41	22	12	Income (loss) from continuing operations before taxes
Income tax benefit (expense)	(9)	(5)	(4)	Federal income tax expense (benefit)
Reclassifications, net of income tax	$ 32	$ 17	$ 8	Net income (loss)

16. Commissions and Other Expenses

Details underlying commissions and other expenses (in millions) were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Commissions	$ 2,549	$ 2,256	$ 1,986
General and administrative expenses	2,210	1,953	1,766
Expenses associated with reserve financing and unrelated LOCs	88	84	87
DAC and VOBA deferrals and interest, net of amortization	(540)	(402)	(350)
Broker-dealer expenses	481	465	438
Specifically identifiable intangible asset amortization	26	9	4
Taxes, licenses and fees	343	313	245
Acquisition and integration costs related to mergers and acquisitions	130	85	-
Total	$ 5,287	$ 4,763	$ 4,176

17. Retirement and Deferred Compensation Plans

Defined Benefit Pension and Other Postretirement Benefit Plans

We maintain U.S. defined benefit pension plans in which certain U.S. employees and agents are participants, and a U.K. plan we retained after the sale of the Lincoln UK business. Our defined benefit pension plans are closed to new entrants and existing participants do not accrue any additional benefits. We comply with the minimum funding requirements in both the U.S. and the U.K. In accordance with such practice, we were not required to make contributions but elected to contribute $2 million and $8 million for the years ended December 31, 2019 and 2018, respectively. We do not expect to be required to make any contributions to these pension plans in 2020.

We sponsor other postretirement benefit plans that provide health care and life insurance to certain retired employees and agents. Total net periodic cost (recovery) for these plans was $8 million, $(2) million and $(3) million during 2019, 2018 and 2017, respectively. In 2020, we expect the plans to make benefit payments of approximately $110 million.

Information (in millions) with respect to these plans was as follows:

	As of or For the Years Ended December 31,			
	2019	2018	2019	2018
	Pension Plans		Other Postretirement Benefit Plans	
Fair value of plan assets	$ 1,520	$ 1,356	$ 69	$ 64
Projected benefit obligation	1,646	1,477	78	74
Funded status	$ (126)	$ (121)	$ (9)	$ (10)
Amounts Recognized on the Consolidated Balance Sheets				
Other assets	$ 12	$ 52	$ -	$ -
Other liabilities	(138)	(173)	(9)	(10)
Net amount recognized	$ (126)	$ (121)	$ (9)	$ (10)
Weighted-Average Assumptions				
Benefit obligations:				
Weighted-average discount rate	3.14%	4.14%	3.50%	4.50%
Net periodic benefit cost:				
Weighted-average discount rate	4.10%	3.75%	4.50%	4.00%
Expected return on plan assets	6.48%	6.46%	6.50%	6.50%

The weighted average discount rate was determined based on a corporate yield curve as of December 31, 2019, and projected benefit obligation cash flows. The expected return on plan assets was determined based on historical and expected future returns of the various asset categories, using the plans' target plan allocation. We reevaluate these assumptions each plan year.

The following summarizes our fair value measurements of our benefit plans' assets (in millions) on a recurring basis by asset category:

	As of December 31,	
	2019	2018
Fixed maturity securities:		
Corporate bonds	$ 274	$ 249
U.S. government bonds	280	252
Foreign government bonds	67	216
State and municipal bonds	29	28
Common and preferred stock	599	485
Bulk annuity insurance policy	165	-
Cash and invested cash	106	125
Other investments	69	65
Total	$ 1,589	$ 1,420

See "Fair Value Measurement" in Note 1 for discussion on how we categorize our pension plans' assets into the three-level fair value hierarchy. See "Financial Instruments Carried at Fair Value" in Note 20 for a summary of our fair value measurement of our pension plans' assets by the three-level fair value hierarchy.

Defined Contribution Plans

We sponsor tax-qualified defined contribution plans for eligible employees and agents. We administer these plans in accordance with the plan documents and various limitations under section 401(a) of the Internal Revenue Code of 1986. For the years ended December 31, 2019, 2018 and 2017, expenses for these plans were $104 million, $93 million and $88 million, respectively.

Deferred Compensation Plans

We sponsor non-qualified, unfunded, deferred compensation plans for certain current and former employees, agents and non-employee directors. The results of certain notional investment options within some of the plans are hedged by total return swaps. Our expenses increase or decrease in direct proportion to the change in market value of the participants' investment options. Participants of certain plans are able to select our stock as a notional investment option; however, it is not hedged by the total return swaps and is a primary source of expense volatility related to these plans. For the years ended December 31, 2019, 2018 and 2017, expenses for these plans were $28 million, $4 million and $35 million, respectively. For further discussion of total return swaps related to our deferred compensation plans, see Note 6.

Information (in millions) with respect to these plans was as follows:

	As of December 31,	
	2019	2018
Total liabilities (1)	$ 645	$ 547
Investments dedicated to fund liabilities (2)	202	170

(1) Reported in other liabilities on our Consolidated Balance Sheets.

(2) Reported in other assets on our Consolidated Balance Sheets.

18. Stock-Based Incentive Compensation Plans

We sponsor stock-based incentive compensation plans for our employees and directors and for the employees and agents of our subsidiaries that provide for the issuance of stock options, performance shares, stock appreciation rights ("SARs") and restricted stock units ("RSUs") among other types of awards. We issue new shares to satisfy option exercises and vested performance shares and RSUs.

Total compensation expense (in millions) by award type for our stock-based incentive compensation plans was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Stock options	$ 8	$ 5	$ 10
Performance shares	17	15	13
SARs	-	(1)	2
RSUs	37	32	25
Total	$ 62	$ 51	$ 50
Recognized tax benefit	$ 13	$ 11	$ 18

Total unrecognized compensation expense (in millions) and expected weighted-average life (in years) by award type for our stock-based incentive compensation plans was as follows:

	For the Years Ended December 31,					
	2019		2018		2017	
	Expense	Weighted-Average Period	Expense	Weighted-Average Period	Expense	Weighted-Average Period
Stock options	$ 9	0.9	$ 9	1.1	$ 9	1.4
Performance shares	15	1.3	14	0.9	12	1.2
SARs	-	3.4	-	2.7	2	3.2
RSUs	42	1.4	50	1.2	32	1.1
Total unrecognized stock-based incentive compensation expense	$ 66		$ 73		$ 55	

Stock Options

The option price assumptions used for our stock option awards were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Weighted-average fair value per option granted	$ 13.23	$ 18.74	$ 18.27
Assumptions:			
Dividend yield	2.8%	2.1%	2.0%
Expected volatility	26.9%	27.2%	31.5%
Risk-free interest rate	2.1-2.5%	2.5-2.9%	1.7-2.1%
Expected life (in years)	5.8	5.8	5.5

The fair value of options is determined using a Black-Scholes options valuation model with the assumptions disclosed in the table above. The dividend yield is based on the expected dividend rate during the expected life of the option. Expected volatility is based on the implied volatility of exchange-traded securities and the historical volatility of the LNC stock price. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life of the options granted represents the weighted-average period of time from the grant date to the date of exercise, expiration or cancellation based upon historical behavior.

Generally, stock options have a maximum contractual term of ten years and vest ratably over a three year period based solely on a service condition. Information with respect to our incentive plans involving stock options with service conditions (aggregate intrinsic value shown in millions) was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2018	2,354,016	$ 53.11		
Granted – original	678,882	63.01		
Exercised (includes shares tendered)	(84,271)	33.32		
Forfeited or expired	(53,971)	71.16		
Outstanding as of December 31, 2019	2,894,656	$ 55.67	6.61	$ 25
Vested or expected to vest as of December 31, 2019 (1)	2,671,151	$ 54.52	6.47	$ 25
Exercisable as of December 31, 2019	1,865,223	$ 48.94	5.48	$ 25

(1) Includes estimated forfeitures.

The total fair value of stock options with service conditions that vested during the years ended December 31, 2019, 2018 and 2017 was $7 million, $6 million and $6 million, respectively. The total intrinsic value of such options exercised during the years ended December 31, 2019, 2018 and 2017, was $3 million, $11 million and $23 million, respectively.

We award to certain agents stock options that have a maximum contractual term of five years and generally vest ratably over a two year period depending on the satisfaction of the performance conditions. Information with respect to our incentive plans involving stock options with performance conditions (aggregate intrinsic value shown in millions) was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2018	228,836	$ 59.43		
Granted – original	35,878	61.80		
Exercised (includes shares tendered)	(41,898)	50.78		
Forfeited or expired	(13,712)	65.59		
Outstanding as of December 31, 2019	209,104	$ 61.17	2.07	$ 1
Vested or expected to vest as of December 31, 2019 (1)	198,345	$ 60.89	1.96	$ 1
Exercisable as of December 31, 2019	187,585	$ 60.58	1.85	$ 1

(1) Includes estimated forfeitures.

The total fair value of stock options with performance conditions that vested during the years ended December 31, 2019, 2018 and 2017, was $1 million, $1 million and $2 million, respectively. The total intrinsic value of such options exercised during the years ended December 31, 2019, 2018 and 2017, was less than $1 million, $2 million and $12 million, respectively.

Performance Shares

LNC performance shares vest, if at all, on the third anniversary of the grant date; depending on the achievement level of performance measures pre-determined by the Compensation Committee for the three year performance period, payout could range from zero to 200% of the target award.

Information with respect to our performance shares was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested as of December 31, 2018	546,225	$ 59.46
Granted	202,484	66.89
Vested	(258,384)	31.22
Forfeited	(19,254)	80.53
Nonvested as of December 31, 2019	471,071	$ 77.29

SARs

Under our incentive compensation plan, we issue SARs to certain planners and advisers who have full-time contracts with us. The SARs under this plan are rights on our stock that are cash settled and become exercisable in increments of 25% over the four year period following the SARs grant date. SARs are granted with an exercise price equal to the fair market value of our stock at the date of grant and, unless cancelled earlier due to certain terminations of employment, expire five years from the date of grant. Generally, such SARs are transferable only upon death.

We recognize compensation expense for SARs based on the fair value method using the Black-Scholes option-pricing model. Compensation expense and the related liability are recognized on a straight-line basis over the vesting period of the SARs. The SARs liability is marked-to-market through net income, which causes volatility in net income (loss) as a result of changes in the market value of our stock and reported within commissions and other expenses on our Consolidated Statements of Comprehensive Income (Loss). The SARs liability as of December 31, 2019 and 2018, was $1 million and $1 million, respectively, and reported within other liabilities on our Consolidated Balance Sheets.

The option price assumptions used for our SARs were as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Weighted-average fair value per SAR granted	$ 13.93	$ 19.09	$ 20.06
Assumptions:			
Dividend yield	2.4%	1.6%	1.5%
Expected volatility	28.3%	27.0%	34.4%
Risk-free interest rate	2.5%	2.8%	2.2%
Expected life (in years)	5.0	5.0	5.0

The assumptions above are the same as those discussed for options above, except the dividend yield is based on the current dividend rate at the date of grant, expected volatility is based on the implied volatility of exchange-traded securities and the expected life represents the contractual term.

Information with respect to our SARs plan (aggregate intrinsic value shown in millions) was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2018	130,007	$ 54.88		
Granted – original	23,604	61.80		
Exercised (includes shares tendered)	(39,863)	48.69		
Forfeited or expired	(9,317)	60.75		
Outstanding as of December 31, 2019	104,431	$ 58.17	2.14	$ -
Vested or expected to vest as of December 31, 2019 (1)	102,944	$ 58.20	2.12	$ -
Exercisable as of December 31, 2019	71,375	$ 55.26	1.56	$ -

(1) Includes estimated forfeitures.

The payment for SARs exercised was $1 million, $1 million and $3 million during the years ended December 31, 2019, 2018 and 2017, respectively.

RSUs

LNC RSUs generally cliff-vest on the third anniversary of the grant date, based solely on a service condition. Information with respect to our RSUs was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding as of December 31, 2018	1,692,876	$ 60.02
Granted	621,134	62.88
Vested	(680,494)	38.40
Forfeited	(82,387)	70.51
Outstanding as of December 31, 2019	1,551,129	$ 70.09

19. Statutory Information and Restrictions

The Company's domestic life insurance subsidiaries prepare financial statements in accordance with statutory accounting principles ("SAP") prescribed or permitted by the insurance departments of their states of domicile, which may vary materially from GAAP.

Prescribed SAP includes the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners ("NAIC") as well as state laws, regulations and administrative rules. Permitted SAP encompasses all accounting practices not so prescribed. The principal differences between statutory financial statements and financial statements prepared in accordance with GAAP are that statutory financial statements do not reflect DAC, some bond portfolios may be carried at amortized cost, assets and liabilities are presented net of reinsurance, contract holder liabilities are generally valued using more conservative assumptions and certain assets are non-admitted.

Our insurance subsidiaries are subject to the applicable laws and regulations of their respective states. Changes in these laws and regulations could change capital levels or capital requirements for our insurance subsidiaries.

Statutory capital and surplus, net gain (loss) from operations, after-tax, net income (loss) and dividends to the LNC holding company amounts (in millions) below consist of all or a combination of the following entities: LNL, LLANY, LLACB, FPP, Lincoln Reinsurance Company of South Carolina, Lincoln Reinsurance Company of Vermont I, Lincoln Reinsurance Company of Vermont III, Lincoln Reinsurance Company of Vermont IV, Lincoln Reinsurance Company of Vermont V, Lincoln Reinsurance Company of Vermont VI and Lincoln Reinsurance Company of Vermont VII.

	As of December 31,	
	2019	2018
U.S. capital and surplus	$ 8,564	$ 8,510

	For the Years Ended December 31,		
	2019	2018	2017
U.S. net gain (loss) from operations, after-tax	$ 409	$ 692	$ 1,329
U.S. net income (loss)	388	1,019	1,468
U.S. dividends to LNC holding company	600	925	974

Comparison of 2019 to 2018

Statutory net income (loss) decreased due primarily to lower dividends from affiliates, unfavorable reserve strain on certain products, and integration costs incurred as part of the acquisition of Liberty Life. See Note 3 for information regarding the acquisition.

Comparison of 2018 to 2017

Statutory net income (loss) decreased due primarily to lower dividends from affiliates, acquisition and integration costs incurred as part of the acquisition of Liberty Life and unfavorable reserve strain on certain products.

State Prescribed and Permitted Practices

The states of domicile of the Company's insurance subsidiaries have adopted certain prescribed accounting practices that differ from those found in NAIC SAP. These prescribed practices are the use of continuous Commissioners' Annuity Reserve Valuation Method in the calculation of reserves as prescribed by the state of New York, the calculation of reserves on universal life policies based on the Indiana universal life method as prescribed by the state of Indiana for policies issued before January 1, 2006, and the use of a more conservative valuation interest rate on certain annuities prescribed by the states of Indiana and New York. The Vermont reinsurance subsidiaries also have certain accounting practices permitted by the state of Vermont that differ from those found in NAIC SAP. One permitted practice involves accounting for the lesser of the face amount of all amounts outstanding under an LOC and the value of the Valuation of Life Insurance Policies Model Regulation ("XXX") additional statutory reserves as an admitted asset and a form of surplus as of December 31, 2019 and 2018. Another permitted practice involves the acquisition of an LLC note in exchange for a variable value surplus note that is recognized as an admitted asset and a form of surplus as of December 31, 2019. Lastly, the state of Vermont has permitted a practice to account for certain excess of loss reinsurance treaties with unaffiliated reinsurers as an asset and form of surplus as of December 31, 2019. These permitted practices are related to structures that continue to be allowed in accordance with the grandfathered structures under the provisions of Actuarial Guideline 48 ("AG48") or are compliant under AG48 requirements.

The favorable (unfavorable) effects on statutory surplus compared to NAIC statutory surplus from the use of these prescribed and permitted practices (in millions) were as follows:

	As of December 31,	
	2019	2018
State Prescribed Practices		
Calculation of reserves using the Indiana universal life method	$ 24	$ 36
Conservative valuation rate on certain annuities	(49)	(55)
Vermont Subsidiaries Permitted Practices (1)		
Lesser of LOC and XXX additional reserve as surplus	1,947	1,959
LLC notes and variable value surplus notes	1,648	1,634
Excess of loss reinsurance treaties	419	330

(1) These permitted practices are related to structures that continue to be allowed in accordance with the grandfathered structures under the provisions of AG48 or are compliant under AG48 requirements.

The NAIC has adopted RBC requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile. Under RBC requirements, regulatory compliance is determined by the ratio of a company's total adjusted capital, as defined by the NAIC, to its company action level of RBC (known as the "RBC ratio"), also as defined by the NAIC. The company action level may be triggered if the RBC ratio is between 75% and 100%, which would require the insurer to submit a plan to the regulator detailing corrective action it proposes to undertake. As of December 31, 2019, the consolidated RBC ratio for LNC's statutory insurance companies was in excess of four times the aforementioned company action level RBC.

Our insurance subsidiaries are subject to certain insurance department regulatory restrictions as to the transfer of funds and payment of dividends to the holding company. Under Indiana laws and regulations, our Indiana insurance subsidiaries, including our primary insurance subsidiary, LNL, may pay dividends to LNC without prior approval of the Indiana Insurance Commissioner (the "Commissioner"), only from unassigned surplus and must receive prior approval of the Commissioner to pay a dividend if such dividend, along with all other dividends paid within the preceding 12 consecutive months, would exceed the statutory limitation. The current 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 previous 12 months, but in no event to exceed statutory unassigned surplus. Indiana law gives the Commissioner broad discretion to disapprove requests for dividends in excess of these limits. LNL's subsidiaries, LLANY, a New York-domiciled insurance company, and LLACB, a New Hampshire-domiciled company, are bound by similar restrictions, under the laws of New York and New Hampshire, respectively. Under both New York and New Hampshire law, the applicable statutory limitation on dividends is equal to the lesser of 10% of surplus to contract holders as of the immediately preceding calendar year or net gain from operations for the immediately preceding calendar year, not including realized capital gains. We expect our direct domestic insurance subsidiaries could pay dividends to LNC of approximately $845 million in 2020 without prior approval from the respective Commissioner of Insurance.

All payments of principal and interest on surplus notes between LNC and our insurance subsidiaries must be approved by the respective Commissioner of Insurance.

20. Fair Value of Financial Instruments

The carrying values and estimated fair values of our financial instruments (in millions) were as follows:

	As of December 31, 2019		As of December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Fixed maturity AFS securities	$ 105,200	$ 105,200	$ 94,024	$ 94,024
Trading securities	4,673	4,673	1,950	1,950
Equity securities	103	103	99	99
Mortgage loans on real estate	16,339	16,872	13,260	13,092
Derivative investments [(1)]	1,911	1,911	1,107	1,107
Other investments	2,983	2,983	2,255	2,255
Cash and invested cash	2,563	2,563	2,345	2,345
Other assets:				
GLB direct embedded derivatives	450	450	123	123
GLB ceded embedded derivatives	60	60	72	72
Indexed annuity ceded embedded derivatives	927	927	902	902
Separate account assets	153,566	153,566	132,833	132,833
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(2,585)	(2,585)	(1,305)	(1,305)
Other contract holder funds:				
Remaining guaranteed interest and similar contracts	(1,900)	(1,900)	(542)	(542)
Account values of certain investment contracts	(38,639)	(46,822)	(34,535)	(36,358)
Short-term debt	(300)	(304)	-	-
Long-term debt	(6,067)	(6,217)	(5,839)	(5,604)
Reinsurance related embedded derivatives	(327)	(327)	(3)	(3)
Other liabilities:				
Derivative liabilities [(1)]	(349)	(349)	(160)	(160)
GLB ceded embedded derivatives	(9)	(9)	-	-
Benefit Plans' Assets [(2)]	1,589	1,589	1,420	1,420

(1) We have master netting agreements with each of our derivative counterparties, which allow for the netting of our derivative asset and liability positions by counterparty.

(2) Included in the funded statuses of the benefit plans, which is reported in other liabilities on our Consolidated Balance Sheets. Refer to Note 17 for information regarding our benefit plans.

Valuation Methodologies and Associated Inputs for Financial Instruments Not Carried at Fair Value

The following discussion outlines the methodologies and assumptions used to determine the fair value of our financial instruments not carried at fair value on our Consolidated Balance Sheets. Considerable judgment is required to develop these assumptions used to measure fair value. Accordingly, the estimates shown are not necessarily indicative of the amounts that would be realized in a one-time, current market exchange of all of our financial instruments.

Mortgage Loans on Real Estate

The fair value of mortgage loans on real estate is established using a discounted cash flow method based on credit rating, maturity and future income. The ratings for mortgages in good standing are based on property type, location, market conditions, occupancy, debt-service coverage, loan-to-value, quality of tenancy, borrower and payment record. The fair value for impaired mortgage loans is based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price or the fair value of the collateral if the loan is collateral dependent. The inputs used to measure the fair value of our mortgage loans on real estate are classified as Level 2 within the fair value hierarchy.

Other Investments

The carrying value of our assets classified as other investments approximates fair value. Other investments includes primarily LPs and other privately held investments that are accounted for using the equity method of accounting and the carrying value is based on our proportional share of the net assets of the LPs. Other investments also includes FHLB stock carried at cost and periodically evaluated for impairment based on ultimate recovery of par value. The inputs used to measure the fair value of our LPs, other privately held investments and FHLB stock are classified as Level 3 within the fair value hierarchy. The remaining assets in other investments include cash collateral receivables and securities that are not LPs or other privately held investments. The inputs used to measure the fair value of these assets are classified as Level 1 within the fair value hierarchy.

Separate Account Assets

Separate account assets are primarily carried at fair value. A portion of our separate account assets includes LPs, which are accounted for using the equity method of accounting. The carrying value is based on our proportional share of the net assets of the LPs and approximates fair value. The inputs used to measure the fair value of the separate account asset LPs are classified as Level 3 within the fair value hierarchy.

Other Contract Holder Funds

Other contract holder funds include remaining guaranteed interest and similar contracts and account values of certain investment contracts. The fair value for the remaining guaranteed interest and similar contracts is estimated using discounted cash flow calculations as of the balance sheet date. These calculations are based on interest rates currently offered on similar contracts with maturities that are consistent with those remaining for the contracts being valued. As of December 31, 2019 and 2018, the remaining guaranteed interest and similar contracts carrying value approximated fair value. The fair value of the account values of certain investment contracts is based on their approximate surrender value as of the balance sheet date. The inputs used to measure the fair value of our other contract holder funds are classified as Level 3 within the fair value hierarchy.

Short-Term and Long-Term Debt

The fair value of short-term and long-term debt is based on quoted market prices. The inputs used to measure the fair value of our short-term and long-term debt are classified as Level 2 within the fair value hierarchy.

Financial Instruments Carried at Fair Value

We did not have any assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2019 or 2018, and we noted no changes in our valuation methodologies between these periods.

The following summarizes our financial instruments carried at fair value (in millions) on a recurring basis by the fair value hierarchy levels described above:

	As of December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Investments:				
Fixed maturity AFS securities:				
Corporate bonds	$ -	$ 84,435	$ 4,281	$ 88,716
U.S. government bonds	424	6	5	435
State and municipal bonds	-	5,884	-	5,884
Foreign government bonds	-	303	90	393
RMBS	-	3,230	11	3,241
CMBS	-	1,082	1	1,083
ABS	-	4,621	268	4,889
Hybrid and redeemable preferred securities	77	404	78	559
Trading securities	50	3,957	666	4,673
Equity securities	25	48	30	103
Derivative investments (1)	-	1,212	1,735	2,947
Cash and invested cash	-	2,563	-	2,563
Other assets:				
GLB direct embedded derivatives	-	-	450	450
GLB ceded embedded derivatives	-	-	60	60
Indexed annuity ceded embedded derivatives	-	-	927	927
Separate account assets	639	152,916	-	153,555
Total assets	$ 1,215	$ 260,661	$ 8,602	$ 270,478
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	$ -	$ -	$ (2,585)	$ (2,585)
Reinsurance related embedded derivatives	-	(327)	-	(327)
Other liabilities:				
Derivative liabilities (1)	-	(518)	(867)	(1,385)
GLB ceded embedded derivatives	-	-	(9)	(9)
Total liabilities	$ -	$ (845)	$ (3,461)	$ (4,306)
Benefit Plans' Assets	$ 195	$ 1,394	$ -	$ 1,589

	As of December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Investments:				
Fixed maturity AFS securities:				
Corporate bonds	$ -	$ 77,079	$ 3,269	$ 80,348
U.S. government bonds	399	18	-	417
State and municipal bonds	-	5,345	-	5,345
Foreign government bonds	-	339	109	448
RMBS	-	3,366	7	3,373
CMBS	-	802	2	804
ABS	-	2,562	134	2,696
Hybrid and redeemable preferred securities	67	451	75	593
Trading securities	43	1,840	67	1,950
Equity securities	16	58	25	99
Derivative investments (1)	-	727	705	1,432
Other investments	150	-	-	150
Cash and invested cash	-	2,345	-	2,345
Other assets:				
GLB direct embedded derivatives	-	-	123	123
GLB ceded embedded derivatives	-	-	72	72
Indexed annuity ceded embedded derivatives	-	-	902	902
Separate account assets	665	132,135	-	132,800
Total assets	$ 1,340	$ 227,067	$ 5,490	$ 233,897
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	$ -	$ -	$ (1,305)	$ (1,305)
Reinsurance related embedded derivatives	-	(3)	-	(3)
Other liabilities:				
Derivative liabilities (1)	-	(314)	(171)	(485)
Total liabilities	$ -	$ (317)	$ (1,476)	$ (1,793)
Benefit Plans' Assets	$ 158	$ 1,262	$ -	$ 1,420

(1) Derivative investment assets and liabilities are presented within the fair value hierarchy on a gross basis by derivative type and not on a master netting basis by counterparty.

The following summarizes changes to our financial instruments carried at fair value (in millions) and classified within Level 3 of the fair value hierarchy. This summary excludes any effect of amortization of DAC, VOBA, DSI and DFEL. The gains and losses below may include changes in fair value due in part to observable inputs that are a component of the valuation methodology.

	For the Year Ended December 31, 2019					
	Beginning Fair Value	Items Included in Net Income	Gains (Losses) in OCI and Other (1)	Issuances, Sales, Maturities, Settlements, Calls, Net	Transfers Into or Out of Level 3, Net (3)	Ending Fair Value
Investments: (5)						
Fixed maturity AFS securities:						
Corporate bonds	$ 3,269	$ 3	$ 180	$ 878	$ (49)	$ 4,281
U.S. government bonds	-	-	-	-	5	5
Foreign government bonds	109	-	6	(25)	-	90
RMBS	7	-	-	21	(17)	11
CMBS	2	1	-	5	(7)	1
ABS	134	-	1	619	(486)	268
Hybrid and redeemable preferred securities	75	-	3	-	-	78
Trading securities	67	17	-	850	(268)	666
Equity securities	25	(12)	-	17	-	30
Derivative investments	534	10	163	161	-	868
Other assets: (6)						
GLB direct embedded derivatives	123	327	-	-	-	450
GLB ceded embedded derivatives	72	(12)	-	-	-	60
Indexed annuity ceded embedded derivatives	902	158	-	(133)	-	927
Future contract benefits – indexed annuity and IUL contracts embedded derivatives (6)	(1,305)	(900)	-	(380)	-	(2,585)
Other liabilities – GLB ceded embedded derivatives (6)	-	(9)	-	-	-	(9)
Total, net	$ 4,014	$ (417)	$ 353	$ 2,013	$ (822)	$ 5,141

	For the Year Ended December 31, 2018					
	Beginning Fair Value	Items Included in Net Income	Gains (Losses) in OCI and Other [1]	Issuances, Sales, Maturities, Settlements, Calls, Net [2]	Transfers Into or Out of Level 3, Net [3][4]	Ending Fair Value
Investments: [5]						
Fixed maturity AFS securities:						
Corporate bonds	$ 3,091	$ 10	$ (199)	$ 429	$ (62)	$ 3,269
U.S. government bonds	5	-	-	(5)	-	-
Foreign government bonds	110	-	(1)	-	-	109
RMBS	12	-	-	7	(12)	7
CMBS	6	-	-	35	(39)	2
ABS	118	-	(1)	223	(206)	134
Hybrid and redeemable preferred securities	76	-	(1)	-	-	75
Equity AFS securities	162	-	-	-	(162)	-
Trading securities	49	(5)	-	30	(7)	67
Equity securities	-	(1)	-	-	26	25
Derivative investments	30	170	(69)	403	-	534
Other assets: [6]						
GLB direct embedded derivatives	903	(780)	-	-	-	123
GLB ceded embedded derivatives	51	21	-	-	-	72
Indexed annuity ceded embedded derivatives	11	(117)	-	1,008	-	902
Future contract benefits – indexed annuity and IUL contracts embedded derivatives [6]	(1,418)	198	-	(85)	-	(1,305)
Other liabilities – GLB ceded embedded derivatives [6]	(67)	67	-	-	-	-
Total, net	$ 3,139	$ (437)	$ (271)	$ 2,045	$ (462)	$ 4,014

	For the Year Ended December 31, 2017					
	Beginning Fair Value	Items Included in Net Income	Gains (Losses) in OCI and Other [(1)]	Issuances, Sales, Maturities, Settlements, Calls, Net	Transfers Into or Out of Level 3, Net [(3)]	Ending Fair Value
Investments: [(5)]						
Fixed maturity AFS securities:						
Corporate bonds	$ 2,405	$ 19	$ 198	$ 99	$ 370	$ 3,091
U.S. government bonds	-	-	-	-	5	5
Foreign government bonds	111	-	(1)	-	-	110
RMBS	3	-	-	20	(11)	12
CMBS	7	-	1	54	(56)	6
ABS	101	-	(1)	124	(106)	118
State and municipal bonds	-	(1)	-	-	1	-
Hybrid and redeemable preferred securities	76	-	15	(1)	(14)	76
Equity AFS securities	177	1	(2)	(13)	(1)	162
Trading securities	65	3	8	(26)	(1)	49
Derivative investments	(93)	(27)	129	21	-	30
Other assets: [(6)]						
GLB direct embedded derivatives	-	903	-	-	-	903
GLB ceded embedded derivatives	203	(152)	-	-	-	51
Indexed annuity ceded embedded derivatives	-	-	-	11	-	11
Future contract benefits – indexed annuity and IUL contracts embedded derivatives [(6)]	(1,139)	(400)	-	121	-	(1,418)
Other liabilities: [(6)]						
GLB direct embedded derivatives	(371)	371	-	-	-	-
GLB ceded embedded derivatives	-	(67)	-	-	-	(67)
Total, net	$ 1,545	$ 650	$ 347	$ 410	$ 187	$ 3,139

(1) The changes in fair value of the interest rate swaps are offset by an adjustment to derivative investments (see Note 6).

(2) Issuances, sales, maturities, settlements, calls, net, includes financial instruments acquired in the Liberty Life transaction as follows: corporate bonds of $67 million and ABS of $17 million.

(3) Transfers into or out of Level 3 for fixed maturity AFS and trading securities are reported at amortized cost as of the beginning-of-year. For fixed maturity AFS and trading securities, the difference between beginning-of-year amortized cost and beginning-of-year fair value was included in OCI and earnings, respectively, in the prior years.

(4) Transfers into or out of Level 3 for FHLB stock between equity securities and other investments are reported at cost on our Consolidated Balance Sheets.

(5) Amortization and accretion of premiums and discounts are included in net investment income on our Consolidated Statements of Comprehensive Income (Loss). Gains (losses) from sales, maturities, settlements and calls and OTTI are included in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

(6) Gains (losses) from sales, maturities, settlements and calls are included in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

The following provides the components of the items included in issuances, sales, maturities, settlements and calls, net, excluding any effect of amortization of DAC, VOBA, DSI and DFEL and changes in future contract benefits, (in millions) as reported above:

	For the Year Ended December 31, 2019					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 1,170	$ (28)	$ (78)	$ (156)	$ (30)	$ 878
Foreign government bonds	-	-	(25)	-	-	(25)
RMBS	21	-	-	-	-	21
CMBS	7	-	-	(2)	-	5
ABS	646	(8)	-	(19)	-	619
Trading securities	872	-	-	(22)	-	850
Equity securities	50	(33)	-	-	-	17
Derivative investments	555	(63)	(331)	-	-	161
Other assets – indexed annuity ceded embedded derivatives	56	-	-	(189)	-	(133)
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(591)	-	-	211	-	(380)
Total, net	$ 2,786	$ (132)	$ (434)	$ (177)	$ (30)	$ 2,013

	For the Year Ended December 31, 2018					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 947	$ (161)	$ (3)	$ (277)	$ (77)	$ 429
U.S. government bonds	-	(5)	-	-	-	(5)
RMBS	7	-	-	-	-	7
CMBS	39	-	-	(4)	-	35
ABS	240	(17)	-	-	-	223
Trading securities	54	(24)	-	-	-	30
Equity securities	1	(1)	-	-	-	-
Derivative investments	365	464	(426)	-	-	403
Other assets – indexed annuity ceded embedded derivatives	1,030	-	-	(22)	-	1,008
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(284)	-	-	199	-	(85)
Total, net	$ 2,399	$ 256	$ (429)	$ (104)	$ (77)	$ 2,045

	For the Year Ended December 31, 2017					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 747	$ (200)	$ (98)	$ (206)	$ (144)	$ 99
RMBS	20	-	-	-	-	20
CMBS	55	-	-	(1)	-	54
ABS	124	-	-	-	-	124
Hybrid and redeemable preferred securities	-	-	-	(1)	-	(1)
Equity AFS securities	18	(31)	-	-	-	(13)
Trading securities	2	(27)	-	(1)	-	(26)
Derivative investments	197	234	(410)	-	-	21
Other assets – indexed annuity ceded embedded derivatives	11	-	-	-	-	11
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(71)	-	-	192	-	121
Total, net	$ 1,103	$ (24)	$ (508)	$ (17)	$ (144)	$ 410

The following summarizes changes in unrealized gains (losses) included in net income, excluding any effect of amortization of DAC, VOBA, DSI and DFEL and changes in future contract benefits, related to financial instruments carried at fair value classified within Level 3 that we still held (in millions):

	For the Years Ended December 31,		
	2019	2018	2017
GLB	$ 1,015	$ (75)	$ 1,904
Derivative investments	168	90	(266)
Embedded derivatives:			
Indexed annuity and IUL contracts	(97)	(38)	(14)
Total, net [(1)]	$ 1,086	$ (23)	$ 1,628

(1) Included in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

The following provides the components of the transfers into and out of Level 3 (in millions) as reported above:

	For the Year Ended December 31, 2019		
	Transfers Into Level 3	Transfers Out of Level 3	Total
Investments:			
Fixed maturity AFS securities:			
Corporate bonds	$ 173	$ (222)	$ (49)
U.S. government bonds	5	-	5
RMBS	-	(17)	(17)
CMBS	-	(7)	(7)
ABS	9	(495)	(486)
Trading securities	5	(273)	(268)
Total, net	$ 192	$ (1,014)	$ (822)

	For the Year Ended December 31, 2018		
	Transfers Into Level 3	Transfers Out of Level 3	Total
Investments:			
Fixed maturity AFS securities:			
Corporate bonds	$ 78	$ (140)	$ (62)
RMBS	-	(12)	(12)
CMBS	1	(40)	(39)
ABS	-	(206)	(206)
Equity AFS securities	-	(162)	(162)
Trading securities	-	(7)	(7)
Equity securities	26	-	26
Total, net	$ 105	$ (567)	$ (462)

	For the Year Ended December 31, 2017		
	Transfers Into Level 3	Transfers Out of Level 3	Total
Investments:			
Fixed maturity AFS securities:			
Corporate bonds	$ 458	$ (88)	$ 370
U.S. government bonds	5	-	5
RMBS	-	(11)	(11)
CMBS	3	(59)	(56)
ABS	46	(152)	(106)
State and municipal bonds	2	(1)	1
Hybrid and redeemable preferred securities	-	(14)	(14)
Equity AFS securities	-	(1)	(1)
Trading securities	4	(5)	(1)
Total, net	$ 518	$ (331)	$ 187

Transfers into and out of Level 3 are generally the result of observable market information on a security no longer being available or becoming available to our pricing vendors. For the years ended December 31, 2019, 2018 and 2017 transfers in and out of Level 3 were attributable primarily to the securities' observable market information no longer being available or becoming available. In 2018, transfers into or out of Level 3 also included FHLB stock between equity securities and other investments at cost on our Consolidated Balance Sheets.

The following summarizes the fair value (in millions), valuation techniques and significant unobservable inputs of the Level 3 fair value measurements as of December 31, 2019:

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Assumption or Input Ranges
Assets				
Investments:				
Fixed maturity AFS and trading securities:				
Corporate bonds	$ 3,006	Discounted cash flow	Liquidity/duration adjustment (1)	0.1% - 6.4%
Foreign government bonds	52	Discounted cash flow	Liquidity/duration adjustment (1)	2.1% - 2.5%
ABS	23	Discounted cash flow	Liquidity/duration adjustment (1)	3.0% - 3.0%
Hybrid and redeemable preferred securities	4	Discounted cash flow	Liquidity/duration adjustment (1)	1.4% - 1.4%
Equity securities	21	Discounted cash flow	Liquidity/duration adjustment (1)	4.5% - 5.2%
Other assets:				
GLB direct and ceded embedded derivatives	510	Discounted cash flow	Long-term lapse rate (2)	1% - 30%
			Utilization of guaranteed withdrawals (3)	85% - 100%
			Claims utilization factor (4)	60% - 100%
			Premiums utilization factor (4)	80% - 115%
			NPR (5)	0.01% - 0.27%
			Mortality rate (6)	(8)
			Volatility (7)	1% - 28%
Indexed annuity ceded embedded derivatives	927	Discounted cash flow	Lapse rate (2)	1% - 9%
			Mortality rate (6)	(8)
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	$ (2,585)	Discounted cash flow	Lapse rate (2)	1% - 9%
			Mortality rate (6)	(8)
Other liabilities – GLB direct embedded derivatives	(9)	Discounted cash flow	Long-term lapse rate (2)	1% - 30%
			Utilization of guaranteed withdrawals (3)	85% - 100%
			Claims utilization factor (4)	60% - 100%
			Premiums utilization factor (4)	80% - 115%
			NPR (5)	0.01% - 0.27%
			Mortality rate (6)	(8)
			Volatility (7)	1% - 28%

(1) The liquidity/duration adjustment input represents an estimated market participant composite of adjustments attributable to liquidity premiums, expected durations, structures and credit quality that would be applied to the market observable information of an investment.

(2) The lapse rate input represents the estimated probability of a contract surrendering during a year, and thereby forgoing any future benefits. The range for indexed annuity and IUL contracts represents the lapse rates during the surrender charge period.

(3) The utilization of guaranteed withdrawals input represents the estimated percentage of contract holders that utilize the guaranteed withdrawal feature.

(4) The utilization factors are applied to the present value of claims or premiums, as appropriate, in the GLB reserve calculation to estimate the impact of inefficient withdrawal behavior, including taking less than or more than the maximum guaranteed withdrawal.

(5) The NPR input represents the estimated additional credit spread that market participants would apply to the market observable discount rate when pricing a contract.

(6) The mortality rate input represents the estimated probability of when an individual belonging to a particular group, categorized according to age or some other factor such as gender, will die.

(7) The volatility input represents overall volatilities assumed for the underlying variable annuity funds, which include a mixture of equity and fixed-income assets. Fair value of the variable annuity GLB embedded derivatives would increase if higher volatilities were used for valuation.

(8) The mortality rate is based on a combination of company and industry experience, adjusted for improvement factors.

From the table above, we have excluded Level 3 fair value measurements obtained from independent, third-party pricing sources. We do not develop the significant inputs used to measure the fair value of these assets and liabilities, and the information regarding the significant inputs is not readily available to us. Independent broker-quoted fair values are non-binding quotes developed by market makers or broker-dealers obtained from third-party sources recognized as market participants. The fair value of a broker-quoted asset or liability is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant as we do not adjust broker quotes when used as the fair value measurement for an asset or liability. Significant increases or decreases in any of the quotes received from a third-party broker-dealer may result in a significantly higher or lower fair value measurement.

Changes in any of the significant inputs presented in the table above may result in a significant change in the fair value measurement of the asset or liability as follows:

- *Investments* – An increase in the liquidity/duration adjustment input would result in a decrease in the fair value measurement.
- *Indexed annuity and IUL contracts embedded derivatives* – For direct embedded derivatives, an increase in the lapse rate or mortality rate inputs would result in a decrease in the fair value measurement.
- *GLB embedded derivatives* – Assuming our GLB direct embedded derivatives are in a liability position: an increase in our lapse rate, NPR or mortality rate inputs would result in a decrease in the fair value measurement; and an increase in the utilization of guaranteed withdrawal or volatility inputs would result in an increase in the fair value measurement.

For each category discussed above, the unobservable inputs are not inter-related; therefore, a directional change in one input will not affect the other inputs.

As part of our ongoing valuation process, we assess the reasonableness of our valuation techniques or models and make adjustments as necessary. For more information, see "Summary of Significant Accounting Policies" above.

21. Segment Information

We provide products and services and report results through our Annuities, Retirement Plan Services, Life Insurance and Group Protection segments. As discussed in Note 3, we completed the acquisition of Liberty Life during the second quarter of 2018. Related results are included within the Group Protection segment. We also have Other Operations, which includes the financial data for operations that are not directly related to the business segments. Our reporting segments reflect the manner by which our chief operating decision makers view and manage the business. The following is a brief description of these segments and Other Operations.

The Annuities segment provides tax-deferred investment growth and lifetime income opportunities for its clients by offering fixed (including indexed) and variable annuities.

The Retirement Plan Services segment provides employer-sponsored defined benefit and individual retirement accounts, as well as individual and group variable annuities, group fixed annuities and mutual-fund based programs in the retirement plan marketplace.

The Life Insurance segment focuses in the creation and protection of wealth through life insurance products, including term insurance, a linked-benefit product (which is a UL policy linked with riders that provide for long-term care costs), IUL and both single and survivorship versions of UL and VUL, including corporate-owned UL and VUL insurance and bank-owned UL and VUL insurance products.

The Group Protection segment offers group non-medical insurance products, including short and long-disability, absence management services, term life, dental, vision and accident and critical illness benefits and services to the employer marketplace through various forms of employee-paid and employer-paid plans.

Other Operations includes investments related to the excess capital in our insurance subsidiaries; benefit plan net liability; the unamortized deferred gain on indemnity reinsurance related to the sale of reinsurance; the results of certain disability income business; our run-off institutional pension business, the majority of which was sold on a group annuity basis; debt costs; strategic digitization expense; and other corporate investments.

Segment operating revenues and income (loss) from operations are internal measures used by our management and Board of Directors to evaluate and assess the results of our segments. Income (loss) from operations is GAAP net income excluding the after-tax effects of the following items, as applicable:

- Realized gains and losses associated with the following ("excluded realized gain (loss)"):
  - Sales or disposals and impairments of securities;
  - Changes in the fair value of derivatives, embedded derivatives within certain reinsurance arrangements and trading securities ("gain (loss) on the mark-to-market on certain instruments");
  - Changes in the fair value of the derivatives we own to hedge our GDB riders within our variable annuities;
  - Changes in the fair value of the embedded derivatives of our GLB riders reflected within variable annuity net derivative results accounted for at fair value;

- Changes in the fair value of the derivatives we own to hedge our GLB riders reflected within variable annuity net derivative results;
- Changes in the fair value of the embedded derivative liabilities related to index options we may purchase or sell in the future to hedge contract holder index allocations applicable to future reset periods for our indexed annuity products accounted for at fair value ("indexed annuity forward-starting option"); and
- Changes in the fair value of equity securities;

- Changes in reserves resulting from benefit ratio unlocking on our GDB and GLB riders ("benefit ratio unlocking");
- Income (loss) from reserve changes, net of related amortization, on business sold through reinsurance;
- Gains (losses) on early extinguishment of debt;
- Losses from the impairment of intangible assets;
- Income (loss) from discontinued operations;
- Acquisition and integration costs related to mergers and acquisitions; and
- Income (loss) from the initial adoption of new accounting standards, regulations, and policy changes including the net impact from the Tax Cuts and Jobs Act.

Operating revenues represent GAAP revenues excluding the pre-tax effects of the following items, as applicable:

- Excluded realized gain (loss);
- Revenue adjustments from the initial adoption of new accounting standards;
- Amortization of DFEL arising from changes in GDB and GLB benefit ratio unlocking; and
- Amortization of deferred gains arising from reserve changes on business sold through reinsurance.

We use our prevailing corporate federal income tax rates of 21% and 35%, where applicable, while taking into account any permanent differences for events recognized differently in our financial statements and federal income tax returns when reconciling our segment measures of performance to the GAAP measures presented in our consolidated results of operations. Operating revenues and income (loss) from operations do not replace revenues and net income as the GAAP measures of our consolidated results of operations.

The tables below reconcile our segment measures of performance to the GAAP measures presented in our Consolidated Statements of Comprehensive Income (Loss) (in millions):

	For the Years Ended December 31,		
	2019	2018	2017
Revenues			
Operating revenues:			
Annuities	$ 4,600	$ 4,383	$ 4,378
Retirement Plan Services	1,200	1,178	1,165
Life Insurance	7,438	6,922	6,558
Group Protection	4,588	3,757	2,201
Other Operations	220	235	287
Excluded realized gain (loss), pre-tax	(794)	(46)	(336)
Amortization of deferred gain arising from reserve changes on business sold through reinsurance, pre-tax	-	-	1
Amortization of DFEL associated with benefit ratio unlocking, pre-tax	6	(5)	3
Total revenues	$ 17,258	$ 16,424	$ 14,257

	For the Years Ended December 31,		
	2019	2018	2017
Net Income (Loss)			
Income (loss) from operations:			
Annuities	$ 954	$ 1,102	$ 1,074
Retirement Plan Services	172	171	149
Life Insurance	259	645	536
Group Protection	238	187	103
Other Operations	(268)	(225)	(108)
Excluded realized gain (loss), after-tax	(627)	(37)	(218)
Gain (loss) on early extinguishment of debt, after-tax	(33)	(18)	(3)
Benefit ratio unlocking, after-tax	277	(136)	129
Net impact from the Tax Cuts and Jobs Act	17	19	1,322
Impairment of intangibles, after-tax	-	-	(905)
Acquisition and integration costs related to mergers and acquisitions, after-tax	(103)	(67)	-
Net income (loss)	$ 886	$ 1,641	$ 2,079

Other segment information (in millions) was as follows:

	For the Years Ended December 31,		
	2019	2018	2017
Net Investment Income			
Annuities	$ 1,140	$ 1,005	$ 1,038
Retirement Plan Services	924	899	899
Life Insurance	2,658	2,697	2,643
Group Protection	307	260	168
Other Operations	194	224	242
Total net investment income	$ 5,223	$ 5,085	$ 4,990

	For the Years Ended December 31,		
	2019	2018	2017
Amortization of DAC and VOBA, Net of Interest			
Annuities	$ 408	$ 410	$ 401
Retirement Plan Services	26	28	27
Life Insurance	779	711	469
Group Protection	111	92	79
Total amortization of DAC and VOBA, net of interest	$ 1,324	$ 1,241	$ 976

	For the Years Ended December 31,		
	2019	2018	2017
Federal Income Tax Expense (Benefit)			
Annuities	$ 139	$ 183	$ 199
Retirement Plan Services	23	29	55
Life Insurance	47	147	244
Group Protection	63	50	55
Other Operations	(92)	(77)	(130)
Excluded realized gain (loss)	(167)	(9)	(118)
Gain (loss) on early extinguishment of debt	(9)	(5)	(2)
Benefit ratio unlocking	74	(36)	70
Net impact from the Tax Cuts and Jobs Act	(17)	(19)	(1,322)
Acquisition and integration costs related to mergers and acquisitions	(28)	(19)	-
Total federal income tax expense (benefit)	$ 33	$ 244	$ (949)

	As of December 31,	
	2019	2018
Assets		
Annuities	$ 167,443	$ 145,458
Retirement Plan Services	40,184	35,736
Life Insurance	92,561	81,533
Group Protection	9,467	8,495
Other Operations	25,106	26,925
Total assets	$ 334,761	$ 298,147

22. Supplemental Disclosures of Cash Flow Data

The following summarizes our supplemental cash flow data (in millions):

	For the Years Ended December 31,		
	2019	2018	2017
Interest paid	$ 281	$ 281	$ 248
Income taxes paid (received)	260	90	170
Significant non-cash investing and financing transactions:			
Reduction of other investments in connection with the expiration of a repurchase agreement	(150)	-	-
Investments received in financing transactions	-	263	-

23. Quarterly Results of Operations (Unaudited)

The unaudited quarterly results of operations (in millions, except per share data) were as follows:

	For the Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
2019				
Total revenues	$ 3,965	$ 4,310	$ 4,638	$ 4,344
Total expenses	3,697	3,889	4,888	3,863
Net income (loss)	252	363	(161)	431
Earnings (loss) per common share – basic:				
Net income (loss)	1.23	1.80	(0.81)	2.18
Earnings (loss) per common share – diluted:				
Net income (loss)	1.22	1.79	(0.83)	2.15
2018				
Total revenues	$ 3,609	$ 4,020	$ 4,264	$ 4,531
Total expenses	3,174	3,569	3,732	4,064
Net income (loss)	367	385	490	399
Earnings (loss) per common share – basic:				
Net income (loss)	1.68	1.76	2.27	1.89
Earnings (loss) per common share – diluted:				
Net income (loss)	1.64	1.70	2.24	1.80

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Conclusions Regarding Disclosure Controls and Procedures

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period required by this report, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us and our consolidated subsidiaries required to be disclosed in our periodic reports under the Exchange Act.

(b) Management's Report on Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting is included on page 102 of "Item 8. Financial Statements and Supplementary Data" and is incorporated herein by reference.

A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. Projections of any evaluation of controls' effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(c) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as that term is defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On and effective February 20, 2020, the Company's Board of Directors (the "Board"), upon the recommendation of the Corporate Governance Committee of the Board, approved an amendment to the Amended and Restated Bylaws of the Company (the "Bylaws"), to modify the language in Article II, Section 1 of the Bylaws to decrease the number of authorized board members from eleven to ten. The foregoing is a summary of the amendment to the Bylaws and is qualified by the Amended and Restated Bylaws effective February 20, 2020, a copy of which is included as Exhibit 3.2 to this Form 10-K and is incorporated into this Item 9B by reference.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information for this item relating to officers of LNC is incorporated by reference to "Part I – Information About our Executive Officers." Information for this item relating to directors of LNC is incorporated by reference to the sections captioned "GOVERNANCE OF THE COMPANY – Our Corporate Governance Guidelines," "GOVERNANCE OF THE COMPANY – Director Nomination Process," "GOVERNANCE OF THE COMPANY – Board Committees – Current Committee Membership and Meetings Held During 2019," "GOVERNANCE OF THE COMPANY – Board Committees – Audit Committee," "AGENDA ITEM 1 – Election of Directors" and "GENERAL INFORMATION – Shareholder Proposals" of LNC's Proxy Statement for the Annual Meeting scheduled for June 11, 2020.

We have adopted a code of ethics, which we refer to as our "Code of Conduct," that applies, among others, to our principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions. The Code of Conduct is posted on our website, www.lfg.com. LNC will provide to any person without charge, upon request, a copy of such code. Requests for the Code of Conduct should be directed to: Corporate Secretary, Lincoln National Corporation, 150 N. Radnor Chester Road, Suite A305, Radnor, PA 19087. We intend to disclose any amendment to or waiver from the provisions of our Code of Conduct that applies to our directors and executive officers on our website, www.lfg.com.

Item 11. **Executive Compensation**

Information for this item is incorporated by reference to the sections captioned "COMPENSATION OF OUTSIDE DIRECTORS," "COMPENSATION DISCUSSION & ANALYSIS," "EXECUTIVE COMPENSATION TABLES" and "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" of LNC's Proxy Statement for the Annual Meeting scheduled for June 11, 2020.

Item 12. **Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information for this item is incorporated by reference to the sections captioned "SECURITY OWNERSHIP" and "Equity Compensation Plan Information" of LNC's Proxy Statement for the Annual Meeting scheduled for June 11, 2020.

Item 13. **Certain Relationships and Related Transactions, and Director Independence**

Information for this item is incorporated by reference to the sections captioned "RELATED-PARTY TRANSACTIONS" and "GOVERNANCE OF THE COMPANY – Director Independence" of LNC's Proxy Statement for the Annual Meeting scheduled for June 11, 2020.

Item 14. **Principal Accounting Fees and Services**

Information for this item is incorporated by reference to the sections captioned "AGENDA ITEM 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM" of LNC's Proxy Statement for the Annual Meeting scheduled for June 11, 2020.

PART IV

Item 15. **Exhibits, Financial Statement Schedules**

(a) (1) **Financial Statements**

The following Consolidated Financial Statements of Lincoln National Corporation are included in Part II – Item 8:

Management Report on Internal Control Over Financial Reporting

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets – December 31, 2019 and 2018

Consolidated Statements of Comprehensive Income (Loss) – Years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Stockholders' Equity – Years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows – Years ended December 31, 2019, 2018 and 2017

Notes to Consolidated Financial Statements

(a) (2) **Financial Statement Schedules**

The Financial Statement Schedules are listed in the Index to Financial Statement Schedules on page FS-1, which is incorporated herein by reference.

(a) (3) **Listing of Exhibits**

The Exhibits are listed in the Index to Exhibits beginning on page 189, which is incorporated herein by reference.

(c) The Financial Statement Schedules for Lincoln National Corporation begin on page FS-2, which are incorporated herein by reference.

INDEX TO EXHIBITS

2.1	Master Transaction Agreement, dated as of January 18, 2018, by and among The Lincoln National Life Insurance Company, for the limited purposes set forth therein, LNC, Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, for the limited purposes set forth therein, Liberty Mutual Group Inc., Protective Life Insurance Company and for the limited purposes set forth therein, Protective Life Corporation, is incorporated by reference to Exhibit 2.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on January 22, 2018.
3.1	Restated Articles of Incorporation of LNC are incorporated by reference to Exhibit 3.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on August 14, 2017.
3.2	Amended and Restated Bylaws of LNC (effective February 20, 2020) are filed herewith.
4.1	Indenture of LNC, dated as of September 15, 1994, between LNC and The Bank of New York, as trustee, is incorporated by reference to Exhibit 4(c) to LNC's Registration Statement on Form S-3/A (File No. 33-55379) filed with the SEC on September 15, 1994.
4.2	First Supplemental Indenture, dated as of November 1, 2006, to Indenture dated as of September 15, 1994, is incorporated by reference to Exhibit 4.4 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2006.
4.3	Junior Subordinated Indenture, dated as of May 1, 1996, between LNC and The Bank of New York Trust Company, N.A. (successor in interest to J.P. Morgan Trust Company and The First National Bank of Chicago) is incorporated by reference to Exhibit 4(j) to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2001.
4.4	Third Supplemental Junior Subordinated Indenture dated May 17, 2006, to Junior Subordinated Indenture, dated as of May 1, 1996, is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on May 17, 2006.
4.5	Fourth Supplemental Junior Subordinated Indenture, dated as of November 1, 2006, to Junior Subordinated Indenture, dated May 1, 1996, is incorporated by reference to Exhibit 4.9 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2006.
4.6	Fifth Supplemental Junior Subordinated Indenture, dated as of March 13, 2007, to Junior Subordinated Indenture, dated May 1, 1996, is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on March 13, 2007.
4.7	Senior Indenture, dated as of March 10, 2009, between LNC and the Bank of New York Mellon, is incorporated by reference to Exhibit 4.1 to LNC's Form S-3ASR (File No. 333-157822) filed with the SEC on March 10, 2009.
4.8	Junior Subordinated Indenture, dated as of March 10, 2009, between LNC and the Bank of New York Mellon, is incorporated by reference to Exhibit 4.3 to LNC's Form S-3ASR (File No. 333-157822) filed with the SEC on March 10, 2009.
4.9	Form of 7.00% Capital Securities due 2066 of LNC is incorporated by reference to Exhibit 4.2 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on May 17, 2006.
4.10	Form of 6.15% Senior Notes due April 6, 2036 is incorporated by reference to Exhibit 4.2 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on April 7, 2006.
4.11	Form of 6.05% Capital Securities due 2067 is incorporated by reference to Exhibit 4.2 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on March 13, 2007.
4.12	Form of 6.30% Senior Notes due 2037 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on October 9, 2007.
4.13	Form of 6.25% Senior Notes due 2020 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on December 11, 2009.
4.14	Form of 7.00% Senior Notes due 2040 is incorporated by reference to Exhibit 4.2 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on June 18, 2010.
4.15	Form of 4.85% Senior Notes due 2021 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on June 24, 2011.

4.16	Form of 4.20% Senior Notes due 2022 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on March 29, 2012.
4.17	Form of 4.00% Senior Notes due 2023 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on August 16, 2013.
4.18	Form of 3.350% Senior Notes due 2025is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on March 10, 2015.
4.19	Form of 3.625% Senior Notes due 2026 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on December 12, 2016.
4.20	Form of 4.00% Senior Notes due 2023 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File no. 1-6028) filed with the SEC on February 12, 2018.
4.21	Form of 3.800% Senior Notes due 2028 is incorporated by reference to Exhibit 4.2 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on February 12, 2018.
4.22	Form of 4.350% Senior Notes due 2048 is incorporated by reference to Exhibit 4.3 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on February 12, 2018.
4.23	Form of 3.050% Senior Notes due 2030 is incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on August 19, 2019.
4.24	Description of Securities Registered Pursuant to Section 12 of the Exchange Act is filed herewith.
10.1	LNC 2014 Incentive Compensation Plan (effective May 22, 2014) is incorporated by reference to Exhibit 10.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on May 28, 2014.*
10.2	LNC 2009 Amended and Restated Incentive Compensation Plan (as amended and restated on May 14, 2009) is incorporated by reference to Exhibit 4 to LNC's Proxy Statement (File No. 1-6028) filed with the SEC on April 9, 2009.*
10.3	LNC Stock Option Plan for Non-Employee Directors is incorporated by reference to Exhibit 5 to LNC's Proxy Statement (File No. 1-6028) filed with the SEC on April 4, 2007.*
10.4	Non-Qualified Stock Option Agreement for the LNC Stock Option Plan for Non-Employee Directors is incorporated by reference to Exhibit 10.3 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on May 10, 2007.*
10.5	2019 Non-Employee Director Fees are incorporated by reference to Exhibit 10.5 to LNC's Form 10-K (File No 1-6028) for the year ended December 31, 2018.*
10.6	Amended and Restated LNC Supplemental Retirement Plan is incorporated by reference to Exhibit 10.10 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2007.*
10.7	The Severance Plan for Officers of LNC (Amended and Restated effective as of February 27, 2019) is incorporated by reference to Exhibit 10.1 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended March 31, 2019.*
10.8	Amendment No 1. to the Severance Plan for Officers of LNC, effective January 1, 2020, is filed herewith.*
10.9	The LNC Outside Directors' Value Sharing Plan, last amended March 8, 2001, is incorporated by reference to Exhibit 10(e) to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2001.*
10.10	LNC Deferred Compensation and Supplemental/Excess Retirement Plan, as amended and restated effective January 1, 2020, is filed herewith.*
10.11	LNC 1993 Stock Plan for Non-Employee Directors, as last amended May 10, 2001, is incorporated by reference to Exhibit 10(g), to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2001.*
10.12	Amendment No. 2 to the LNC 1993 Stock Plan for Non-Employee Directors (effective February 1, 2006) is incorporated by reference to Exhibit 10.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on January 13, 2006.*
10.13	LNC Executives' Severance Benefit Plan (effective August 7, 2008) is incorporated by reference to Exhibit 10.3 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended June 30, 2008.*
10.14	Amendment No. 1 to the LNC Executives' Severance Benefit Plan (effective November 9, 2011) is incorporated by reference to Exhibit 10.22 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2011.*

10.15	Amended and Restated LNC Excess Retirement Plan is incorporated by reference to Exhibit 10.26 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2007.*
10.16	LNC Deferred Compensation Plan for Non-Employee Directors, as amended and restated November 5, 2008, is incorporated by reference to Exhibit 10.23 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2008.*
10.17	Form of Indemnification between LNC and each director is incorporated by reference to Exhibit 10.1 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended September 30, 2009.*
10.18	Form of Non-Qualified Stock Option Award Agreement is incorporated by Reference to Exhibit 10.35 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2012.*
10.19	Amendment #1 to the Form of Non-Qualified Stock Option Award Agreements, effective August 13, 2014, is incorporated by reference to Exhibit 10.28 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2014.*
10.20	Amendment #2 to the Form of Non-Qualified Stock Option Award Agreements, effective August 13, 2014, is incorporated by reference to Exhibit 10.29 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2014.*
10.21	Form of Restricted Stock Unit Award Agreement for 2015 under the LNC 2014 Incentive Compensation Plan is incorporated by Reference to Exhibit 10.1 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended March 31, 2015.*
10.22	Form of Nonqualified Stock Option Agreement under the LNC 2014 Incentive Compensation Plan is incorporated by Reference to Exhibit 10.2 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended March 31, 2015.*
10.23	Form of Restricted Stock Unit Award Agreement for Senior Management Committee (Other than CEO) is incorporated by reference to Exhibit 10.1 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended March 31, 2016.*
10.24	Form of Nonqualified Stock Option Award Agreement for Senior Management Committee (Other than CEO) is incorporated by reference to Exhibit 10.1 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended March 31, 2017.*
10.25	Form of Performance Cycle Agreement for Senior Management Committee (Other than CEO) is incorporated by reference to Exhibit 10.3 to LNC's Form 10-Q (File No. 1-6028) for the quarter ended March 31, 2016.*
10.26	LNC Domestic Relocation Policy Home Sale Assistance Plan, effective as of September 6, 2007, is incorporated by reference to Exhibit 10.35 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2009.*
10.27	Transition and Separation Letter, dated December 2, 2018, between LNC and Kirkland L. Hicks is incorporated by reference to Exhibit 10.31 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2018.*
10.28	Stock and Asset Purchase Agreement by and among LNC, The Lincoln National Life Insurance Company, Lincoln National Reinsurance Company (Barbados) Limited and Swiss Re Life & Health America Inc. dated July 27, 2001 is incorporated by reference to Exhibit 99.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on August 1, 2001. Omitted schedules and exhibits listed in the Agreement will be furnished to the SEC upon request.
10.29	Indemnity Reinsurance Agreement, dated as of January 1, 1998, between Connecticut General Life Insurance Company and Lincoln Life & Annuity Company of New York is incorporated by reference to Exhibit 10.67 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2008.**
10.30	Coinsurance Agreement, dated as of October 1, 1998, AETNA Life Insurance and Annuity Company and Lincoln Life & Annuity Company of New York is incorporated by reference to Exhibit 10.68 to LNC's Form 10-K (File No. 1-6028) for the year ended December 31, 2008.**
10.31	Credit Agreement, dated as of July 31, 2019, among LNC, as an Account Party and Guarantor, the Subsidiary Account Parties, as additional Account Parties, Bank of America, N.A. as administrative agent, and the other lenders named therein, is incorporated by reference to Exhibit 10.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on July 31, 2019.
21	Subsidiaries List.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* This exhibit is a management contract or compensatory plan or arrangement.

** Schedules to the agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. LNC will furnish supplementally a copy of the schedule to the SEC, upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, LNC has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN NATIONAL CORPORATION

Dated: February 20, 2020

By: /s/ Randal J. Freitag
Randal J. Freitag
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 20, 2020.

Signature	Title
/s/ Dennis R. Glass **Dennis R. Glass**	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Randal J. Freitag **Randal J. Freitag**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Christine A. Janofsky **Christine A. Janofsky**	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Deirdre P. Connelly **Deirdre P. Connelly**	Director
/s/ William H. Cunningham **William H. Cunningham**	Director
/s/ George W. Henderson, III **George W. Henderson, III**	Director
/s/ Eric G. Johnson **Eric G. Johnson**	Director
/s/ Gary C. Kelly **Gary C. Kelly**	Director
/s/ M. Leanne Lachman **M. Leanne Lachman**	Director
/s/ Michael F. Mee **Michael F. Mee**	Director
/s/ Patrick S. Pittard **Patrick S. Pittard**	Director
/s/ Lynn M. Utter **Lynn M. Utter**	Director

Index to Financial Statement Schedules

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or the required information is included in the consolidated financial statements, and therefore omitted. See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" on page 41 for more detail on items contained within these schedules.

LINCOLN NATIONAL CORPORATION
SCHEDULE I – CONSOLIDATED SUMMARY OF INVESTMENTS – OTHER THAN INVESTMENTS IN RELATED PARTIES
(in millions)

Column A	Column B	Column C	Column D
	As of December 31, 2019		
Type of Investment	**Cost**	**Fair Value**	**Carrying Value**
Fixed Maturity Available-For-Sale Securities [(1)]			
Bonds:			
U.S. government bonds	$ 384	$ 435	$ 435
Foreign government bonds	329	393	393
State and municipal bonds	4,778	5,884	5,884
Public utilities	13,533	15,374	15,374
All other corporate bonds	65,884	73,342	73,342
Mortgage-backed and asset-backed securities	8,890	9,213	9,213
Hybrid and redeemable preferred securities	497	559	559
Total fixed maturity available-for-sale securities	94,295	105,200	105,200
Equity Securities			
Common stocks:			
Public utilities	5	4	4
Banks, trusts and insurance companies	35	35	35
Industrial, miscellaneous and all other	35	26	26
Non-redeemable preferred securities	48	38	38
Total equity securities	123	103	103
Trading securities	4,330	4,673	4,673
Mortgage loans on real estate	16,339	16,872	16,339
Real estate	11	N/A	11
Policy loans	2,477	N/A	2,477
Derivative investments [(2)]	755	1,911	1,911
Other investments	2,983	2,983	2,983
Total investments	$ 121,313		$ 133,697

(1) Investments deemed to have declines in value that are other-than-temporary are written down or reserved for to reduce the carrying value to their estimated realizable value.

(2) Derivative investment assets were offset by $349 million in derivative liabilities reflected in other liabilities on our Consolidated Balance Sheets.

LINCOLN NATIONAL CORPORATION
SCHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
(Parent Company Only) (in millions, except share data)

	As of December 31,	
	2019	**2018**
ASSETS		
Investments in subsidiaries [(1)]	$ 24,029	$ 18,251
Derivative investments	-	92
Other investments	382	90
Cash and invested cash	577	420
Loans and accrued interest to subsidiaries [(1)]	2,446	2,376
Other assets	28	59
Total assets	$ 27,462	$ 21,288
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Common dividends payable	$ 79	$ 76
Derivative investments liability	110	-
Short-term debt	300	-
Long-term debt	6,067	5,839
Loans from subsidiaries [(1)]	844	553
Payables for collateral on investments	6	21
Other liabilities	367	449
Total liabilities	7,773	6,938
Contingencies and Commitments		
Stockholders' Equity		
Preferred stock – 10,000,000 shares authorized	-	-
Common stock – 800,000,000 shares authorized	5,162	5,392
Retained earnings	8,854	8,551
Accumulated other comprehensive income (loss)	5,673	407
Total stockholders' equity	19,689	14,350
Total liabilities and stockholders' equity	$ 27,462	$ 21,288

(1) Eliminated in consolidation.

LINCOLN NATIONAL CORPORATION
SCHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Parent Company Only) (in millions)

	For the Years Ended December 31,		
	2019	2018	2017
Revenues			
Dividends from subsidiaries [1]	$ 830	$ 1,025	$ 1,069
Interest from subsidiaries [1]	158	148	133
Net investment income	11	7	2
Realized gain (loss)	2	3	(3)
Total revenues	1,001	1,183	1,201
Expenses			
Operating and administrative expenses	51	18	40
Interest – subsidiaries [1]	48	34	21
Interest – other	311	288	247
Total expenses	410	340	308
Income (loss) before federal income taxes, equity in income (loss) of subsidiaries, less dividends	591	843	893
Federal income tax expense (benefit)	(52)	(42)	(20)
Income (loss) before equity in income (loss) of subsidiaries, less dividends	643	885	913
Equity in income (loss) of subsidiaries, less dividends	243	756	1,166
Net income (loss)	886	1,641	2,079
Other comprehensive income (loss), net of tax:			
Unrealized investment gains (losses)	5,288	(3,449)	1,643
Foreign currency translation adjustment	6	(9)	13
Funded status of employee benefit plans	(28)	(7)	8
Total other comprehensive income (loss), net of tax	5,266	(3,465)	1,664
Comprehensive income (loss)	$ 6,152	$ (1,824)	$ 3,743

[1] Eliminated in consolidation.

LINCOLN NATIONAL CORPORATION
SCHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)
STATEMENTS OF CASH FLOWS
(Parent Company Only) (in millions)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Cash Flows from Operating Activities			
Net income (loss)	$ 886	$ 1,641	$ 2,079
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in (income) loss of subsidiaries greater than distributions [1]	(243)	(756)	(1,166)
Realized (gain) loss	(2)	(3)	3
Change in federal income tax accruals	24	15	107
Other	106	(27)	20
Net cash provided by (used in) operating activities	771	870	1,043
Cash Flows from Investing Activities			
Capital contribution to subsidiaries [1]	(50)	(502)	(60)
Net change in collateral on investments, derivatives and related settlements	(279)	89	(42)
Net cash provided by (used in) investing activities	(329)	(413)	(102)
Cash Flows from Financing Activities			
Payment of long-term debt, including current maturities	(308)	(537)	-
Issuance of long-term debt, net of issuance costs	744	1,094	-
Payment related to early extinguishment of debt	(42)	(23)	-
Increase (decrease) in loans from subsidiaries, net [1]	264	52	(230)
Increase (decrease) in loans to subsidiaries, net [1]	(70)	(48)	239
Common stock issued for benefit plans	(20)	(6)	46
Repurchase of common stock	(550)	(900)	(725)
Dividends paid to common stockholders	(303)	(289)	(262)
Net cash provided by (used in) financing activities	(285)	(657)	(932)
Net increase (decrease) in cash, invested cash and restricted cash	157	(200)	9
Cash, invested cash and restricted cash as of beginning-of-year	420	620	611
Cash, invested cash and restricted cash as of end-of-year	$ 577	$ 420	$ 620

(1) Eliminated in consolidation.

LINCOLN NATIONAL CORPORATION
SCHEDULE III – CONDENSED SUPPLEMENTARY INSURANCE INFORMATION
(in millions)

Column A	Column B	Column C	Column D	Column E	Column F
Segment	DAC and VOBA	Future Contract Benefits	Unearned Premiums (1)	Other Contract Holder Funds	Insurance Premiums
	As of or For the Year Ended December 31, 2019				
Annuities	$ 3,790	$ 3,862	$ -	$ 29,493	$ 502
Retirement Plan Services	176	9	-	20,553	-
Life Insurance	3,519	16,249	-	39,941	885
Group Protection	209	5,601	-	194	4,113
Other Operations	-	10,699	-	7,837	13
Total	$ 7,694	$ 36,420	$ -	$ 98,018	$ 5,513
	As of or For the Year Ended December 31, 2018				
Annuities	$ 3,660	$ 3,509	$ -	$ 23,493	$ 390
Retirement Plan Services	243	8	-	19,761	-
Life Insurance	6,151	13,139	-	40,997	817
Group Protection	210	5,396	-	197	3,383
Other Operations	-	12,596	-	6,785	11
Total	$ 10,264	$ 34,648	$ -	$ 91,233	$ 4,601
	As of or For the Year Ended December 31, 2017				
Annuities	$ 3,583	$ 1,943	$ -	$ 21,713	$ 475
Retirement Plan Services	194	4	-	18,719	-
Life Insurance	4,446	12,658	-	39,459	773
Group Protection	180	2,262	-	161	1,998
Other Operations	-	6,020	-	157	10
Total	$ 8,403	$ 22,887	$ -	$ 80,209	$ 3,256

(1) Unearned premiums are included in Column C, future contract benefits.

LINCOLN NATIONAL CORPORATION
SCHEDULE III – CONDENSED SUPPLEMENTARY INSURANCE INFORMATION (Continued)
(in millions)

Column A	Column G	Column H	Column I	Column J	Column K
Segment	Net Investment Income	Benefits and Interest Credited	Amortization of DAC and VOBA	Other Operating Expenses	Premiums Written
	As of or For the Year Ended December 31, 2019				
Annuities	$ 1,140	$ 1,248	$ 452	$ 1,463	$ -
Retirement Plan Services	924	587	26	392	-
Life Insurance	2,658	5,616	779	737	-
Group Protection	307	3,041	111	1,134	-
Other Operations	194	168	-	626	-
Total	$ 5,223	$ 10,660	$ 1,368	$ 4,352	$ -
	As of or For the Year Ended December 31, 2018				
Annuities	$ 1,005	$ 1,465	$ 373	$ 1,428	$ -
Retirement Plan Services	899	557	28	393	-
Life Insurance	2,697	4,759	711	660	-
Group Protection	260	2,460	92	967	-
Other Operations	224	162	-	507	-
Total	$ 5,085	$ 9,403	$ 1,204	$ 3,955	$ -
	As of or For the Year Ended December 31, 2017				
Annuities	$ 1,038	$ 1,084	$ 430	$ 1,397	$ -
Retirement Plan Services	899	538	27	396	-
Life Insurance	2,643	4,593	468	721	-
Group Protection	168	1,353	79	611	-
Other Operations	242	182	-	343	-
Total	$ 4,990	$ 7,750	$ 1,004	$ 3,468	$ -

LINCOLN NATIONAL CORPORATION
SCHEDULE IV – CONSOLIDATED REINSURANCE
(in millions)

Column A	Column B	Column C	Column D	Column E	Column F
Description	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
		As of or For the Year Ended December 31, 2019			
Individual life insurance in-force (1)	$ 1,524,977	$ 628,654	$ 7,611	$ 903,934	0.8%
Premiums:					
Life insurance and annuities (2)	10,725	1,545	82	9,262	0.9%
Accident and health insurance	2,773	34	9	2,748	0.3%
Total premiums	$ 13,498	$ 1,579	$ 91	$ 12,010	
		As of or For the Year Ended December 31, 2018			
Individual life insurance in-force (1)	$ 1,420,500	$ 667,900	$ 8,700	$ 761,300	1.1%
Premiums:					
Life insurance and annuities (2)	9,742	1,509	81	8,314	1.0%
Accident and health insurance	2,299	34	8	2,273	0.4%
Total premiums	$ 12,041	$ 1,543	$ 89	$ 10,587	
		As of or For the Year Ended December 31, 2017			
Individual life insurance in-force (1)	$ 1,075,600	$ 286,600	$ 9,500	$ 798,500	1.2%
Premiums:					
Life insurance and annuities (2)	8,949	1,465	80	7,564	1.1%
Accident and health insurance	1,320	20	11	1,311	0.8%
Total premiums	$ 10,269	$ 1,485	$ 91	$ 8,875	

(1) Includes Group Protection segment and Other Operations in-force amounts.
(2) Includes insurance fees on universal life and other interest-sensitive products.

Exhibit 3.2

AMENDED AND RESTATED
BYLAWS OF LINCOLN NATIONAL CORPORATION
(Effective February 20, 2020)

ARTICLE 1.

Shareholders

Section 1. Annual Meeting. An annual meeting of the shareholders shall be held at such hour and on such date as the board of directors may select in each year for the purpose of electing directors for the terms hereinafter provided and for the transaction of such other business as may properly come before the meeting. The board of directors may postpone an annual meeting for which notice has been given in accordance with Section 4 of this Article I.

Section 2. Special Meetings. (A) Special meetings of the shareholders may be called (i) by the board of directors, (ii) by the chairman of the board of directors or (iii) by the secretary of the corporation at the valid written request of shareholders of record who own, or are acting on behalf of one or more beneficial owners who own, continuously for at least one year as of the record date fixed in accordance with these bylaws to determine who may deliver a written request to call such special meeting, capital stock representing at least ten percent (10%) of the Voting Stock (the "Special Meeting Request Required Shares"), and who continue to own the Special Meeting Request Required Shares at all times between such record date and the date of the applicable meeting of shareholders. Only business within the purpose or purposes described in the meeting notice may be conducted at a special shareholders meeting. For purposes of this Section 2, a record or beneficial owner shall be deemed to "own" Voting Stock that such record or beneficial owner would be deemed to own in accordance with Section 14, paragraph 3 of this Article I (without giving effect to any reference to Constituent Holder). For purposes of these bylaws, "Voting Stock" shall mean outstanding shares of capital stock of the corporation entitled to vote generally for the election of directors.

(B) Any record shareholder entitled to request a special meeting pursuant to Section 2(A)(iii) of this Article I (whether acting for him, her or itself, or at the direction of a beneficial owner) may, by written notice to the secretary of the corporation, request that the board of directors fix a record date to determine the record shareholders who are entitled to deliver a written request to call a special meeting (such record date, the "Ownership Record Date"). A valid written request to fix an Ownership Record Date shall include all of the information that must be included in a valid written request to call a special meeting, as set forth in paragraph (D) of this Section 2. The board of directors may fix the Ownership Record Date within ten (10) days of receipt by the secretary of the corporation of a valid request to fix the Ownership Record Date. The Ownership Record Date shall not precede, and shall not be more than ten (10) days after, the date upon which the resolution fixing the Ownership Record Date is adopted by the board of directors. If an Ownership Record Date is not fixed by the board of directors within the period set forth above, the Ownership Record Date shall be the date that the first written request to call a special meeting is received by the secretary of the corporation with respect to the proposed business to be submitted for shareholder approval at a special meeting.

(C) A beneficial owner who wishes to deliver a written request to call a special meeting must cause the nominee or other person who serves as the record shareholder of such beneficial owner's stock to sign the written request to call a special meeting. If a record shareholder is the nominee for more than one beneficial owner of stock, the record shareholder may deliver a valid written request to call a special meeting solely with respect to the capital stock of the corporation beneficially owned by the beneficial owner who is directing the record shareholder to sign such written request to call a special meeting.

(D) Each valid written request to call a special meeting shall include the following and shall be delivered to the secretary of the corporation: (i) the signature of the record shareholder submitting such request and the date such request was signed, (ii) the text of each business proposal desired to be submitted for shareholder approval at the special meeting, and (iii) as to the beneficial owner, if any, directing such record shareholder to sign the written request to call a special meeting and as to such record shareholder (unless such record shareholder is acting solely as a nominee for a beneficial owner) (each such beneficial owner and each record shareholder who is not acting solely as a nominee, a "Disclosing Party"):

(a) in the case of a written request to call a special meeting for submission of a business proposal (other than a director nomination), all of the information that would be required to be disclosed in a shareholder notice delivered pursuant to Section 10(A) of this Article I and, in the case of a written request to call a special meeting for submission of a director nomination, all of the information that would be required to be disclosed pursuant to Section 11(A) of this Article I (which information shall in each case be supplemented (by delivery to the secretary of the corporation) by each Disclosing Party), (x) not later than ten (10) days after the record date for determining the record shareholders entitled to notice of the special meeting (such record date, the "Meeting Record Date"), to disclose the foregoing information as of the Meeting Record Date and (y) not later than the fifth (5th) day before the special meeting, to disclose the foregoing information as of the date that is ten (10) days prior to the special meeting or any adjournment or postponement thereof;

(b) with respect to each business proposal to be submitted for shareholder approval at the special meeting, a statement whether or not any Disclosing Party will deliver a proxy statement and form of proxy to holders of at least the percentage of voting power of all of the shares of Voting Stock of the corporation required under applicable law to carry such proposal (such statement, a "Solicitation Statement"); and

(c) any additional information reasonably requested by the board of directors to verify the Voting Stock ownership position of such Disclosing Party.

Each time a Disclosing Party's Voting Stock ownership position decreases following the delivery of the foregoing information to the secretary of the corporation, such Disclosing Party shall notify the corporation of his, her or its decreased Voting Stock ownership position, together with any information reasonably requested by the board of directors to verify such position, within ten (10) days of such decrease or as of the fifth (5th) day before the special meeting, whichever is earlier.

(E) If information submitted pursuant to Section 2(D) of this Article I by a Disclosing Party shall be inaccurate to any material extent as determined by the board of directors, any committee thereof or any officer authorized by the board of directors or any such committee to make such determination, such information may be deemed not to have been provided in accordance with Section 2(D), in which case such Disclosing Party shall be deemed not to have complied with the provisions of Section 2(D). Upon written request by the secretary of the corporation, the board of directors or any committee thereof, the Disclosing Party shall provide, within ten (10) days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory in the discretion of the board of directors, any committee thereof or any officer authorized by the board of directors or any such committee, to demonstrate the accuracy of any information submitted by the Disclosing Party pursuant to Section 2(D). If a Disclosing Party fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with Section 2(D), in which case such Disclosing Party shall be deemed not to have complied with the provisions of Section 2(D).

(F) The secretary of the corporation shall not accept, and shall consider ineffective, a written request to call a special meeting:

i. that does not comply with the provisions of this Section 2;

ii. that does not comply with the provisions of the articles of incorporation;

iii. that relates to an item of business that is not a proper subject for shareholder action under applicable law;

iv. if such written request to call a special meeting is delivered between the time beginning on the sixty-first (61st) day after the earliest date of signature on a written request to call a special meeting, that has been delivered to the secretary of the corporation, relating to an identical or substantially similar item (as determined in good faith by the board of directors, a "Similar Item") other than the election of directors, and ending on the one-year anniversary of such earliest date;

v. if a Similar Item will be submitted for shareholder approval at any shareholder meeting to be held on or before the one hundred twentieth (120th) day after the secretary of the corporation receives such written request to call a special meeting;

vi. if a Similar Item has been presented at any meeting of shareholders held within one hundred eighty (180) days prior to receipt by the secretary of the corporation of such written request to call a special meeting; or

vii. if such written request to call a special meeting is delivered between the time beginning on the ninetieth (90th) day prior to the date of the next annual meeting and ending on the date of the next annual meeting.

(G) Revocations:

i. A record shareholder may revoke a request to call a special meeting at any time before the special meeting by sending written notice of such revocation to the secretary of the corporation.

ii. All written requests for a special meeting shall be deemed revoked:

(a) upon the first date that, after giving effect to revocation(s) and notices of ownership position decreases (pursuant to Section 2(D)(iii)(c) and the last sentence of Section 2(D), respectively), the aggregate Voting Stock ownership position of all the Disclosing Parties who are listed on the unrevoked written requests to call a special meeting with respect to a Similar Item decreases to a number of shares of Voting Stock less than the Special Meeting Request Required Shares;

(b) if any Disclosing Party who has provided a Solicitation Statement with respect to any business proposal to be submitted for shareholder approval at such special meeting does not act in accordance with the representations set forth therein; or

(c) if any Disclosing Party does not provide the information required by Section 2(D) in accordance with such provisions.

iii. If a deemed revocation of all written requests to call a special meeting has occurred after the special meeting has been called by the secretary of the corporation, the board of directors shall have the discretion to determine whether or not to proceed with the special meeting.

(H) The board of directors may submit its own proposal or proposals for consideration at a special meeting called at the request of one or more shareholders. The Meeting Record Date for, and the place, date and time of, any special meeting shall be fixed by the board of directors; provided, that the date of any such special meeting shall not be more than one hundred twenty (120) days after the date on which valid special meeting request(s) from holders of the Special Meeting Request Required Shares are delivered to the secretary of the corporation.

Section 3. Place of Meetings. All meetings of shareholders shall be held at such place, either within or without the State of Indiana, as may be designated by the board of directors.

Section 4. Notice of Meetings. A written or printed notice, stating the place, day and hour of the meeting, and in the case of a special meeting or when required by law or by the articles of incorporation or these bylaws, the purpose or purposes for which the meeting is called, shall be delivered or mailed by or at the direction of the secretary of the corporation no fewer than ten nor more than sixty days before the date of the meeting, to each shareholder of record entitled to vote at such meeting at such address as appears upon the stock records of the corporation.

Section 5. Quorum. Unless otherwise provided by the articles of incorporation or these bylaws, at any meeting of shareholders the majority of the outstanding shares entitled to vote at such meeting, represented in person or by proxy, shall constitute a quorum. If less than a majority of such shares are represented at a meeting, the person presiding at the meeting may adjourn the meeting from time to time. At any meeting at which a quorum is present, the person presiding at the meeting may adjourn the meeting from time to time. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 6. Adjourned Meetings. At any adjourned meeting at which a quorum shall be represented any business may be transacted as might have been transacted at the meeting as originally notified. If a new record date is or must be established pursuant to law, notice of the adjourned meeting must be given to persons who are shareholders as of the new record date.

Section 7. Proxies. At all meetings of shareholders, a shareholder may vote either in person or by proxy executed in writing by the shareholder or a duly authorized attorney in fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 8. Voting of Shares. Except as otherwise provided by law, by the articles of incorporation, or by these bylaws, every shareholder shall have the right at every shareholders' meeting to one vote for each share standing in his name on the books of the corporation on the date established by the board of directors as the record date for determination of shareholders entitled to vote at such meeting.

Section 9. Order of Business. The order of business at each shareholders' meeting shall be established by the person presiding at the meeting.

Section 10. Notice of Shareholder Business. (A) At any annual meeting of the shareholders, only such business may be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business (other than nominations of directors, which must be made in compliance with, and shall be exclusively governed by, Section 11 of this Article I) must be (a) specified in the notice of meeting given in accordance with Section 4 of this Article I, (b) otherwise properly brought before the meeting by or at the direction of the board of directors or the chief executive officer, or (c) otherwise properly brought before the meeting by a shareholder who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 10. Except for proposals properly made in accordance with Rule 14a-8 (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act") and included in the notice of meeting given by or at the direction of the board of directors, the foregoing clause (c) shall be the exclusive means for a shareholder to propose business to be brought before an annual meeting of the shareholders. Without qualification, for business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) above, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal office of the corporation, not less than ninety days nor more than one hundred twenty days prior to the first anniversary date of the annual meeting for the preceding year; provided, however, if and only if the annual meeting is not scheduled to be held within a period that commences thirty days before such anniversary date and ends thirty days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Annual Meeting Date"), such shareholder notice shall be given in the manner provided herein by the close of business on the later of (i) the date ninety days prior to such Other Annual Meeting Date or (ii) the tenth day following the earlier of the date the corporation shall have mailed the notice of such meeting to shareholders or the date such Other Annual Meeting Date is first publicly announced. In no event shall any adjournment or postponement of an annual meeting or the announcement or notice thereof by the corporation commence a new time period (or extend any time period) for the giving of a shareholder's notice as provided in this Section 10. A shareholder's notice to the secretary of the corporation shall set forth as to each matter the shareholder proposes to bring before the annual meeting or as to the shareholder giving notice, as applicable, (a) a brief description of the business desired to be brought before the annual meeting, including the text of any proposal to be presented, and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the corporation 's stock records, of the shareholder proposing such business and any Shareholder Associated Person, (c) as of the date of the shareholder's notice, the class and number of shares of the corporation which are beneficially owned or held of record by the shareholder and any Shareholder Associated Person and whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest has been entered into by or on behalf of any such person(s) with respect to shares of the corporation, (d) as of the date of the shareholder's notice, whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of the corporation) has been made by or on behalf of the shareholder or any Shareholder Associated Person, the effect or intent of which is to mitigate loss to, or to manage risk or benefit of share price changes for, any such person(s) or to increase or decrease the voting power or pecuniary or economic interest of such persons with respect to shares of the corporation and (e) any interest of the shareholder or any Shareholder Associated Person in such business desired to be brought before the annual meeting. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 10. Shareholders shall not be permitted to propose business to be brought before a special meeting of shareholders, and the only matters that may be brought before a special meeting of shareholders are the matters specified in the notice of meeting given in accordance with Section 4 of this Article I. The person presiding at any meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the bylaws, or that business was not lawful or appropriate for consideration by shareholders at the meeting, and if he should so determine, he shall so declare to the meeting and any such business shall not be transacted.

(B) For purposes of this Section 10 and Section 11 below, "Shareholder Associated Person" of any shareholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with such shareholder, (ii) any beneficial owner of shares of the corporation owned of record or beneficially by such shareholder and (iii) any person controlling, controlled by or under common control with such Shareholder Associated Person, and "publicly announce" shall mean disclosure in a press release reported by a national news service or in a document publicly filed or furnished by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15 of the Exchange Act.

(C) A shareholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 10 shall be true and correct as of the record date for the annual meeting, and such update and supplement shall be delivered to, or mailed and received by, the secretary of the corporation not later than five (5) business days after the record date for the annual meeting.

(D) If information submitted pursuant to this Section 10 by any shareholder shall be inaccurate to any material extent as determined by the board of directors, any committee thereof or any officer authorized by the board of directors or any such committee to make such determination, such information may be deemed not to have been provided in accordance with this Section 10 in which case such shareholder shall be deemed not to have complied with the notice provisions of this Section 10. Upon written request by the secretary of the corporation, the board of directors or any committee thereof, the shareholder proposing business at an annual meeting of shareholders shall provide, within ten days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory in the discretion of the board of directors, any committee thereof or any officer authorized by the board of directors or any such committee, to demonstrate the accuracy of any information submitted by the shareholder pursuant to this Section 10. If a shareholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 10 in which case such shareholder shall be deemed not to have complied with the notice provisions of this Section 10.

(E) This Section 10 is expressly intended to apply to any business proposed to be brought before an annual meeting of shareholders other than any proposal made pursuant to Rule 14a-8 (or any successor provision) of the Exchange Act. In addition to the requirements of this Section 10 with respect to any business proposed to be brought before an annual meeting, a shareholder shall also comply with all applicable requirements of state law and the Exchange Act with respect to any such business. Nothing in this Section 10 shall be deemed to affect any right of a shareholder to request inclusion of proposals in, nor the right of the corporation to omit a proposal from, the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

Section 11. Notice of Shareholder Nominees. (A) Nominations of persons for election to the board of directors of the corporation may be made at any annual meeting of shareholders by or at the direction of the board of directors or by any shareholder of the corporation entitled to vote for the election of directors at the meeting. Such shareholder nominations shall be made pursuant to timely notice given in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal office of the corporation, not less than ninety days nor more than one hundred twenty days prior to the first anniversary date of the annual meeting for the preceding year; provided, however, if and only if the annual meeting is scheduled to be held on an Other Annual Meeting Date, such shareholder notice shall be given in the manner provided herein by the close of business on the later of (i) the date ninety days prior to such Other Annual Meeting Date or (ii) the tenth day following the earlier of the date the corporation shall have mailed the notice of such meeting to shareholders or the date such Other Annual Meeting Date is first publicly announced. In the event the board of directors calls a special meeting of shareholders for the purpose of electing one or more directors to the board of directors, any shareholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the notice of meeting, provided that the shareholder's notice of such nomination contains the information specified in this Section 11 and is delivered to the secretary of the corporation not later than the close of business on the tenth day following the earlier of the date the corporation shall have mailed the notice of such meeting to shareholders or the date on which the date of such special meeting and either the names of the nominees proposed by the board of directors to be elected at such meeting or the number of directors to be elected are first publicly announced. In no event shall any adjournment or postponement of an annual or special meeting or the announcement or notice thereof by the corporation commence a new time period (or extend any time period) for the giving of a shareholder's notice as provided in this Section 11. Such shareholder's notice shall set forth as to each person whom the shareholder proposes to nominate for election or re-election as a director, (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) as of the date of the shareholder's notice, the class and number of shares of the corporation which are beneficially owned or held of record by such person and whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest has been entered into by or on behalf of such person with respect to shares of the corporation, (d) as of the date of the shareholder's notice, whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of the corporation) has been made by or on behalf of such person, the effect or intent of which is to mitigate loss to, or to manage risk or benefit of share price changes for, such person or to increase or decrease the voting power or pecuniary or economic interest of such person with respect to shares of the corporation and (e) any other information relating to such person that is required to be disclosed in solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected). In addition, such shareholder's notice shall set forth as to the shareholder giving notice (a) the name and address, as they appear on the corporation's stock records, of the shareholder proposing such nomination(s) and any Shareholder Associated Person, (b) as of the date of the shareholder's notice, the class and number of shares of the corporation which are beneficially owned or held of record by the shareholder and any Shareholder Associated Person and whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest has been entered into by or on behalf of any such person(s) with respect to shares of the corporation, (c) as of the date of the shareholder's notice, whether any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of the corporation) has been made by or on behalf of the shareholder or any Shareholder Associated Person, the effect or intent of which is to mitigate loss to, or to manage risk or benefit of share price changes for, any such person(s) or to increase or decrease the voting power or pecuniary or economic interest of any such person(s) with respect to shares of the corporation and (d) to the extent known by the shareholder giving notice, the name and address of any other shareholder supporting the nominee for election or reelection as a director. No shareholder nomination shall be effective unless made in accordance with the procedures set forth in this Section 11. The person presiding at the meeting shall, if the facts warrant, determine and declare to the meeting that a shareholder nomination was not made in accordance with the bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(B) A shareholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 11 shall be true and correct as of the record date for the meeting and such update and supplement shall be delivered to, or mailed and received by, the secretary of the corporation not later than five (5) business days after the record date for the meeting.

(C) At the request of the board of directors, any person nominated by the board of directors for election as a director shall furnish to the secretary of the corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee.

(D) If information submitted pursuant to this Section 11 by any shareholder or nominee shall be inaccurate to any material extent as determined by the board of directors, any committee thereof or any officer authorized by the board of directors or any such committee to make such determination, such information may be deemed not to have been provided in accordance with this Section 11 in which case such shareholder shall be deemed not to have complied with the notice provisions of this Section 11. Upon written request by the secretary of the corporation, the board of directors or any committee thereof, the shareholder proposing a nominee at a meeting of shareholders or the nominee, if applicable, shall provide, within ten days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory in the discretion of the board of directors, any committee thereof or any officer authorized by the board of directors or any such committee, to demonstrate the accuracy of any information submitted by such person pursuant to this Section 11. If a shareholder or a nominee, if applicable, fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 11 in which case such shareholder shall be deemed not to have complied with the notice provisions of this Section 11.

(E) In addition to the requirements of this Section 11 with respect to any nomination proposed to be made at a meeting, a shareholder shall also comply with all applicable requirements of state law and the Exchange Act with respect to any such nominations.

Section 12. Control Share Acquisitions. As used in this Section 12, the terms "control shares" and "control share acquisition" shall have the same meanings as set forth in Indiana Code Section 23-1-42-1 et seq. (the "Act"). Control shares of the corporation acquired in a control share acquisition shall have only such voting rights as are conferred by the Act. Control shares of the corporation acquired in a control share acquisition with respect to which the acquiring person has not filed with the corporation the statement required by the Act may, at any time during the period ending sixty days after the last acquisition of control shares by the acquiring person, be redeemed by the corporation at the fair value thereof pursuant to procedures authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

Section 13. Voting Procedures on Change of Control. In addition to any other authority granted under Indiana law for the corporation to enter into any arrangement, agreement or understanding with respect to the voting of voting shares, pursuant to the authority granted in Indiana Code Section 23-1-22-4, the corporation shall have the power to enter into any arrangement, agreement or understanding of any nature whatsoever and for any duration whereby the board of directors or any group of directors of the corporation can specify or direct the voting by any other person of any shares of any class or series beneficially owned by such person, or as to which such person has the direct or indirect power to direct the voting, in connection with a change of control of the corporation. As used in this Section 13, the term "control" shall have the same meaning as set forth in Indiana Code Section 23-1-22-4.

In the event that an arrangement, agreement or understanding is in effect, and the voting shares of the corporation are not voted in accordance with any such arrangement, agreement or understanding, neither such voting shares nor such votes shall be counted in connection with any vote of the corporation's shareholders relating to any aspect of a change of control.

Section 14. Inclusion of Shareholder Director Nominations in the Corporation's Proxy Materials. Subject to the terms and conditions set forth in these bylaws, the corporation shall include in its proxy materials for an annual meeting of the shareholders the name, together with the Required Information (as defined below), of any person nominated for election (the "Shareholder Nominee") to the board of directors by a shareholder or group of shareholders that satisfy the requirements of this Section 14 and that expressly elects at the time of providing the written notice required by this Section 14 (a "Proxy Access Notice") to have its nominee included in the corporation's proxy material pursuant to this Section 14. For the purposes of this Section 14 and Section 2 of this Article I:

(1) "Constituent Holder" shall mean any shareholder, collective investment fund included within a Qualifying Fund (as defined in paragraph (D) below) or beneficial holder whose stock ownership is counted for the purposes of qualifying as an Eligible Shareholder (as defined in paragraph (D) below);

(2) "affiliate" and "associate" shall have the meanings ascribed thereto in Rule 405 under the Securities Act; provided, however, that the term "partner" as used in the definition of "associate" shall not include any limited partner that is not involved in the management of the relevant partnership; and

(3) a shareholder (including any Constituent Holder) shall be deemed to "own" only those outstanding shares of Voting Stock as to which the shareholder (or such Constituent Holder) possesses both (a) the full voting and investment rights pertaining to the shares and (b) the full economic interest in (including the opportunity for profit and risk of loss on) such shares. The number of shares calculated in accordance with the foregoing clauses (a) and (b) shall be deemed not to include (and to the extent any of the following arrangements have been entered into by affiliates of the shareholder (or of any Constituent Holder), shall be reduced by) any shares (x) sold by such shareholder or Constituent Holder (or any of either's affiliates) in any transaction that has not been settled or closed, including any short sale, (y) borrowed by such shareholder or Constituent Holder (or any of either's affiliates) for any purposes or purchased by such shareholder or Constituent Holder (or any of either's affiliates) pursuant to an agreement to resell, or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by or effecting such shareholder or Constituent Holder (or any of either's affiliates), whether any such instrument or agreement is to be settled with shares, cash or other consideration, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party thereto would have, the purpose or effect of (i) reducing in any manner, presently or in the future, the full voting and investment rights pertaining to such shares, and/or (ii) hedging, offsetting or altering to any degree the full economic interest in (including the opportunity for profit and risk of loss on) such shares. A shareholder (including any Constituent Holder) shall "own" shares held in the name of a nominee or other intermediary so long as the shareholder (or such Constituent Holder) retains the right to instruct how the shares are voted with respect to the election of directors and the right to direct the disposition thereof and possesses the full economic interest in the shares. A

shareholder's (including any Constituent Holder's) ownership of shares shall be deemed to continue during any period in which such person has (i) loaned such shares, provided that the shareholder has the power to recall such loaned shares on not more than five (5) business days' notice, provided that the shareholder includes in its Proxy Access Notice or written request to call a special meeting, as applicable, an agreement that it (A) will promptly recall such loaned shares upon being notified, (1) in the case of a Proxy Access Notice delivered pursuant to this Section 14, that any of its shareholder Nominees will be included in the corporation's proxy materials or, (2) in the case of a written request to call a special meeting delivered pursuant to Section 2 of this Article I, that the place, date and time of a special meeting has been fixed by the board of directors and (B) will continue to hold such recalled shares through the date of the annual meeting or special meeting, as applicable, or (ii) delegated any voting power over such shares by means of a proxy, power of attorney or other instrument or arrangement which in all such cases is revocable at any time by the shareholder. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings.

(A) For purposes of this Section 14, the "Required Information" that the corporation will include in its proxy statement is (1) the information concerning the shareholder Nominee and the Eligible shareholder that the corporation determines is required to be disclosed in the corporation's proxy statement by the regulations promulgated under the Exchange Act; and (2) if the Eligible shareholder so elects, a Statement (as defined in paragraph (F) below). The corporation shall also include the name of the Shareholder Nominee in its proxy card. For the avoidance of doubt, and any other provision of these bylaws notwithstanding, the corporation may in its sole discretion solicit against, and include in the proxy statement its own statements or other information relating to, any Eligible Shareholder and/or Shareholder Nominee.

(B) To be timely, a shareholder's Proxy Access Notice, together with all related materials provided for herein, must be delivered to the principal executive offices of the corporation within the time periods applicable to shareholder notices of nominations pursuant to Section 11. In no event shall any adjournment or postponement of an annual general meeting, the date of which has been announced by the corporation, commence a new time period for the giving of a Proxy Access Notice.

(C) The number of Shareholder Nominees (which shall include Shareholder Nominees that were submitted by all Eligible Shareholders for inclusion in the corporation's proxy materials pursuant to this Section 14 but either are subsequently withdrawn or that the board of directors decides to nominate as board of directors' nominees) appearing in the corporation's proxy materials with respect to an annual meeting of the shareholders shall not exceed the greater of (x) two (2) and (y) the largest whole number that does not exceed 20% of the number of directors in office as of the last day on which a Proxy Access Notice may be delivered in accordance with the procedures set forth in this Section 14 (such greater number, the "Permitted Number"); provided, however, that the Permitted Number shall be reduced by:

i. the number of directors in office that will be included in the corporation's proxy materials with respect to such annual general meeting for whom access to the corporation's proxy materials was previously provided pursuant to this Section 14, other than any such director who at the time of such annual general meeting will have served as a director continuously, as a nominee of the board of directors, for at least two (2) successive annual terms; and

ii. the number of directors in office or director candidates that in either case will be included in the corporation's proxy materials with respect to such annual general meeting as an unopposed (by the corporation) nominee pursuant to an agreement, arrangement or other understanding with a shareholder or group of shareholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of Voting Stock, by such shareholder or group of shareholders, directly from the corporation), other than any such director referred to in this clause (2) who at the time of such annual general meeting will have served as a director continuously, as a nominee of the board of directors, for at least two (2) successive annual terms;

provided, further, that in the event the board of directors resolves to reduce the size of the board of directors effective on or prior to the date of the annual general meeting, the Permitted Number shall be calculated based on the number of directors in office as so reduced. An Eligible Shareholder submitting more than one Shareholder Nominee for inclusion in the corporation's proxy statement pursuant to this paragraph (C) of this Section 14 shall rank such Shareholder Nominees based on the order that the Eligible Shareholder desires such Shareholder Nominees to be selected for inclusion in the corporation's proxy statement and include such specified rank in its Proxy Access Notice. If the number of Shareholder Nominees pursuant to this paragraph (C) of this Section 14 for an annual meeting of the shareholders exceeds the Permitted Number, then the highest ranking qualifying Shareholder Nominee from each Eligible Shareholder will be selected by the corporation for inclusion in the proxy statement until the Permitted Number is reached, going in order of the amount (largest to smallest) of the ownership position as disclosed in each Eligible Shareholder's Proxy Access Notice. If the Permitted Number is not reached after the highest ranking Shareholder Nominee from each Eligible Shareholder has been selected, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached.

Notwithstanding anything to the contrary contained in this Section 14, the corporation shall not be required to include any Shareholder Nominees in its proxy materials pursuant to this Section 14 for any meeting of stockholders for which the secretary of the corporation receives notice (whether or not subsequently withdrawn) that a stockholder intends to nominate one or more persons for election to the board of directors pursuant to the advance notice requirements for shareholder nominees set forth in Section 11.

(D) An "Eligible Shareholder" is one or more shareholders of record who own and have owned, or are acting on behalf of one or more beneficial owners who own and have owned, in each case continuously for at least three (3) years as of both the date that the Proxy Access Notice is received by the corporation pursuant to this Section 14, and as of the record date for determining shareholders eligible to vote at the annual general meeting, at least three percent (3%) of the aggregate voting power of the Voting Stock (the "Proxy Access Request Required Shares"), and who continue to own the Proxy Access Request Required Shares at all times between the date such Proxy Access Notice is received by the corporation and the date of the applicable annual general meeting, provided that the aggregate number of shareholders (and, if and to the extent that a shareholder is acting on behalf of one or more beneficial owners, of such beneficial owners) whose stock ownership is counted for the purpose of satisfying the foregoing ownership requirement shall not exceed twenty (20). Two or more collective investment funds that are (I) part of the same family of funds or sponsored by the same adviser or (II) a "group of investment companies" as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Corporation Act of 1940 (a "Qualifying Fund") shall be treated as one shareholder for the purpose of determining the aggregate number of shareholders in this paragraph (D), provided that each fund included within a Qualifying Fund must otherwise meet the requirements set forth in this Section 14, including by providing the required information and materials. No shares may be attributed to more than one group constituting an Eligible Shareholder under this Section 14 (and, for the avoidance of doubt, no Shareholder may be a member of more than one group constituting an Eligible Shareholder). A record holder acting on behalf of one or more beneficial owners will not be counted separately as a shareholder with respect to the shares owned by beneficial owners on whose behalf such record holder has been directed in writing to act, but each such beneficial owner will be counted separately, subject to the other provisions of this paragraph (D), for purposes of determining the number of Shareholders whose holdings may be considered as part of an Eligible Shareholder's holdings. For the avoidance of doubt, Proxy Access Request Required Shares will qualify as such only if the beneficial owner of such shares as of the date of the Proxy Access Notice has individually beneficially owned such shares continuously for the three-year (3 year) period ending on that date and through the other applicable dates referred to above (in addition to the other applicable requirements being met).

(E) On the date on which an Eligible Shareholder delivers a nomination pursuant to this Section 14, such Eligible Shareholder (including each Constituent Holder) must provide the following information in writing to the secretary of the corporation with respect to such Eligible Shareholder (and each Constituent Holder):

i. the name and address of, and number of shares of Voting Stock owned by, such person;

ii. one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year (3 year) holding period) verifying that, as of a date within seven (7) calendar days prior to the date the Proxy Access Notice is delivered to the corporation, such person owns, and has owned continuously for the preceding three (3) years, the Proxy Access Request Required Shares, and such person's agreement to provide:

(a) within ten (10) days after the record date for the annual general meeting, written statements from the record holder and intermediaries verifying such person's continuous ownership of the Proxy Access Request Required Shares through the record date, together with any additional information reasonably requested by the corporation to verify such person's ownership of the Proxy Access Request Required Shares; and

(b) immediate notice to the corporation if the Eligible Shareholder ceases to own any of the Proxy Access Request Required Shares prior to the date of the applicable annual meeting of the shareholders;

iii. the information that would be required to be submitted pursuant to Section 11 for Director nominations;

iv. a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among the Eligible Shareholder (including any Constituent Holder) and its or their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each of such Eligible Shareholder's Shareholder Nominees, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K of the Securities and Exchange Commission if the Eligible Shareholder (including any Constituent Holder), or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the Shareholder Nominee or any affiliate or associate thereof or person acting in concert therewith were a director or executive officer of such registrant;

v. a representation that the Eligible Shareholder (and each Constituent Holder):

(a) acquired the Proxy Access Request Required Shares in the ordinary course of business and not with the intent to change or influence control of the corporation, and does not presently have any such intent;

(b) has not nominated and will not nominate for election to the board of directors at the annual general meeting any person other than the Shareholder Nominees being nominated pursuant to this Section 14;

(c) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual general meeting other than its Shareholder Nominees or a nominee of the board of directors;

(d) will not distribute to any shareholder any form of proxy for the annual general meeting other than the form distributed by the corporation; and

(e) will provide facts, statements and other information in all communications with the corporation and its shareholders that are and will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and will otherwise comply with all applicable laws, rules and regulations in connection with any actions taken pursuant to this Section 14 (and the other provisions of these bylaws to the extent related to this Section 14);

vi. in the case of a nomination by a group of shareholders that together is such an Eligible Shareholder, the designation by all group members of one group member that is authorized to act on behalf of all members of the nominating shareholder group with respect to the nomination and matters related thereto, including withdrawal of the nomination; and

vii. an undertaking that the Eligible Shareholder (and each Constituent Holder) agrees to:

(a) assume all liability stemming from, and indemnify and hold harmless the corporation and each of its directors, officers, and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any legal or regulatory violation arising out of the communications of the Eligible Shareholder (and any Constituent Holder) with the shareholders of the corporation or out of the information that the Eligible Shareholder (and any Constituent Holder) provided to the corporation; and

(b) file with the Securities and Exchange Commission any solicitation by the Eligible Shareholder of shareholders of the corporation relating to the annual general meeting at which the Shareholder Nominee will be nominated.

In addition, on the date on which an Eligible Shareholder delivers a nomination pursuant to this Section 14, any Qualifying Fund whose stock ownership is counted for purposes of qualifying as an Eligible Shareholder must provide to the secretary of the corporation documentation reasonably satisfactory to the board of directors that demonstrates that the funds included within the Qualifying Fund satisfy the definition thereof.

In order to be considered timely, all information required by this Section 14 to be provided to the corporation must be supplemented (by delivery to the secretary of the corporation) (1) no later than ten (10) days following the record date for the applicable annual general meeting, to disclose the foregoing information as of such record date, and (2) no later than the fifth day before the annual general meeting, to disclose the foregoing information as of the date that is no earlier than ten (10) days prior to such annual general meeting. For the avoidance of doubt, the requirement to update and supplement such information shall not permit any Eligible Shareholder (or any Constituent Holder) or other person to change or add any proposed Shareholder Nominee or be deemed to cure any defects or limit the remedies (including without limitation under these bylaws) available to the corporation relating to any defect.

(F) The Eligible Shareholder may provide to the secretary of the corporation, at the time the information required by this Section 14 is originally provided, a written statement for inclusion in the corporation's proxy statement for the annual general meeting, not to exceed five hundred (500) words, in support of the candidacy of such Eligible Shareholder's Shareholder Nominee (the "Statement"). Notwithstanding anything to the contrary contained in this Section 14, the corporation may omit from its proxy materials any information or Statement that it, in good faith, believes is materially false or misleading, omits to state any material fact, or would violate any applicable law or regulation.

(G) On the date on which an Eligible Shareholder delivers a nomination pursuant to this Section 14, each Shareholder Nominee must:

i. provide to the corporation an executed agreement, in a form deemed satisfactory by the board of directors or its designee (which form shall be provided by the corporation reasonably promptly upon written request of a shareholder), that such Shareholder

Nominee consents to being named in the corporation's proxy statement and form of proxy card (and will not agree to be named in any other person's proxy statement or form of proxy card with respect to the applicable annual general meeting of the corporation) as a nominee and to serving as a director of the corporation if elected;

ii. provide the information with respect to a Shareholder Nominee that would be required to be submitted pursuant to Section 11 for Director nominations;

iii. complete, sign and submit all questionnaires, representations and agreements required by these bylaws or of the corporation's directors generally, including the questionnaire, representation and agreement required by Section 15; and

iv. provide such additional information as necessary to permit the board of directors to determine if such Shareholder Nominee:

(a) is independent under the listing standards of each principal U.S. exchange upon which the Common Shares of the corporation are listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the board of directors in determining and disclosing the independence of the corporation's directors;

(b) has any direct or indirect relationship with the corporation other than those relationships that have been deemed categorically immaterial pursuant to the corporation's Corporate Governance Guidelines;

(c) would, by serving on the board of directors, violate or cause the corporation to be in violation of these bylaws, the rules and listing standards of the principal U.S. exchange upon which the Common Shares of the corporation is listed or any applicable law, rule or regulation; and

(d) is or has been subject to any event specified in Item 401(f) of Regulation S-K (or successor rule) of the Securities and Exchange Commission.

In the event that any information or communications provided by the Eligible Shareholder (or any Constituent Holder) or the Shareholder Nominee to the corporation or its shareholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Shareholder (or any Constituent Holder) or Shareholder Nominee, as the case may be, shall promptly notify the secretary of the corporation of any defect in such previously provided information and of the information that is required to correct any such defect; it being understood for the avoidance of doubt that providing any such notification shall not be deemed to cure any such defect or limit the remedies (including without limitation under these bylaws) available to the corporation relating to any such defect.

(H) Any Shareholder Nominee who is included in the corporation's proxy materials for a particular annual meeting of the shareholders but either (1) withdraws from or becomes ineligible or unavailable for election at that annual general meeting (other than by reason of such Shareholder Nominee's disability or other health reason), or (2) does not receive at least twenty-five (25)% of the votes cast in favor of his or her election, will be ineligible to be a Shareholder Nominee pursuant to this Section 14 for the next two annual general meetings. For the avoidance of doubt, any Shareholder Nominee who is included in the corporation's proxy materials for a particular annual meeting of the shareholders, but subsequently withdraws from or becomes ineligible or unavailable for election at that annual general meeting, will not be eligible for election at the relevant annual meeting of the shareholders.

(I) The corporation shall not be required to include, pursuant to this Section 14, a Shareholder Nominee in its proxy materials for any annual meeting of the shareholders, or, if the proxy statement already has been filed, to permit a vote with respect to the election of a Shareholder Nominee, notwithstanding that proxies in respect of such vote may have been received by the corporation:

i. who is not independent under the listing standards of the principal U.S. exchange upon which the Common Shares of the corporation is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the board of directors in determining and disclosing independence of the corporation's directors, who does not meet the audit committee independence requirements under the rules of any stock exchange on which the corporation's Common Shares are traded and applicable securities laws, who is not a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule), who is not an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor provision), in each of the foregoing cases as determined by the board of directors in its sole discretion;

ii. whose service as a member of the board of directors would violate or cause the corporation to be in violation of these bylaws, the rules and listing standards of the principal U.S. exchange upon which the Common Shares of the corporation is traded, or any applicable law, rule or regulation;

iii. who is or has been, within the past five years, an employee, officer or director of, or otherwise affiliated with, a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914;

iv. who is or has been a named subject of a pending criminal proceeding (excluding non-criminal traffic violations) or has been convicted in such a criminal proceeding within the past ten years, or who is or has been a named subject of any legal, regulatory or self-regulatory proceeding, action or settlement as a result of which the service of such Shareholder Nominee on the board of directors would result in any restrictions on the ability of any of the corporation or its affiliates to conduct business in any jurisdiction;

v. who is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act;

vi. who shall have provided information to the corporation in respect of such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading, as determined by the board of directors or any committee thereof, in each of the foregoing cases as determined by the board of directors in its sole discretion;

vii. who otherwise breaches or fails to comply in any material respect with its obligations pursuant to this Section 14 or any agreement, representation or undertaking required by these bylaws; or

viii. was proposed by an Eligible Shareholder who ceases to be an Eligible Shareholder for any reason, including but not limited to not owning the Proxy Access Request Required Shares through the date of the applicable annual general meeting.

In addition, if any Constituent Holder (i) shall have provided information to the corporation in respect of a nomination under this Section 14 that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading, as determined by the board of directors or any committee thereof, in each of the foregoing cases as determined by the board of directors in its sole discretion or (ii) otherwise breaches or fails to comply in any material respect with its obligations pursuant to this Section 14 or any agreement, representation or undertaking required by these bylaws, the Voting Stock owned by such Constituent Holder shall be excluded from the Proxy Access Request Required Shares and, if as a result the Eligible Shareholder no longer meets the requirements as such, all of the applicable Eligible Shareholder's Shareholder Nominees shall be excluded from the applicable annual meeting of the shareholders or, if the proxy statement has already been filed, the ineligibility of all of such shareholder's Shareholder Nominees to be nominated.

Section 15. Submission of Questionnaire, Representation and Agreement. No person may be appointed, nominated or elected a director unless such person, at the time such person is nominated and appointed or elected, would then be able to serve as a director without conflicting in any material respect with any law or regulation applicable to the corporation, as determined in good faith by the board of directors. In addition, to be eligible to be a nominee for election or reelection as a director, a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 11) to the secretary of the corporation at the principal executive offices of the corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the secretary of the corporation upon written request) and a written representation and agreement (in the form provided by the secretary of the corporation upon written request) that such person (i) will abide by the requirements of these Bylaws, (ii) is not and will not become a party to (a) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the corporation or (b) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director, with such person's fiduciary duties under applicable law, (iii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (iv) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the corporation.

ARTICLE II.

Board of Directors

Section 1. General Powers, Number, Classes and Tenure. The business of the corporation shall be managed by a board of directors. The number of directors which shall constitute the whole board of directors of the corporation shall be ten. The number of directors may be increased or decreased from time to time by amendment of these bylaws, but no decrease shall have the effect of shortening the term of any incumbent director. At each annual meeting, all directors shall be elected for terms expiring at the next annual meeting of shareholders and until such director's successor shall have been elected and qualified, but subject to prior death, resignation, retirement, disqualification, decrease in the number of directors or removal from office.

Section 2. Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place, either within or without the State of Indiana, for the holding of additional regular meetings without other notice than such resolution.

Section 3. Special Meetings. Special meetings of the board of directors may be called by the chief executive officer, the chairman of the board or any director designated by the board as the Lead Director. The secretary of the corporation shall call special meetings of the board of directors when requested in writing to do so by six of the members thereof. Special meetings of the board of directors may be held either within or without the State of Indiana.

Section 4. Notice of Meetings. Except as otherwise provided in these bylaws, notice of any meeting of the board of directors shall be given, not less than two days before the date fixed for such meeting, by oral, telegraphic, telephonic, electronic or written communication stating the time and place thereof and delivered personally to each member of the board of directors or telegraphed, delivered electronically or mailed to him at his business address as it appears on the books of the corporation; provided, that in lieu of such notice, a director may sign a written waiver of notice either before the time of the meeting, at the time of the meeting or after the time of the meeting.

Section 5. Quorum. A majority of the whole board of directors shall be necessary to constitute a quorum for the transaction of any business except the filling of vacancies, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 6. Manner of Acting. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law or by the articles of incorporation or these bylaws. Unless otherwise provided by the articles of incorporation, any action required or permitted to be taken at any meeting of the board of directors may be taken without a meeting, if a written consent to such action is signed by all members of the board of directors and such written consent is filed with the minutes of proceedings of the board of directors. Unless otherwise provided by the articles of incorporation, any or all members of the board of directors may participate in a meeting of the board of directors by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can communicate with each other, and participation in this manner constitutes presence in person at the meeting.

Section 7. Vacancies. Except as otherwise provided in the articles of incorporation or these bylaws, any vacancy occurring in the board of directors may be filled by a majority vote of the remaining directors, though less than a quorum of the board of directors, or, at the discretion of the board of directors, any vacancy may be filled by a vote of the shareholders.

Section 8. Notice to Shareholders. Shareholders shall be notified of any increase in the number of directors and the name, address, principal occupation and other pertinent information about any director elected by the board of directors to fill any vacancy.

Section 9. Chairman of the Board. The board of directors shall annually elect one of its members to be chairman of the board and shall fill any vacancy in the position of chairman of the board at such time and in such manner as the board of directors shall determine. The chairman of the board may also be an officer of the corporation. The chairman of the board shall preside at all meetings of the shareholders and of the board of directors at which he may be present and shall have such other powers and duties as may be determined by the board of directors. In the absence of the chairman of the board, such other director may be designated by a majority of the directors to preside at all meetings of the shareholders and of the board of directors, but if the board of directors fails to designate one of its members to so preside, then the chief executive officer, if a director, shall so preside. If there is no chief executive officer or the chief executive officer is not a director, then the president, if a director, shall so preside.

Section 10. Election of Directors. Directors shall be elected as set forth in the articles of incorporation of the corporation. If a nominee fails to receive the required vote and is an incumbent director, the director shall within five (5) business days of such vote being certified by the inspector of elections promptly tender his or her resignation to the board of directors, subject to acceptance by the board of directors. The board of directors shall act on the tendered resignation within ninety days from the date of the certification of the election results. The director who tenders his or her resignation will not participate in the decision of the board of directors with respect to his or her resignation. If an incumbent director's resignation is not accepted by the board of directors, such director shall continue to serve until the next annual meeting of shareholders and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the board of directors, or if a nominee fails to receive the required vote and the nominee is not an incumbent director, then the board of directors may fill the resulting vacancy pursuant to the provisions of Section 7 of this Article or may decrease the size of the board of directors pursuant to the provisions of Section 1 of this Article.

ARTICLE III.

Officers

Section 1. Elected Officers. The elected officers of the corporation shall include one of or both a chairman of the board and a president, and shall also include a secretary, and a treasurer. The elected officers of the corporation may include one or more vice presidents of a class or classes as the board of directors may determine, and such other officers as the board of directors may determine. The chairman of the board, if elected, and president, if elected, shall be chosen from among the directors. Any two or more offices may be held by the same person.

Section 2. Appointed Officers. The appointed officers of the corporation shall be one or more second vice presidents, assistant vice presidents, assistant treasurers, and assistant secretaries.

Section 3. Election or Appointment and Term of Office. The elected officers of the corporation may be elected by the board of directors at any meeting at which a quorum is present for a fixed term or a term expiring when their successor is duly elected and qualified. The appointed officers of the corporation may be appointed by the chief executive officer at any time for a fixed term or a term expiring when their successor is duly elected and qualified. Each officer shall hold office until their successor shall have been duly elected or appointed and shall have qualified or until their death, resignation, retirement or removal.

Section 4. Removal. Any officer may be removed by the board of directors and any appointed officer may be removed by the chief executive officer, whenever in their judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5. Vacancies. A vacancy in any elected office may be filled by the board of directors.

Section 6. Chief Executive Officer. If the elected officers of the corporation include both a chairman of the board and a president, the board of directors shall designate one of such officers to be the chief executive officer of the corporation. If the elected officers of the corporation include one of but not both a chairman of the board and a president, such officer shall be the chief executive officer of the corporation. The chief executive officer of the corporation shall be, subject to the board of directors, in general charge of the affairs of the corporation. The chief executive officer shall perform all duties incident to the office of the chief executive and such other duties as from time to time may be assigned to him by the board of directors.

Section 7. President. The president shall have such powers and duties as may be determined by the board of directors or are incident to the office of the president.

Section 8. Vice Presidents. A vice president shall perform such duties as may be assigned by the chief executive officer or the board of directors or are incident to the office of vice president. In the absence of the president and in accordance with such order of priority as may be established by the board of directors, he may perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president may be designated as "executive," "senior" or by departmental or functional classification.

Section 9. Second Vice Presidents and Assistant Vice Presidents. A second vice president and an assistant vice president shall perform such duties as may be assigned by the chief executive officer or the board of directors or are incident to the office of second vice president or assistant vice president.

Section 10. Secretary. The secretary shall (a) keep the minutes of the shareholders' and board of directors' meetings in one or more books provided for that purpose, (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law, (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized, and (d) in general perform all duties incident to the office of secretary and such other duties as may be assigned by the chief executive officer or the board of directors.

Section 11. Assistant Secretaries. In the absence of the secretary, an assistant secretary shall have the power to perform his duties including the certification, execution and attestation of corporate records and corporate instruments. Assistant secretaries shall perform such other duties as may be assigned to them by the chief executive officer or the board of directors.

Section 12. Treasurer. The treasurer shall (a) have charge and custody of all funds and securities of the corporation, (b) receive and give receipts for monies due and payable to the corporation from any source whatsoever, (c) deposit all such monies in the name of the corporation in such depositories as are selected by the board of directors, and (d) in general perform all duties incident to the office of treasurer and such other duties as may be assigned by the chief executive officer or the board of directors. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his duties in such form and with such surety or sureties as the board of directors shall determine.

Section 13. Assistant Treasurers. In the absence of the treasurer, an assistant treasurer shall have the power to perform his duties. Assistant treasurers shall perform such other duties as may be assigned to them by the chief executive officer or the board of directors.

ARTICLE IV.

Committees

Section 1. Board Committees. Except as provided in these bylaws, the board of directors may, by resolution adopted by a majority of the whole board of directors, from time to time designate from among its members one or more committees each of which, to the extent provided in such resolution and except as otherwise provided by law, shall have and exercise all the authority of the board of directors. Except as provided in these bylaws, each such committee shall serve at the pleasure of the board of directors. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed by law. Each such committee shall keep a record of its proceedings and shall adopt its own rules of procedure. It shall make such reports to the board of directors of its actions as may be required by the board.

Section 2. Advisory Committees. The board of directors may, by resolution adopted by a majority of the whole board of directors, from time to time designate one or more advisory committees, a majority of whose members shall be directors. An advisory committee shall serve at the pleasure of the board of directors, keep a record of its proceedings and adopt its own rules of procedure. It shall make such reports to the board of directors of its actions as may be required by the board.

Section 3. Manner of Acting. Unless otherwise provided by the articles of incorporation, any action required or permitted to be taken at any meeting of a committee established under this

Article IV may be taken without a meeting, if a written consent to such action is signed by all members of the committee and such written consent is filed with the minutes of proceedings of the committee. Unless otherwise provided by the articles of incorporation, any or all members of such committee may participate in a meeting of the committee by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can communicate with each other, and participation in this manner constitutes presence in person at the meeting.

ARTICLE V.

Corporate Instruments and Loans

Section 1. Corporate Instruments. The board of directors may authorize any officer or officers to execute and deliver any instrument in the name of or on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

ARTICLE VI.

Stock Certificates, Transfer of Shares, Stock Records

Section 1. Certificates for Shares. Shares may, but need not be, represented by certificates. Each shareholder, upon request, shall be entitled to a certificate, signed by the president or a vice president and the secretary or any assistant secretary of the corporation, certifying the number of shares owned by him in the corporation. If such certificate is countersigned by the written signature of a transfer agent other than the corporation or its employee, the signatures of the officers of the corporation may be facsimiles. If such certificate is countersigned by the written signature of a registrar other than the corporation or its employee, the signatures of the transfer agent and the officers of the corporation may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of its issue. Certificates representing shares of the corporation shall be in such form consistent with the laws of the State of Indiana as shall be determined by the board of directors. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer records of the corporation.

Section 2. Transfer of Shares. Transfer of shares of the corporation shall be made on the stock transfer records of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the corporation, and, except as otherwise provided in these bylaws, on surrender for cancellation of the certificates for such shares.

Section 3. Lost, Destroyed or Wrongfully Taken Certificates. Any person claiming a certificate of stock to have been lost, destroyed or wrongfully taken, and who requests the issuance of a new certificate before the corporation has notice that the certificate alleged to have been lost, destroyed or wrongfully taken has been acquired by a bona fide purchaser, shall make an affidavit of that fact and shall give the corporation and its transfer agents and registrars a bond of indemnity with unlimited liability, in form and with one or more corporate sureties satisfactory to the chief executive officer or treasurer of the corporation (except that the chief executive officer or treasurer may authorize the acceptance of a bond of different amount, or a bond with personal surety thereon, or a personal agreement of indemnity), whereupon in the discretion of the chief executive officer or the treasurer and except as otherwise provided by law a new certificate may be issued of the same tenor and for the same number of shares as the one alleged to have been lost, destroyed or wrongfully taken. In lieu of a separate bond of indemnity in each case, the chief executive officer of the corporation may accept an assumption of liability under a blanket bond issued in favor of the corporation and its transfer agents and registrars by one or more corporate sureties satisfactory to him.

Section 4. Transfer Agent and Registrars. The board of directors by resolution may appoint a transfer agent or agents or a registrar or registrars of transfer, or both. All such appointments shall confer such powers, rights, duties and obligations consistent with the laws of the State of Indiana as the board of directors shall determine. The board of directors may appoint the treasurer of the corporation and one or more assistant treasurers to serve as transfer agent or agents.

Section 5. Record Date. For the purposes of determining shareholders entitled to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors shall fix in advance a date as a record date for any such determination of shareholders, such date in any case to be not more than seventy days before the meeting or action requiring a determination of shareholders.

ARTICLE VII.

Liability

No person or his personal representatives shall be liable to the corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken by such person in good faith as an officer or employee of the corporation, or as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, whether for profit or not, which he serves or served at the request of the corporation, if such person (a) exercised and used the same degree of care and skill as a prudent man would have exercised and used under like circumstances, charged with a like duty, or (b) took or omitted to take such action in reliance upon advice of counsel for the corporation or such enterprise or upon statements made or information furnished by persons employed or retained by the corporation or such enterprise upon which he had reasonable grounds to rely. The foregoing shall not be exclusive of other rights and defenses to which such person or his personal representatives may be entitled under law.

ARTICLE VIII.

Indemnification

Section 1. Actions by a Third Party. The corporation shall indemnify any person who is or was a party, or is threatened to be made a defendant or respondent, to a proceeding, including any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than actions by or in the right of the corporation), and whether formal or informal, who is or was a director, officer, or employee of the corporation or who, while a director, officer, or employee of the corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, whether for profit or not, against:

1. any reasonable expenses (including attorneys' fees) incurred with respect to a proceeding, if such person is wholly successful on the merits or otherwise in the defense of such proceeding, or

2. judgments, settlements, penalties, fines (including excise taxes assessed with respect to employee benefit plans) and reasonable expenses (including attorneys' fees) incurred with respect to a proceeding where such person is not wholly successful on the merits or otherwise in the defense of the proceeding if:

(i) the individual's conduct was in good faith; and

(ii) the individual reasonably believed:

(a) in the case of conduct in the individual's capacity as a director, officer or employee of the corporation, that the individual's conduct was in the corporation's best interests; and

(b) in all other cases, that the individual's conduct was at least not opposed to the corporation's best interests; and

(iii) in the case of any criminal proceeding, the individual either:

(a) had reasonable cause to believe the individual's conduct was lawful; or

(b) had no reasonable cause to believe the individual's conduct was unlawful.

The termination of a proceeding by a judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director, officer, or employee did not meet the standard of conduct described in this section.

Section 2. Actions by or in the Right of the Corporation. The corporation shall indemnify any person who is or was a party or is threatened to be made a defendant or respondent, to a proceeding, including any threatened, pending or completed action, suit or proceeding, by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that such person is or was a director, officer, or employee of the corporation or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, whether for profit or not, against any reasonable expenses (including attorneys' fees):

(A) if such person is wholly successful on the merits or otherwise in the defense of such proceeding, or

(B) if not wholly successful:

(i) the individual's conduct was in good faith; and

(ii) the individual reasonably believed:

(a) in the case of conduct in the individual's capacity as a director, officer, or employee of the corporation, that the individual's conduct was in the corporation's best interests; and

(b) in all other cases, that the individual's conduct was at least not opposed to the corporation's best interests,

except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application, that despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which such court shall deem proper.

Section 3. Methods of Determining Whether Standards for Indemnification Have Been Met. Any indemnification under Sections 1 or 2 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, or employee is proper in the circumstances because he has met the applicable standards of conduct set forth in Section 1 or 2. In the case of directors of the corporation such determination shall be made by any one of the following procedures:

(A) by the board of directors by a majority vote of a quorum consisting of directors not at the time parties to the proceeding;

(B) if a quorum cannot be obtained under (a), by majority vote of a committee duly designated by the board of directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding;

(C) by special legal counsel:

(i) selected by the board of directors or a committee thereof in the manner prescribed in (A) or (B); or

(ii) if a quorum of the board of directors cannot be obtained under (A) and a committee cannot be designated under (B), selected by a majority vote of the full board of directors (in which selection directors who are parties may participate).

In the case of persons who are not directors of the corporation, such determination shall be made (a) by the chief executive officer of the corporation or (b) if the chief executive officer so directs or in his absence, in the manner such determination would be made if the person were a director of the corporation.

Section 4. Advancement of Defense Expenses. The corporation may pay for or reimburse the reasonable expenses incurred by a director, officer, or employee who is a party to a proceeding described in Section 1 or 2 of this Article in advance of the final disposition of said proceeding if:

(A) the director, officer, or employee furnishes the corporation a written affirmation of his good faith belief that he has met the standard of conduct described in Section 1 or 2; and

(B) the director, officer, or employee furnishes the corporation a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that the director, officer or employee did not meet the standard of conduct; and

(C) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 1 or 2.

(D) The undertaking required by this Section must be an unlimited general obligation of the director, officer, or employee but need not be secured and may be accepted by the corporation without reference to the financial ability of such person to make repayment.

Section 5. Non-Exclusiveness of Indemnification. The indemnification and advancement of expenses provided for or authorized by this Article does not exclude any other rights to indemnification or advancement of expenses that a person may have under:

(A) the corporation's articles of incorporation or bylaws or any agreement entered into between the corporation and such person;

(B) any resolution of the board of directors or the shareholders of the corporation;

(C) any other authorization adopted by the shareholders; or

(D) otherwise as provided by law, both as to such person's actions in his capacity as a director, officer, or employee of the corporation and as to actions in another capacity while holding such office.

Such indemnification shall continue as to a person who has ceased to be a director, officer, or employee, and shall inure to the benefit of the heirs and personal representatives of such person.

Section 6. Amendment or Repeal. No amendment or repeal of the foregoing indemnification provisions in this Article VIII shall adversely affect any right or protection in respect of acts or omissions of any covered person occurring prior to such amendment or repeal.

ARTICLE IX.

Amendments

These bylaws may be altered, amended or repealed and new bylaws may be made by a majority of the whole board of directors at any regular or special meeting of the board of directors. Any bylaws made by the directors under the powers conferred hereby may be altered, amended or repealed by the directors or shareholders, provided, however, that no bylaw may be adopted that is inconsistent with the Indiana Business Corporation Law, as the same may be amended from time to time. Notwithstanding the foregoing and anything in these Bylaws or the Articles of Incorporation to the contrary, Sections 2, 5, 10, 11, 12 and 13 of Article I, Sections 1, 2, 3, 4, 5, 6, 7 and 10 of Article II, and all sections of Articles VII, VIII and IX of these bylaws shall not be altered, amended or repealed by the shareholders and no provision inconsistent therewith shall be adopted without either:

(1) the approval of the board of directors, or

(2) at any regular or special meeting of the shareholders, the affirmative vote of a majority of the votes cast by holders of shares entitled to vote generally in the election of directors if notice of such alteration, amendment or repeal is contained in the notice of such meeting.

Exhibit 4.24

Description of Securities Registered Pursuant to Section 12 of the Exchange Act

Lincoln National Corporation has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock. The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference toour restated articles of incorporation and our amended and restated bylaws (the "Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part, and the Indiana Business Corporation Law, which we refer to as the IBCL (described below). You should read these documents and the applicable provisions of the IBCL for a full description of the terms of common stock.

Common Stock

Authorized Capital Shares

Our authorized capital shares consist of 800,000,000 shares of common stock ("Common Stock"), and 10,000,000 shares of preferred stock ("Preferred Stock"), each of which are without par value. The outstanding shares of our Common Stock are fully paid and non-assessable.

Voting Rights

Except as set forth below under "Anti-Takeover Provisions—Certain State Law Provisions," eachholder of record of our Common Stock is entitled to one vote for each share of our common stock held on allmatters submitted to a vote of the shareholders, including election of directors. Holders of our Common Stock do not have cumulative voting rights with respect to the election of directors or any other matter.

Dividend Rights

The holders of our Common Stock may receive cash dividends, if and when declared by ourboard of directors out of funds legally available for that purpose, and subject to preferential rights of the holders of Preferred Stock or other special classes of stock.

Liquidation Rights

In the event of a liquidation, dissolution or winding up, holders of ourCommon Stock will be entitled to share ratably in all assets remaining after payments to creditors and after satisfaction of the liquidation preference, if any, of the holders of any Preferred Stock that may at the time be outstanding.

Preemptive Rights

Holders of our Common Stock do not have any preemptive or similar equity rights.

Listing and Transfer Agent

Our Common Stock is traded on the New York Stock Exchange under the trading symbol "LNC." Our transfer agent is EQ Shareowner Services.

Anti-Takeover Considerations

Certain Provisions of LNC's Bylaws

Article I of our Bylaws provides that special meetings of the shareholders may be called bythe board of directors, by the Chairman of the board of directors or by the Secretary of the Company at the valid written request of shareholders who in the aggregate beneficially own at least 10% of the voting power of all outstanding shares ofour Common Stock.

Article I of our Bylaws further provides that control shares (as discussed below) of thecorporation acquired in a control share acquisition with respect to which the acquiring person has not filed with the corporation the statement required by the IBCL may, at any time during the period ending 60 days after the last acquisition of control shares by the acquiring person, be redeemed by the corporation at their fair value pursuant to procedures authorized by a resolution of the board of directors.

Article I also gives the board of directors the authority toenter into any arrangement to direct the voting of any other person's shares in connection with a change of control of LNC.

Certain State Law Provisions.

Chapter 43 of the IBCL also restricts business combinations with interested shareholders. It prohibits certain business combinations, including mergers, sales of assets, recapitalizations, and reverse stock splits, between certain corporations having 100 or more shareholders that also have a class of voting shares registered with the SEC under Section 12 of the Securities Exchange Act of 1934, as amended (which includes us) and an interested shareholder, defined as the beneficial owner of 10% or more of the voting power of the outstanding voting shares of that corporation, for five years following the date the shareholder acquired such 10% beneficial ownership, unless the acquisition or the business combination was approved by the board of directors in advance of that date. If the combination was not previously approved, the interested shareholder may effect a combination after the five-year period only if the shareholder receives approval from a majority of the disinterested shares or the offer meets certain fair price criteria. A corporation may elect to opt out of these provisions in an amendment to its articles of incorporation approved by a majority of the disinterested shares. Such an amendment, however, would not become effective for 18 months after its passage and would apply only to stock acquisitions occurring after its effective date. Our restated articles of incorporation do not elect to opt out of these provisions.

Chapter 42 of the IBCL includes provisions designed to protect minority shareholders in the event that a person acquires, pursuant to a tender offer or otherwise, shares giving it more than 20%, more than 33 1/3%, or more than 50% of the outstanding voting power (which we refer to as "control shares") of an "issuing public corporation." Unless the issuing public corporation's articles of incorporation or bylaws provide that Chapter 42 does not apply to control share acquisitions of shares of the corporation before the control share acquisition, an acquirer who purchases control shares cannot vote the control shares until each class or series of shares entitled to vote separately on the proposal, by a majority of all votes entitled to be cast by that group (excluding the control shares and any shares held by officers of the corporation and employees of the corporation who are directors thereof), approve in a special or annual meeting the rights of the acquirer to vote the control shares. Unless otherwise provided in a corporation's articles of incorporation or bylaws before a control share acquisition has occurred, in the event that control shares acquired in a control share acquisition are accorded full voting rights and the acquiring person acquires control shares with a majority or more of all voting power, all shareholders of the issuing public corporation have dissenters' rights to receive the fair value of their shares. "Issuing public corporation" means a corporation which is organized in Indiana, has 100 or more shareholders, its principal place of business, its principal office or substantial assets within Indiana and has one of the following:

- more than 10% of its shareholders resident in Indiana;
- more than 10% of its shares owned by Indiana residents; or
- 10,000 shareholders resident in Indiana.

An issuing public corporation may elect not to be covered by the statute by so providing in its articles of incorporation or bylaws. Our restated articles of incorporation do not elect to opt out of these provisions. Indiana insurance laws and regulations provide that no person may acquire our voting securities if that person would directly or indirectly be in control of us after the acquisition, unless that person has provided certain required information to us and to the Indiana Insurance Commissioner, and the Indiana Insurance Commissioner has approved the acquisition. Control of us is presumed to exist if any person beneficially owns 10% or more of our voting securities. Furthermore, the Indiana Insurance Commissioner may determine, after notice and hearing, that control exists despite the absence of a presumption to that effect. Consequently, no person may acquire, directly or indirectly, 10% or more of our voting securities to be outstanding after any offering of securities pursuant to this prospectus, or otherwise acquire control of us, unless that person has provided such required information to the Indiana Insurance Commissioner and the Indiana Insurance Commissioner has approved such acquisition.

Exhibit 10.10

LINCOLN NATIONAL CORPORATION DEFERRED COMPENSATION & SUPPLEMENTAL/EXCESS RETIREMENT PLAN

Amended and Restated Effective January 1, 2020

The Lincoln National Corporation Deferred Compensation & Supplemental/Excess Retirement Plan (the "Plan") is an amendment and restatement of the Lincoln National Corporation Executive Deferred Compensation Plan for Employees, a plan established and maintained by Lincoln National Corporation. The Plan provides enhanced retirement benefits and savings opportunities to certain employees of Lincoln National Corporation and its Affiliates.

The Plan is intended (1) to comply with Code section 409A and official guidance issued thereunder, except where indicated for Grandfathered Benefits as set forth herein, and (2) to be "a plan which is unfunded and is maintained by the Employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA sections 201(2), 301(a)(3) and 401(a)(1), respectively. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

Article 1
Definitions

The following definitions are provided for key terms contained within this document:

"401(k) Plan" means the LNC Employees' 401(k) Savings Plan, effective January 1, 2008, and as amended from time to time.

"**Account"** means the separate deferred compensation accounts established by the Company in the name of each Participant. Where the context indicates, the term "Account" shall mean one or more of the various sub-accounts that may be created within an Account.

"Affiliate" means:

(a) Any corporation which, together with the Company, is part of a "controlled group" of corporations, in accordance with Code section 414(b);

(b) Any organization which, together with the Company, is under "common control," in accordance with Code section 414(c);

(c) Any organization which, together with the Company, is an “affiliated service group,” in accordance with Code section 414(m); and

(d) Any entity required to be aggregated with the Company pursuant to regulations promulgated under Code section 414(o).

“Annual Bonus” means any bonus paid on an annual basis at the same time that Annual Incentive Bonus is paid but that does not otherwise qualify as an Annual Incentive Bonus. Annual Bonus does not include any form of long-term incentive cash payment.

“Annual Incentive Bonus” means any bonus paid under the Company’s annual incentive program, as approved by the Compensation Committee.

“Annual Salary” means salary (including “replacement salary” such as bereavement, jury duty, paternity leave, or pay from a Company-sponsored short-term disability plan), W-2 commissions and any benefit-eligible bonus or incentive compensation that is not considered Annual Bonus or Annual Incentive Bonus. Annual Salary does not include any sign-on or retention bonus or any other earnings that are not classified as benefit-eligible. In addition, Annual Salary does not include any amounts paid to a Participant after his or her Separation from Service (except for final payroll if Separation from Service occurs “mid-cycle”). For the purpose of the eligibility of any employee who receives “established compensation" to participate in this Plan, Annual Salary refers to “established compensation” (as defined under the Company’s Established Compensation Administrative Guidelines for benefit purposes).

“Beneficiary” means the person or persons, including a trust or the Participant's estate, designated by a Participant to receive any death benefits payable under the Plan after the death of the Participant.

“Benefits Administrator” means the Company’s Executive Vice President of Human Resources or any successor appointed by the Company’s Chief Executive Officer.

“Benefit Commencement Date” means the date that Plan benefits are scheduled to be paid in a lump sum or scheduled to begin to be paid if the Participant has elected to receive periodic payments of Plan benefits, pursuant to Article 7 of the Plan.

“Board” or “Board of Directors” means the Board of Directors of the Company.

“Cause” means (a) a conviction of a crime that is job related or that may otherwise cause harm to the reputation of the Company; (b) any act or omission detrimental to the conduct of business of the Company; (c) inability to obtain or retain proper licenses; (d) theft, dishonesty, fraud or misrepresentation; (e) failure to cooperate or be truthful in connection with an investigation related to the Company; (f) violation of any rule or regulation of any regulatory agency or self-regulatory agency; (g) violation of any policy or rule of the Company; or (h) unsatisfactory performance that does not meet expectations after coaching or counseling. The determination of the existence of "Cause" shall be made in the sole discretion of the Corporation's Chief Human Resources Officer or his or her delegate.

"Change of Control" means an event that qualifies as a change of control of the Company as defined under the LNC COC Plan (the definition in effect immediately prior to such change of control).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means Lincoln National Corporation or any successor thereto.

"Compensation Committee" means the Compensation Committee of the Board of Directors.

"Compensation Deferral Agreement" means an agreement by which a Participant directs the Company to make Elective Deferrals under the Plan in lieu of paying the Participant cash compensation.

"Default Investment Option" means the Investment Option designated by the Benefits Administrator, in its sole discretion, for the investment of any Matching Contributions, Special Executive Credits, Elective Deferrals, and Core Contributions in cases where a Participant has failed to provide valid investment directions with respect to any portion of his or her Account.

"Disabled" means, with respect to a Participant, that the Participant has been determined to be disabled as defined under the 401(k) Plan.

"Effective Date" means January 1, 2020.

"Elective Deferral" means the deferral of Annual Salary or either Annual Bonus or Annual Incentive Bonus that would otherwise be paid to the Participant during a calendar year by executing a valid Compensation Deferral Agreement pursuant to Section 6.2 of the Plan.

"Employer" means Lincoln National Corporation and any Affiliate that has adopted this Plan as a participating Employer.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ESSB Opening Account" means the special Account created upon the termination of the benefit under Section 4 of the Jefferson-Pilot Supplemental Retirement Plan, also known as the "Executive Special Supplemental Benefit" (the "ESSB"). See Appendix B to the Plan.

"Flexible Distribution Year Account" means the Account established by the Company at the Participant's election that is payable to the Participant in the calendar year designated by the Participant, regardless of whether the Participant is an active employee of the Company or any Affiliate or has experienced a Separation from Service.

"Grandfathered Benefit" means any amounts earned and vested under the Plan as of December 31, 2004 within the meaning of Code section 409A and the official guidance thereunder. Except as specified herein, Grandfathered Benefits are subject to the distribution rules set forth in Article 7 of this Plan, including Section 7.8.

"Hardship" means a severe financial hardship caused by an unforeseen emergency resulting from (a) a sudden and unexpected illness or accident of the Participant, a dependent (as defined in Code section 152(a)), or the Participant's Primary Beneficiary (as defined below); (b) the need to pay for burial or funeral expenses for the Participant's spouse, a dependent or Primary Beneficiary; (c) the loss of the Participant's property due to casualty; or (d) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

For purposes of a "hardship", a "Primary Beneficiary" shall mean the individual who is named as a beneficiary under the Plan and has an unconditional right, upon the death of the Participant, to all or a portion of the Participant's Account under the Plan.

"Investment Option" means one or more of the notional investment funds in which Participants may direct the investment of their Accounts, pursuant to Section 4.5 of the Plan.

"IRS" means the Internal Revenue Service.

"Key Employee" means an employee of the Company or any Affiliate who, as of his or her Separation from Service date, is treated as a "specified employee" under Code section 409A(a)(2)(B)(i) (*i.e.,* a key employee as defined in Code section 416(i) without regard to paragraph (5) thereof). Key Employees shall be determined in accordance with Code section 409A using December 31st as the determination date. A listing of Key Employees as of a determination date shall be effective for the 12-month period beginning on the April 1st following the determination date.

"LNC Benefits Appeals Committee" means the committee with that name, or any successor thereto.

"LNC COC Plan" means the Lincoln National Corporation Executives' Severance Benefit Plan.

"Matching Contributions" means the contributions made by the Company, pursuant to Section 5.2 of the Plan, on behalf of a Participant on account of that Participant's Elective Deferrals.

"Participant" means any employee or former employee of the Company or any Affiliate who has an Account in this Plan.

"Plan Year" means a 12-month period beginning each January 1.

"SCP Opening Balance Account" means the special Account created upon the termination of the Salary Continuation Plan for Executives of Lincoln National Corporation and Affiliates. See Appendix B to the Plan.

"SMC" means the Company's Senior Management Committee.

"Separate from Service" or **"Separation from Service"** shall have the same meaning as set forth in Treas. Reg. §1.409A-1(h)(1). For purposes of this Plan, an employee incurs a Separation from Service if it is reasonably anticipated, based on the facts and circumstances, the employee will not perform any additional services for any Employer after a certain date or that the level of bona fide services (whether performed as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed (whether performed as an employee or as an independent contractor) over the immediately preceding 36-month period (or, if less, the period the employee has rendered service to the Employer) .

"Shortfall Balance Account" means the special Account to which any "shortfall" is credited as calculated for SMC members as of December 31, 2007 only, pursuant to Appendix B.1(d) of the Plan.

"Special Executive Credit" means a contribution made by the Company, pursuant to Section 5.4 of the Plan, on behalf of Participants who are SMC members.

"Stock Units" means "phantom" shares of Lincoln National Corporation common stock that may be made available under this Plan to Participants as an Investment Option. Stock Units shall be notionally credited to a Participant's Account and administered pursuant to the relevant provisions of Article 4 of the Plan.

"Termination Year Account" means an Account established by the Company for each Participant, where the Valuation Date is the first of the month that is thirteen (13) full months after the date the Participant experiences a Separation from Service, regardless of whether such separation is voluntary or involuntary. A Participant may establish a second Termination Year Account for Elective Deferrals and Matching Contributions made to the Plan after 2015 in the event the Participant wishes to elect an alternative distribution form pursuant to Section 7.2(d) for such Account. A Participant may have no more than two (2) Termination Year Accounts that contain a balance at any time.

"Valuation Date" means the date on which the Participant's Account is valued prior to Benefit Commencement Date.

Article 2
Eligibility

2.1 General. This Plan is maintained by the Company for the benefit of a select group of management and highly compensated employees. The Benefits Administrator shall have the discretion to determine the eligibility of employees to participate in this Plan; provided, however, that in order to be eligible, the employee must be a member of a select group of management or highly compensated employees of an Employer.

2.2 Eligibility to Make Elective Deferrals. The following employees of an Employer may make Elective Deferrals under the Plan:

(a) employees who have an Annual Salary of at least $200,000, determined as of the applicable dates designated by the Benefits Administrator;

(b) newly-hired employees whose starting Annual Salary is at least $200,000; and

(c) newly-eligible employees (based on a mid-year raise and/or promotion and at the sole discretion of the Benefits Administrator).

Article 3
Participation

3.1 Enrollment in the Plan. An employee who is eligible to make an Elective Deferral pursuant to Section 2.2 above may become a Participant by enrolling in the Plan and submitting a valid Compensation Deferral Agreement in the manner prescribed by the Benefits Administrator and pursuant to Section 6.2 of the Plan.

3.2. Newly-Hired or Newly-Eligible Employees. A newly-hired or newly-eligible employee who is eligible to make Elective Deferrals as provided in Section 2.2 above has thirty (30) days from the date he or she becomes eligible to enroll in the Plan and submit a valid Compensation Deferral Agreement, pursuant to Section 3.1 above, to the extent such an election is permissible under Code section 409A.

3.3 Automatic Participation. Employees may be automatically enrolled in the Plan if they are eligible to receive Core Contributions pursuant to Section 5.1 of the Plan, and/or are eligible to receive Special Executive Credits pursuant to Section 5.4 of the Plan.

Article 4
Plan Investments & Accounting

4.1 Notional or "Phantom" Accounts. The terms "Account" or "Accounts" refers to the separate deferred compensation account(s) established by the Company in the name of each Participant. Each Account is a bookkeeping device only, established for the sole purpose of crediting and tracking contributions, credits and notional investments made by the Participant in the Investment Options available under the Plan. The Company may also establish one or more "Sub-Accounts" representing the various notional Investment Options available under the Plan.

4.2 Recordkeeping of Accounts - General. The Company shall establish an Account in the name of each Participant making Elective Deferrals under the Plan, or receiving contributions or credits under the Plan. The Company shall also establish Sub-Accounts for Participants, as appropriate, and credit any Elective Deferrals, Matching Contributions, Core Contributions or Special Executive Credits and/or other credits or contributions to the appropriate Participant Sub-Accounts. The Company shall also credit such Accounts and/or Sub-Accounts with any earnings/losses that would have accrued if the Accounts or Sub-Accounts were actually invested in the Investment Options selected by the Participant from among the options offered from time to time under the Plan.

4.3 Stock Unit Investment Option. With respect to any Participant's investment in the Stock Unit Investment Option, actual shares of the Company's common stock will be issued in settlement of the Participant's investment when the Participant's Account is actually paid to him or her, with fractional Stock Units paid in cash. The Company reserves the right to eliminate, change or add any Investment Option from the Plan, including the Stock Unit Investment Option, at any time.

(a) Phantom Dividends on Stock Units. To the extent dividends are paid by the Company with respect to common stock of the same class as the common stock underlying the Stock Units, Participant Accounts with Stock Units will be credited with phantom dividends. Phantom dividends shall be calculated, on each dividend payment date, as an amount equal to the product of the dividend paid on a share of common stock multiplied by the number of Stock Units held in an Account as of the record date.

(b) Determination of Value of Stock Units. The value of a Stock Unit shall be the final sales price quoted by the New York Stock Exchange Composite Listing of a share of the Company's common stock of the same class as the Stock Units on the business day on which the determination is made.

(c) Changes in Capital and Corporate Structure. In the event of any change in the outstanding shares of the Company's common stock by reason of an issuance of additional shares, recapitalization, reclassification, reorganization, stock split, reverse stock split, combination of shares, stock dividend or similar transaction, the number of phantom Stock Units held by Participants under the Plan shall be proportionately adjusted, in an equitable manner. The foregoing adjustment shall be made in a manner that will cause the relationship between the aggregate appreciation in outstanding common stock and earnings per share and the increase in value of each phantom Stock Unit granted hereunder to remain unchanged as a result of the applicable transaction.

(d) Voting. Prior to distribution of the Participant's Account pursuant to Article 7 below, and settlement of Stock Units with shares of the Company's common stock, no voting or other rights of any kind associated with the ownership of the Company's common stock shall inure to any Participant whose Account is credited with Stock Units.

4.4. Investment Options. With respect to the Investment Options available under the Plan, Participants have no rights to any of the assets, funds or securities in which such Investment Options are actually invested. Upon distribution of the Participant's Account pursuant to Article 7 below, the Participant will receive cash in settlement of all amounts credited to non-Stock Unit Investment Options. The Company reserves the right to eliminate, change or add any Investment Option from the Plan at any time.

4.5 Participant Direction of Investments. Subject to the restrictions described in Article 8 below, Participants in the Plan may make or change their investment directions with respect to the Investment Options available under the Plan at any time. The Plan's recordkeeper and third-party administrator will deem any investment directions provided by the Participant to be continuing investment directions until the Participant takes affirmative action to change the investment directions.

4.6 Default Investment Option. In the case where the Participant has not provided valid investment directions to the Plan's recordkeeper and third-party administrator with respect to any portion of his or her Account, such portion shall be invested in the Plan's Default Investment Option. The Plan's Default Investment Option shall be designated by the Benefits Administrator from time to time, in the sole discretion of the Benefits Administrator. In general, the Plan's Default Investment Option shall be the Qualified Default Investment Alternative designated for the 401(k) Plan.

Article 5
Employer Contributions & Vesting

5.1 Core Contributions. The Employer shall credit to the Participant's Core Contributions Account the amount of any Employer Core Contributions, as such term is described under the 401(k) Plan, which cannot be contributed to the Participant under the 401(k) Plan either (a) due to the operation of 401(k) Plan or Code limits or (b) because such amount is deferred compensation that cannot be counted as eligible earnings under the 401(k) Plan. Any such contributions under this Section 5.1 shall be 100% vested upon contribution. In the event a Participant is terminated for Cause by the Employer, he or she shall not receive a Core Contribution for the Plan Year in which the termination occurs.

5.2 Matching Contributions. The Employer shall make Matching Contributions with respect to Elective Deferrals on Annual Salary and Annual Incentive Bonus or Annual Bonus once the aggregated amount of the Participant's Annual Salary and Annual Incentive Bonus or Annual Bonus for a Plan Year (net of Elective Deferrals to this Plan) has exceeded the Code section 401(a)(17) limit or once the Employer's contributions to the 401(k) Plan have reached the Code section 415 limit for the applicable Plan Year but in no case shall the Employer make Matching Contributions with respect to Elective Deferrals on an Annual Incentive Bonus or Annual Bonus paid following a Participant's Separation from Service. Such Matching Contributions shall be made in the amount of 100% of the Participant's Elective Deferrals, on up to 6% of the Participant's Annual Salary and Annual Incentive Bonus or Annual Bonus. Matching Contributions will be 100% vested upon contribution.

5.3 Special Change of Control Contributions for SMC. For SMC members only, any unvested SCP Opening Balance Account balances and Special Executive Credits shall immediately vest upon a Change of Control. In the case of an SMC member who is eligible for benefits under the LNC COC Plan as of the date of a Change of Control and who Separates from Service within two (2) years after such Change of Control, an additional two (2) (or three (3), in the case of the Company's Chief Executive Officer) years' worth of Employer Core Contributions, Matching Contributions, and
Special Executive Credits shall be credited to the appropriate Sub-Account of the SMC member. The amount of such Employer Core Contributions, Matching Contributions, and Special Executive Credits shall be determined as of the date of the Participant's Separation from Service.

5.4 Special Executive Credits. For SMC members only, the amount of the "Special Executive Credit," if any, will be calculated as follows: 15% of "Total Pay" (as defined below) expressed as a percentage, offset by the total of: (a) the SMC member's maximum Matching Contribution opportunity (6%); plus (b) the Employer Core Contribution amount (4%) under the 401(k) Plan and this Plan, each expressed as a percentage.

For purposes of this Section 5.4, "Total Pay" is equal to Annual Salary and Annual Incentive Bonus.

To receive the Special Executive Credit, a Participant must be a member of the SMC (a) during the applicable Plan Year to which the credit relates and (b) on the date the credit is actually made. Notwithstanding the foregoing, SMC members who (i) are fully vested in their Special Executive Credits and (ii) who are involuntarily terminated from employment with the Company or any Affiliate other than for Cause or die during a Plan Year will receive a Special Executive Credit for that Plan Year.

The Special Executive Credit, if any, will be credited to a SMC member's Account annually, not bi-weekly.

For SMC members as of January 1, 2008, Special Executive Credits shall vest immediately. For individuals who become SMC members after January 1, 2008, Special Executive Credits shall vest on the earlier of: (a) five (5) years after becoming an SMC member; (b) death; (c) attainment of age 62; or (d) determination that the Participant is eligible for long-term disability benefits under a Company-sponsored plan. A Participant who has a Separation from Service prior to vesting in his or her Special Executive Credits will forfeit these contributions.

5.5 Special Lincoln Credits. The Company may, in its sole discretion, credit a special contribution on behalf of any Participant. Such Special Lincoln Credits may be subject to vesting schedules, in the sole discretion of the Benefits Administrator.

5.6 Historical Employer Contributions. Appendix B hereto sets forth provisions relative to historical Employer contributions credited under the Plan, including Employer Transition Contributions, ESSB Opening Balance Contributions, SCP Opening Balance Contributions and Shortfall Balance Contributions.

Article 6
Participant Contributions

6. 1 Elective Deferral Contributions.

(a) Annual Salary. A Participant who is eligible to make Elective Deferrals under this Plan pursuant to Section 2.2 above may elect to defer up to seventy percent (70%) of gross Annual Salary (prior to any withholding or voluntary deductions, including contributions into the 401(k) Plan) in whole percentages, or a dollar amount, if allowed by the Benefits Administrator, that would otherwise be paid to the Participant during a calendar year by executing a valid Compensation Deferral Agreement pursuant to Section 6.2 below.

(b) Annual Bonus and Annual Incentive Bonus. A Participant who is eligible to make Elective Deferrals under this Plan pursuant to Section 2.2 above, may elect to defer up to eighty percent (80%) of his or her gross Annual Bonus or Annual Incentive Bonus (prior to any withholding or voluntary deductions, including contributions into the 401(k) Plan) in whole percentages, or a dollar amount, if allowed by the Benefits Administrator, that would otherwise be paid to the Participant during a calendar year by executing a valid Compensation Deferral Agreement pursuant to Section 6.2 below.

6.2 Compensation Deferral Agreement.

(a) Annual Salary. Compensation Deferral Agreements with respect to Annual Salary must be completed in a form and manner satisfactory to the Benefits Administrator, but in no event may be submitted by the Participant later than December 31st of the calendar year prior to the start of the calendar year to which the election relates.

(b) Annual Bonus. Compensation Deferral Agreements with respect to Annual Bonus must be completed in a form and manner satisfactory to the Benefits Administrator, but in no event may be submitted by the Participant later than December 31st of the calendar year prior to the start of the calendar year to which the bonus election relates.

(c) Annual Incentive Bonus. Compensation Deferral Agreements with respect to the Annual Incentive Bonus must be completed in a form and manner satisfactory to the Benefits Administrator, and are to be submitted by the Participant no later than December 31st of the calendar year prior to the start of the calendar year to which the bonus election relates; however, the Participant may modify such bonus election provided the final election is submitted by the Participant no later than June 30th of the calendar year to which the Annual Incentive Bonus relates and further provided that the Annual Incentive Bonus qualifies as "performance-based compensation" as defined under Code section 409A.

(d) Newly-Hired or Newly-Eligible Employees. Newly-hired or newly-eligible employees, as described in Section 3.2 above, may submit Compensation Deferral Agreements for Annual Salary, and, effective January 1, 2014, Annual Bonus, within thirty (30) days after the date of eligibility, to the extent such election is permissible under Code section 409A. Compensation Deferral Agreements are irrevocable elections with respect to the calendar year to which the election relates. A Compensation Deferral Agreement with respect to Annual Salary shall be effective and valid only with respect to amounts of Annual Salary earned on or after the first day of the first full bi-weekly pay cycle that commences after the Compensation Deferral Agreement has become effective. Compensation Deferral Agreements with respect to Annual Bonus shall be effective and valid only with respect to amounts of Annual Bonus earned after the date the Compensation Deferral Arrangement has become effective.

6.3 Effect of Making Elective Deferral Contributions. An election to defer amounts of Annual Salary, Annual Bonus, or Annual Incentive Bonus that would otherwise be payable to the Participant in cash reduces the amount of eligible compensation under the 401(k) Plan.

Article 7
<u>Distributions</u>

7.1 Default Distribution Upon Separation from Service.

(a) Elective Deferrals & Matching Contributions. Absent an effective alternative election pursuant to Section 7.2 below, the Valuation Date for a Participant's Elective Deferrals and associated Matching Contributions will be the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service. In addition, the Participant's Elective Deferrals will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their Elective Deferrals Account.

(b) Core Contribution Account. Absent an effective alternative election pursuant to Section 7.2 below, the Valuation Date for amounts credited to a Participant's Core Contribution Account will be the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service. The Participant's Core Contribution Account will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants are not permitted to make Initial Elections for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) with respect to their Core Contribution Account. Participants may make an Initial Election for an Alternative Distribution Form pursuant to Section 7.2(d). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their Core Contribution Account.

(c) Special Executive Credit Account. The Valuation Date for any vested amounts credited to a Participant's Special Executive Credit Account will be the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service. The Participant's vested Special Executive Credit Account will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants are not permitted to make Initial Elections for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) with respect to their Special Executive Credit Account. Participants may make an Initial Election for an Alternative Distribution Form pursuant to Section 7.2(d). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their Special Executive Credit Account.

(d) Special Lincoln Credit Account. Unless otherwise designated by the Company at the time a Special Lincoln Credit is made to a Participant, the Valuation Date for any vested amounts credited to a Participant's Special Lincoln Credit Account will be the first day of the month that is thirteen (13) full months after the date of the

Participant's Separation from Service. The Participant's Special Lincoln Credit Account shall be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Notwithstanding the foregoing, the Company may, at the time the Special Lincoln Credit is made to the Participant, permit the Participant to make an Initial Election for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) and for an Alternative Distribution Form pursuant to Section 7.2(d), to the extent such elections are permissible under, and comply with, Treasury Regulation section 1.409A-2(a)(5). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their Special Lincoln Credit Account.

7.2 Alternative Elections. No alternative election made pursuant to this Section 7.2 may result in an impermissible acceleration of payment, including accelerations of payment as defined under Code section 409A. Notwithstanding anything in this Plan to the contrary, alternative elections may only be made under this Section 7.2 to the extent permitted by the Benefits Administrator.

(a) Initial Elections. Except as otherwise provided in Sections 3.2 and 6.2(d) above, an Initial Election with respect to Annual Salary is not valid unless made by the Participant no later than December 31st of the calendar year prior to the start of the calendar year to which the compensation deferred relates, and made at least 366 days prior to the Participant's Benefit Commencement Date (elections may not take effect for twelve (12) months after the date on which the election is made).

Except as otherwise provided in Sections 3.2 and 6.2(d) above, an Initial Election with respect to Annual Bonus or Annual Incentive Bonus is not valid unless made by the Participant no later than December 31st of the calendar year prior to the start of the calendar year to which the compensation deferred relates for a Benefit Commencement Date that occurs at least two years following the calendar year to which the compensation deferred relates unless the Initial Election is for a Termination Year Account.

Notwithstanding the foregoing, a Participant may modify an Initial Election with respect to Annual Incentive Bonus after the start of the calendar year to which the Annual Incentive Bonus relates provided the final election is submitted by the Participant no later than June 30th of the calendar year to which the Annual Incentive Bonus relates and further provided that the Annual Incentive Bonus is "performance-based compensation" as defined under Code section 409A.

If a Participant fails to make a valid Initial Election under this Section 7.2(a), then the default Benefit Commencement Date and default form of distribution set forth in Section 7.1 above shall be deemed the Participant's Initial Election.

(b) Secondary Elections. A Participant may make a Secondary Election to choose an Alternative Benefit Commencement Date and/or Alternative Distribution Form, as described in Sections 7.2(c) and (d) below, provided such

Secondary Election does not cause the Participant to have more than five (5) Accounts that contain a balance at any one time. A Secondary Election is not valid unless it meets the following conditions: (i) it must be made at least 366 days prior to the Valuation Date for the Benefit Commencement Date indicated by the Participant's Initial Election or prior valid Secondary Election, as applicable, (elections may not take effect for twelve (12) months after the date on which the election is made), (ii) the election to change the Benefit Commencement Date and/or form of distribution must defer or delay payment of the Participant's benefit for at least five (5) years from the Benefit Commencement Date indicated by the Participant's Initial Election or prior valid Secondary Election, as applicable, and (iii) it may not push the Participant's Benefit Commencement Date past the year the Participant attains age 80.

Notwithstanding the foregoing, a Participant may make only one Secondary Election per Account after his or her Separation from Service.

(c) Alternative Benefit Commencement Dates. With respect to Elective Deferrals, and the associated Matching Contributions only, a Participant may make an Initial Election pursuant to Section 7.2(a) above to establish a Termination Year Account or a Flexible Distribution Year Account to which such Elective Deferrals and Matching Contributions will be credited.

Flexible Distribution Year Account elections must satisfy each of the following conditions:

(i) the year selected must not be:

(A) In the case of an election to defer Annual Salary, the year following the year in which the election is made, except in the event of a valid election made by a newly-hired or newly-eligible employee as described in Section 3.2 above;

(B) In the case of an election to defer Annual Bonus, the second year following the year to which the Annual Bonus relates, except in the case of a valid election made by a newly-hired or newly-eligible employee as described in Section 3.2 above; or

(C) In the case of an election to defer Annual Incentive Bonus, the second year following the year to which the Annual Incentive Bonus relates;

(ii) the year selected may not be more than thirty (30) years after the year in which the election is made; and

(iii) the year selected may not be a year after the Participant will have attained age 80.

The Valuation Date for Termination Year Accounts is the first of the month that is thirteen (13) full months after the date the Participant Separates from Service. The Valuation Date for Flexible Distribution Year Accounts is February 5th of the calendar year elected by the Participant. Notwithstanding the foregoing, for Grandfathered Benefits, the Flexible Distribution Year Account must end in a "0" or "5".

(d) Alternative Distribution Forms. Pursuant to Sections 7.2(a) and 7.2(b) above and at the discretion of the Benefits Administrator, a Participant may elect one of the installment options described below for any of his or her Plan Accounts instead of the lump sum distribution option:

(i) Five-year installment payments
(ii) Ten-year installment payments
(iii) Fifteen-year installment payments
(iv) Twenty-year installment payments

For Participants with Termination Year Accounts, the Valuation Date for their first installment is the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service. For Participants with Flexible Distribution Year Accounts, the Valuation Date for the first installment is February 5th of the calendar year elected. The Valuation Dates for subsequent annual installments for both Termination Year Accounts and Flexible Distribution Year Accounts will occur on February 5th.

7.3 Distributions to Disabled Participants. A Participant becoming Disabled is not, in and of itself, a distribution trigger under this Plan. A Disabled Participant's Plan benefits will be distributed as provided under the applicable provisions of Sections 7.1 and 7.2 above.

7.4 Distributions Upon Death. In the event of a Participant's death, the Valuation Date for any unpaid portion of the Participant's Account shall be the date of the Participant's death.

(a) Participant Death After 2018. In the event of a Participant's death after 2018, any unpaid portion of the Participant's Account will be paid to the Participant's Beneficiary in a cash lump sum as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date, regardless of whether payment of any portion of the Participant's Account has already commenced as elected by the Participant pursuant to Section 7.2 above.

(b) Participant Death Prior to 2019. Notwithstanding the foregoing, in the event of the Participant's death prior to 2019 but after payment of a portion of the Participant's Account had commenced in the form elected by the Participant pursuant to Section 7.2 above, that portion of the Account shall continue to be paid to the Participant's Beneficiary in the distribution form already begun, provided however that in the event of the Beneficiary's death prior to full payment of the Participant's Account to such Beneficiary, any remaining Account balance shall be valued as of the date of the Beneficiary's death and shall be paid in a cash lump sum to the Beneficiary's estate within ninety (90) days after the date of the Beneficiary's death.

(c) A Participant shall designate his or her Beneficiary in accordance with procedures established by the Benefits Administrator. In the event that a Participant dies prior to his or her Benefit Commencement Date and has not properly designated a Beneficiary, or if no designated Beneficiary is living on the date of distribution under this Section 7.4, such amount shall be distributed to (i) the Participant's spouse; (ii) if no spouse, to the Participant's child or children in equal share (with the share of any deceased child distributed among descendants of that child); (iii) if none of the above, to the Participant's parents in equal shares or the entire amount to the Participant's surviving parent; (iv) if none of the above, to the Participant's sibling(s) in equal share; and (v) if none of the above, to the executor or administrator of the Participant's estate.

7.5 Distributions After a Change of Control. The Plan benefits of a Participant who Separates from Service with a non-forfeitable right to benefits under this Plan after a Change of Control will be distributed as provided under the applicable provisions of Sections 7.1 and 7.2 above.

7.6 Small Balance Cash Out Rule. Notwithstanding any election pursuant to Section 7.2 above by a Participant to the contrary, and subject to Section 7.7 below, if, with respect to a Participant who has Separated from Service, the aggregate value of the Participant's Account(s) under this Plan, together with any other accounts established for the Participant in an account balance plan covered by Code section 409A sponsored by the Company, is below the annual limit provided under Code section 402(g) ($19,500 for 2020, as adjusted thereafter), then the Account(s) will be distributed to the Participant in a lump sum payment as soon as administratively possible.

7.7. Distributions to Key Employees. Notwithstanding any other provision of this Plan to the contrary, in the event a Participant is a Key Employee as of the date of his or her Separation from Service, distributions to such Participant that are payable upon a Separation from Service shall not be paid earlier than six (6) months after the date upon which the Key Employee Separates from Service. In the case of all benefits that are delayed due to the imposition of this Section 7.7, payments shall be paid on the first day of the seventh (7^{th}) month following the month in which the Participant's Separation from Service occurs (or, if earlier, the first day of the month following the Participant's death). Interest shall not accrue on such amounts during the period of delay.

7.8 Accelerated Payments of Grandfathered Benefits. Grandfathered Benefits may be withdrawn from this Plan at any time subject to an irrevocable penalty of 10% assessed on the amount withdrawn. If a Participant receives an accelerated payment under this Section 7.8, a minimum of 50% of all of the Participant's Grandfathered Benefits must be withdrawn. In addition, the Participant will be ineligible to make Elective Deferrals and correspondingly, receive Matching Contributions that are attributable to the Plan Year that follows the year in which such accelerated payment is received.

7.9 Effect of Early Taxation. If a Participant's Account is includable in income pursuant to Code section 409A, such benefits shall be distributed immediately to the Participant.

7.10 Hardship Withdrawals. Any Compensation Deferral Agreement in effect for a Participant taking a Hardship withdrawal from this Plan shall be automatically revoked under this Plan for the remainder of the calendar year. Only Accounts with Elective Deferrals and associated Matching Contributions are eligible for withdrawal upon the occurrence of a Hardship, provided the rules of Code section 409A are met for such a withdrawal.

7.11 Permitted Delays. Notwithstanding the foregoing, any payment to a Participant under the Plan shall be delayed upon the Compensation Committee's reasonable anticipation of one or more of the following events:

(a) The Corporation's deduction with respect to such payment would be eliminated by application of Code section 162(m); or

(b) The making of the payment would violate Federal securities laws or other applicable law;
provided, that any payment delayed pursuant to this Section 7.11 shall be paid in accordance with Code section 409A.

Article 8
Restrictions on Investment Activity

8.1 Restrictions Involving the Stock Unit Investment Option. A Participant may at any time, subject to applicable restrictions under the Company's Insider Trading and Confidentiality Policy, redeem or transfer amounts (a) out of a non-Stock Unit Investment Option and into the Stock Unit Investment Option, or (b) out of the Stock Unit Investment Option and into a non-Stock Unit Investment Option.

8.2 General Restrictions on Transfers or Redemptions. In order to prevent market timing, excessive trading, and other abuses, Participants shall not be permitted to execute transactions contemplated under Section 4.5 on more than 26 days during any one calendar year without approval from the Compensation Committee. In addition, the Compensation Committee and Benefits Administrator reserve the right to place additional restrictions on the right to trade in the Plan to prevent abusive trading practices such as "market-timing," short-term trading and excess trading. Such restrictions may include, but are not limited to: imposing redemption fees to be automatically withdrawn from Participant Accounts and paid to the appropriate Investment Option; barring the Participant from purchasing, selling, or exchanging units or shares of specific Investment Options.

8.3 No Assignment. Stock Units cannot be assigned, transferred, pledged or otherwise encumbered.

Article 9
Claims

9.1 General Administration. The Benefits Administrator shall be responsible for the operation and administration of the Plan and for carrying out the provisions hereof. The Benefits Administrator shall have the full authority and discretion to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with this Plan. Any such action taken by the Benefits Administrator shall be final and conclusive and binding on any party. To the extent the Benefits Administrator has been granted discretionary authority under the Plan, the Benefits Administrator's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter. The Benefits Administrator shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan. The Benefits Administrator may, from time to time, employ agents and delegate to such agents, including employees of the Company, such administrative duties as the Benefits Administrator sees fit. The Benefits Administrator has delegated the review of claims and appeals for benefits under this Plan to the LNC Benefit Appeals Committee (the "Appeals Committee").

9.2 Claims for Benefits.

(a) Filing a Claim. A Participant or his or her authorized representative may file a claim for benefits under the Plan. Any claim must be in writing and submitted to the Appeals Committee or its delegate at such address as may be specified from time to time. Claimants will be notified in writing of approved claims, which will be processed as claimed. A claim is considered approved only if its approval is communicated in writing to a claimant.

(b) Denial of Claim. In the case of the denial of a claim respecting benefits paid or payable with respect to a Participant, a written notice will be furnished to the claimant within ninety (90) days after the date on which the claim is received by the Appeals Committee. If special circumstances (such as for a hearing) require a longer period, the claimant will be notified in writing, prior to the expiration of the 90-day period, of the reasons for an extension of time; provided, however, that no extensions will be permitted beyond ninety (90) days after the expiration of the initial 90-day period.

(c) Reasons for Denial. A denial or partial denial of a claim will be dated and signed by the Appeals Committee and will clearly set forth:

(i) the specific reason or reasons for the denial;

(ii) specific reference to pertinent Plan provision(s) on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(iv) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review.

(d) Review of Denial. Upon denial of a claim, in whole or in part, a claimant or his or her duly authorized representative will have the right to submit a written request to the Appeals Committee for a full and fair review of the denied claim by filing a written notice of appeal with the Appeals Committee within sixty (60) days after the receipt by the claimant of written notice of the denial of the claim. A claimant or the claimant's authorized representative will have, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits and may submit issues and comments in writing. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If the claimant fails to file a request for review within sixty (60) days after the denial notification, the claim will be deemed abandoned and the claimant precluded from reasserting it. If the claimant does file a request for review, his or her request must include a description of the issues and evidence he or she deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

(e) Decision Upon Review. The Appeals Committee will provide a prompt written decision on review. If the claim is denied on review, the decision shall set forth:

(i) the specific reason or reasons for the adverse determination;

(ii) specific reference to pertinent Plan provision(s) on which the adverse determination is based;

(iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iv) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures, as well as a statement of the claimant's right to bring an action under ERISA section 502(a).

A decision will be rendered no more than sixty (60) days after the Appeals Committee's receipt of the request for review, except that such period may be extended for an additional sixty (60) days if the Appeals Committee determines that special circumstances (such as for a hearing) require such extension. If an extension of time is required, written notice of the extension will be furnished to the claimant before the end of the initial 60-day period.

(f) Finality of Determinations; Exhaustion of Remedies; Limitations Period. To the extent permitted by law, decisions reached under the claims procedures set forth in this Section 9.2 shall be final and binding on all parties. No legal action for benefits under the Plan shall be brought unless and until the claimant has exhausted his or her remedies under this Section 9.2. In any such legal action, the claimant may only present evidence and theories which the claimant presented during the claims procedure. Any claims which the claimant does not in good faith pursue through the review stage of the procedure shall be treated as having been irrevocably waived. Judicial review of a claimant's denied claim shall be limited to a determination of whether the denial was an abuse of discretion based on the evidence and theories the claimant presented during the claims procedure. Any suit or legal action initiated by a claimant under the Plan must be brought by the claimant no later than one year following a final decision on the claim for benefits by the Appeals Committee. The one-year limitation on suits for benefits will apply in any forum where a claimant initiates such suit or legal action.

9.3 Indemnification. To the extent not covered by insurance, the Company shall indemnify the Appeals Committee, each employee, officer, director, and agent of the Company, and all persons formerly serving in such capacities, against any and all liabilities or expenses, including all legal fees relating thereto, arising in connection with the exercise of their duties and responsibilities with respect to the Plan, provided however that the Company shall not indemnify any person for liabilities or expenses due to that person's own gross negligence or willful misconduct.

Article 10
Miscellaneous

10.1. No Contract of Employment. This Plan does not and is not intended to create a contract of employment. The provisions of this Plan shall not limit the right of an Employer to discharge a Participant nor limit the right of the Participant to voluntarily terminate from the service of the Employer.

10.2. Amendment, Suspension or Termination of Plan. This Plan may be amended at any time and from time to time, or terminated at any time, by the Company without a Participant's consent, but no amendment shall operate to give the Participant, or his or her Beneficiary, either directly or indirectly, any interest whatsoever in any funds or assets of the Company, except the right upon fulfillment of all terms and conditions hereof to receive the payments herein provided. Except as provided in Section 10.3, no amendment, suspension or termination of this Plan shall, in and of itself, result in the forfeiture of any benefit credited to a Participant or shall operate to reduce or diminish any benefit after payment of such benefit has begun. The Company retains the right to amend this Plan prospectively at any time. This Plan may be amended by action of the Compensation Committee at a meeting held either in person or by telephone or other electronic means, or by unanimous consent in lieu of a meeting. The Compensation Committee may delegate this amendment power to an officer of the Company. The Chief Executive Officer of the Company has been authorized to make any modification to this Plan if such modification is (a) in the opinion of counsel, required by local, state or federal law or regulation or (b) estimated to cost the Company no more than $15,000,000 (actuarial present value of all Plan changes made in the same year) for the next five (5) calendar years after the effective date of such modification. The Plan may also be amended pursuant to a written instrument executed by the Company's Executive Vice President of Human Resources officer to the extent such amendment is required under applicable law or is required to avoid having amounts deferred under the Plan included in the income of Participants or Beneficiaries for federal income tax purposes prior to distribution.

10.3 Effect of Termination. Upon termination of the Plan, distribution of Plan benefits shall be made to Participants and Beneficiaries in the manner and at the time described in Article 7, unless the Company determines in its sole discretion that all such amounts (except for Grandfathered Benefits) shall be distributed upon termination in accordance with the requirements under Code section 409A. Upon termination of the Plan, no further benefit accruals shall occur.

10.4 Change of Control. In the event of a Change of Control, no amendment or termination of this Plan shall adversely affect the right of any Participant to the benefits credited to the Participant or to payment of such benefits under the terms of this Plan as in effect immediately prior to such Change of Control.

10.5 Administration. The Plan shall be administered by the Benefits Administrator, who shall have complete discretion to interpret the Plan, resolve issues pertaining to Plan eligibility, determine benefits payable under the Plan and take whatever action that the Benefits Administrator believes is necessary or desirable for such administration, including but not limited to (a) establishing administrative rules consistent with the provisions of this Plan, (b) delegating his or her responsibilities to other persons, (c) retaining the services of lawyers, accountants or other third parties to assist with the administration of the Plan, (d) making equitable adjustments under the Plan (including retroactive adjustments) to correct mathematical, accounting or factual errors made in good faith by the Employer or a Participant (and any such adjustments will be final and binding on all persons), and (e) directing Employers to deduct from all Accounts, payments and distributions under the Plan any federal, state or local taxes or such other amounts as may be required by law to be withheld to the extent permitted under Code section 409A.

10.6 Incapacity. Any amount payable under this Plan to an incompetent or otherwise incapacitated person may, at the sole discretion of the Benefits Administrator, be made directly to such person or for the benefit of such person through payment to an institution or other entity caring for or rendering service to or for such person or to a guardian of such person or to another person with whom such person resides. The receipt of such payment by the institution, entity, guardian or other person shall be a full discharge of that amount of the obligation of the Employer to the Participant or Beneficiary.

10.7 Governing Law. This Plan shall be governed and construed in accordance with the laws of the State of Indiana. When appropriate, the singular nouns in this Plan include the plural, and vice versa.

10.8 Source of Payments; Rights Unsecured. The amount of any benefit payable under the Plan with respect to any Participant shall be paid from the general assets of the Employer that last employed that Participant. The right of a Participant or his or her Beneficiary to receive a distribution hereunder shall be an unsecured (but legally enforceable) claim against the general assets of an Employer, and neither the Participant nor his or her Beneficiary shall have any rights in or against any assets of an Employer. The Plan at all times shall be considered entirely unfunded for tax purposes. Any funds set aside by an Employer for the purpose of meeting its obligations under the Plan, including any amounts held by a trustee, shall continue for all purposes to be part of the general assets of the Employer and shall be available to its general creditors in the event of the Employer's bankruptcy or insolvency. An Employer's obligation under this Plan shall be that of an unfunded and unsecured promise to pay money in the future.

10.9 No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guarantee by an Employer or any other person or entity that the assets of an Employer will be sufficient to pay any benefits hereunder.

10.10 No Enlargement of Rights. No Participant or Beneficiary shall have any right to receive a distribution under the Plan except in accordance with the terms of the Plan.

10.11 Anti-Alienation Provision. Except in the case of a domestic relations order approved by the Benefits Administrator or its designee, no interest of any person in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person.

10.12 Distribution to Alternate Payee. All or part of a Participant's Account may be paid to an alternate payee as specified in a domestic relations order that the Benefits Administrator, or its designee, determines meets the requirements set forth in this Section 10.12.

(a) Definition of Domestic Relations Order. Domestic relations order means a judgment, decree, or order (including the approval of a settlement agreement) that:

(i) is issued pursuant to a State's domestic relations law;

(ii) relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of the Participant's Account under the Plan;

(iii) creates or recognizes the right of a spouse, former spouse, child or other dependent of the Participant to receive all or a portion of the Participant's Account under the Plan;

(iv) requires payment to such person of their interest in the Participant's Account in an immediate lump sum payment; and

(v) meets such other requirements established by the Benefits Administrator.

The Benefits Administrator, or its designee, shall determine whether any document received by it is a domestic relations order. In making this determination, the Benefits Administrator, or its designee, may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as he or she deems relevant.

(b) Form of Distribution. The alternate payee will receive a cash lump sum distribution of the amount payable under the domestic relations order, subject to the following rules:

(i) Distribution Date. The cash lump sum will be paid within ninety (90) days after the date the domestic relations order is approved by the Benefits Administrator or its designee. The alternate payee is not permitted, directly or indirectly, to designate the taxable year in which payment will be made.

(ii) Valuation. The cash lump sum shall be valued within a reasonable period of time prior to the date that payment to the alternate payee is actually issued by the Plan.

10.13 Taxes. The Company or other payor may withhold from a benefit payment under the Plan or a Participant's wages in order to meet any federal, state, or local tax withholding obligations with respect to Plan benefits. The Company may also accelerate and pay a portion of a Participant's benefits in a lump sum equal to the Federal Insurance Contributions Act (“FICA”) tax imposed and the income tax withholding related to such FICA amounts. The Company or other payor shall report Plan payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

10.14 Corporate Successors. The Plan and the obligations of an Employer under the Plan shall become the responsibility of any successor to the Employer by reason of a transfer or sale of substantially all of the assets of the Employer or by the merger or consolidation of the Employer into or with any other corporation or other entity.

10.15 Unclaimed Benefits. Each Participant shall keep the Compensation Committee informed of his or her current address and the current address of his or her designated beneficiary. The Compensation Committee shall not be obligated to search for the whereabouts of any person if the location of a person is not made known to the Compensation Committee.

10.16 Severability. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted.

10.17 Words and Headings. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

IN WITNESS WHEREOF, the President and Chief Executive Officer of the Company executed this Plan as of this 19th day of December, 2019.

LINCOLN NATIONAL CORPORATION

/s/ Dennis R. Glass_____________________
By: Dennis R. Glass
Title: President and Chief Executive Officer

APPENDIX A

The Vesting Schedule Listing for Shortfall Balances
Approved by the Compensation Committee on November 5, 2007

LINCOLN NATIONAL CORPORATION
DC SERP EXHIBIT FOR SMC
VESTING SCHEDULE LISTING FOR SHORTFALL BALANCES

Executive:	Westley Thompson	Dennis Schoff	Frederick Crawford	Robert Dineen	Elizabeth Reeves	Heather Dzielak	Terry Mullen	Dennis Glass	Mark Konen	Charles Cornelio	Pat Coyne
As of December 31, 2007											
Age	52.92	48.67	44.33	58.17	53.92	39.25	42.83	58.24	48.82	48.14	44.67
Service	8.00	17.00	7.00	6.00	3.00	5.00	5.00	14.20	13.42	19.20	19.00
Date Balance first vests:	1/28/2010	4/30/2014	8/31/2018	12/31/2007	12/31/2009	9/30/2023	3/2/2020	12/31/2007	3/6/2014	11/10/2014	5/1/2018
Date Balance first vests:	2/1/2010	5/1/2014	9/1/2018	1/1/2008	1/1/2010	10/1/2023	3/1/2020	1/1/2008	4/1/2014	12/1/2014	5/1/2018
Vested % at that date:	12.5%	12.5%	12.5%	20.7%	14.1%	12.5%	12.5%	21.0%	12.5%	12.5%	12.5%
Date one year later (or when fully vested):	2/1/2011	5/1/2015	9/1/2019	1/1/2009	1/1/2011	10/1/2024	3/1/2021	1/1/2009	4/1/2015	12/1/2015	5/1/2019
Vested % at that date:	25.0%	25.0%	25.0%	41.4%	28.2%	25.0%	25.0%	41.4%	25.0%	25.0%	25.0%
Date one year later (or when fully vested):	2/1/2012	5/1/2016	9/1/2020	1/1/2010	1/1/2012	10/1/2025	3/1/2022	1/1/2010	4/1/2016	12/1/2016	5/1/2020
Vested % at that date:	37.5%	37.5%	37.5%	62.1%	42.4%	37.5%	37.5%	62.1%	37.5%	37.5%	37.5%
Date one year later (or when fully vested):	2/1/2013	5/1/2017	9/1/2021	1/1/2011	1/1/2013	10/1/2026	3/1/2023	1/1/2011	4/1/2017	12/1/2017	5/1/2021
Vested % at that date:	50.0%	50.0%	50.0%	82.8%	56.5%	50.0%	50.0%	82.8%	50.0%	50.0%	50.0%
Date one year later (or when fully vested):	2/1/2014	5/1/2018	9/1/2022	11/1/2011	1/1/2014	10/1/2027	3/1/2024	11/1/2011	4/1/2018	12/1/2018	5/1/2022
Vested % at that date:	62.5%	62.5%	62.5%	100.0%	70.6%	62.5%	62.5%	100.0%	62.5%	62.5%	62.5%
Date one year later (or when fully vested):	2/1/2015	5/1/2019	9/1/2023		1/1/2015	10/1/2028	3/1/2025		4/1/2019	12/1/2019	5/1/2023
Vested % at that date:	75.0%	75.0%	75.0%		84.7%	75.0%	75.0%		75.0%	75.0%	75.0%
Date one year later (or when fully vested):	2/1/2016	5/1/2020	9/1/2024		1/1/2016	10/1/2029	3/1/2026		4/1/2020	12/1/2020	5/1/2024
Vested % at that date:	87.5%	87.5%	87.5%		98.9%	87.5%	87.5%		87.5%	87.5%	87.5%
Date one year later (or when fully vested):	2/1/2017	5/1/2021	9/1/2025		2/1/2016	10/1/2030	3/1/2027		4/1/2021	12/1/2021	5/1/2025
Vested % at that date:	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%		100.0%	100.0%	100.0%

APPENDIX B

Historical Employer Contributions and Distributions

The following are Plan provisions with respect to Employer contributions credited to a Participant's Account as of the dates noted in each subsection.

B.1 Employer Contributions.

(a) Employer Transition Contributions. Prior to January 1, 2018, the Employer credited to a Participant's Core/Transition Contributions Account the amount of any Employer Transition Contributions, as such term is described under the 401(k) Plan, which could not be contributed to the Participant under the 401(k) Plan either (i) due to the operation of 401(k) Plan or Code limits or (ii) because such amount was deferred compensation that could not be counted as eligible earnings under the 401(k) Plan. Any such contributions under this Subsection (a) shall be 100% vested upon contribution.

Effective as of January 1, 2019, the Core/Transition Contributions Account shall be referred to as the "Core Contributions Account". Employer Transition Contributions shall continue to be held under the Core Contribution Account and be subject to the Default Investment Option, if applicable.

(b) ESSB Opening Balance Contribution. For any Participant actively employed by the Company at 11:59 p.m. on December 31, 2007 with an accrued benefit under Section 4 of the Jefferson-Pilot Supplemental Retirement Plan, also known as the "Executive Special Supplemental Benefit," the Company credited a present value lump sum to the Plan to an ESSB Opening Balance Account established for the Participant pursuant to Section B.2(b) below. The amount of a Participant's ESSB Opening Balance Account shall be calculated pursuant to Section B of the ESSB as if the Participant were to receive a distribution at age 62 reduced as appropriate for early benefit commencement using the relevant set of reduction factors provided under Section C(2) of the ESSB. The actuarial equivalent lump sum value of each such Participant's age 62 benefit shall be calculated based on the interest rate provided under Code section 417(e) in effect for November 2007, provided, however, that such rate shall be capped at a maximum of 5.7%, and subject to a "floor" of 4.7%. The applicable mortality factors shall be those in the 1994 GAR unisex table, projected to 2002 using scale AA. The ESSB Opening Balance Contribution shall be 100% vested upon contribution.

(c) SCP Opening Balance Contribution. For any Participant actively participating in the Salary Continuation Plan for Executives of Lincoln National Corporation and Affiliates (the "SCP") at 11:59 pm on December 31, 2007, a present value lump sum representing the Participant's SCP benefit as of December 31, 2007 was credited to an SCP Opening Balance Account established for the Participant. The amount of an executive's SCP Opening Balance Account was calculated pursuant to Section 5 of the SCP as if the executive were to receive a distribution at age 62**,** reduced as appropriate using the relevant set of reduction factors in Section 7 of the SCP. For an executive participating in the SCP as of 11:59 p.m. on December 31, 2007, the relevant set of reduction factors was determined by assuming that the executive would remain employed until age 62, and crediting additional Years of Vesting Service as appropriate. The actuarial equivalent lump sum value of each such executive's age 62 benefit was calculated based on the interest rate provided under Code section 417(e) in effect for November 2007, provided, however, that such rate was capped at a maximum of 5.7%, and subject to a "floor" of 4.7%. The applicable mortality factors were those in the 1994 GAR unisex table projected to 2002 using scale AA. The SCP Opening Balance Account shall vest upon the earlier of the Participant's: (i) attainment of age 55 (or older) with five (5) years of service, (ii) determination of eligibility for long-term disability benefits under a Company-sponsored plan, (iii) death, or (iv) involuntary termination of employment (other than for cause, as defined under the SCP, effective November 5, 2007). A Participant who has either a voluntary or involuntary for cause (as defined under the SCP, effective November 5, 2007) Separation from Service prior to vesting in his or her SCP Opening Balance Account will forfeit this Account.

(d) Shortfall Balance Contribution. For SMC members who were actively employed by the Company as of December 31, 2007 only, the "shortfall," if any, was calculated between the SMC member's targeted retirement benefits projected to age 62, and the sum of their benefits under the current defined benefit retirement program, and their hypothetical 401(k) Plan and Plan account balances projected to age 62 based on various assumptions (including but not limited to annual base salary increases, hypothetical deferred contribution account balances, investment earnings, lump sum conversion interest rates, and future bonus amounts). Any such "shortfall" was converted to a present value lump sum and the Company contributed such amount to a Shortfall Balance Account established for the Participant. The Shortfall Balance Account, if any, shall vest on the earlier of the Participant's: (i) death, (ii) determination of eligibility for long-term disability benefits under a Company-sponsored plan, or (iii) according to an individualized "phased vesting" schedule for each applicable SMC member, based on the difference (in years) between the date on which the SMC member attains (A) age 55 (or older) with five (5) years of service, and (B) age 62. Each SMC member's individual vesting schedule is included in Appendix A to the Plan. A Participant who Separates from Service prior to vesting in his or her Shortfall Balance Account shall forfeit the unvested portion of the Account.

B.2 Default Distribution Upon Separation from Service.

(a) Employer Transition Contributions Held in Core Contribution Account. Absent an effective alternative election pursuant to Section 7.2 above, the Valuation Date for Employer Transition Contribution amounts credited to a Participant's Core Contribution Account will be the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service. Any Employer Transition Contribution amounts held in the Participant's Core Contribution Account will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants are not permitted to make Initial Elections for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) with respect to any Employer Transition Contributions held in their Core Contribution Account. Participants may make an Initial Election for an Alternative Distribution Form pursuant to Section 7.2(d). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to any Employer Transition Contributions held in their Core Contribution Account.

(b) ESSB Opening Balance Account. The Valuation Date for amounts credited to a Participant's ESSB Opening Balance Account will occur after the Participant Separates from Service, on the later of: (i) the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service, or (ii) the first day of the month following the month in which the Participant attains age 60. The Participant's ESSB Opening Balance Account will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants are not permitted to make Initial Elections for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) with respect to their ESSB Opening Balance Account. Participants may make an Initial Election for an Alternative Distribution Form only pursuant to Section 7.2(d). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their ESSB Opening Balance Account.

(c) SCP Opening Balance Account. The Valuation Date for any vested amounts credited to a Participant's SCP Opening Balance Account will occur after the Participant Separates from Service, on the later of: (i) the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service, or (ii) the first day of the month following the month in which the Participant attains age 55. The Participant's vested SCP Opening Balance Account will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants are not permitted to make Initial Elections for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) with respect to their SCP Opening Balance Account. Participants may make an Initial Election for an Alternative Distribution Form pursuant to Section 7.2(d). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their SCP Opening Balance Account.

(d) Shortfall Balance Account. The Valuation Date for any vested amounts credited to a Participant's Shortfall Balance Account will be the first day of the month that is thirteen (13) full months after the date of the Participant's Separation from Service. The Participant's vested Shortfall Balance Account will be paid to the Participant in a lump sum on his or her Benefit Commencement Date, which is as soon as administratively practicable after the Valuation Date, but in no event later than ninety (90) days after the Valuation Date. Participants are not permitted to make Initial Elections for an Alternative Benefit Commencement Date pursuant to Section 7.2(c) with respect to their Shortfall Balance Account. Participants may make an Initial Election for an Alternative Distribution Form pursuant to Section 7.2(d). Participants may make a Secondary Election pursuant to Section 7.2(b) with respect to their Shortfall Balance Account.

Exhibit 10.8

First Amendment

Lincoln National Corporation Severance Pay Plan

(As Amended and Restated Effective February 27, 2019)

The Lincoln National Corporation Severance Pay Plan (the "Plan") is amended effective as of January 1, 2020, by:

1. Amending Section 1.01 of the Plan, to read as follows:

"1.01 **'Cause'** means (a) a conviction of a crime that is job related or that may otherwise cause harm to the reputation of the Company; (b) any act or omission detrimental to the conduct of business of the Company; (c) inability to obtain or retain proper licenses; (d) theft, dishonesty, fraud or misrepresentation; (e) failure to cooperate or be truthful in connection with an investigation related to the Company; (f) violation of any rule or regulation of any regulatory agency or self-regulatory agency; (g) violation of any policy or rule of the Company; or (h) unsatisfactory performance that does not meet expectations after coaching or counseling. The determination of the existence of 'Cause' shall be made in the sole discretion of the Corporation's Chief Human Resources Officer or his or her delegate."

2. In all other respects, said Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the President and Chief Executive Officer of the Company has executed this Amendment this 19th day of December 2019.

LINCOLN NATIONAL CORPORATION

/s/ Dennis R. Glass

By: Dennis R. Glass

Title: President and Chief Executive Officer

Exhibit 21

Subsidiaries of Lincoln National Corporation
As of December 31, 2019

	Organized Under Law of:	Ownership
Lincoln National Corporation	Indiana	100 %
First Penn-Pacific Life Insurance Company	Indiana	100 %
Jefferson-Pilot Investments, Inc.	North Carolina	100 %
Lincoln Financial Securities Corporation	New Hampshire	100 %
Lincoln Insurance Services Limited	England	100 %
Lincoln Investment Management Company	Delaware	100 %
Lincoln Financial Limited Liability Company I	Delaware	100 %
Lincoln National Management Corporation	Pennsylvania	100 %
Lincoln National Reinsurance Company (Barbados) Limited	Barbados	100 %
Lincoln Financial Reinsurance Company of Vermont	Vermont	100 %
The Lincoln National Life Insurance Company	Indiana	100 %
California Fringe Benefit and Insurance Marketing Corporation	California	100 %
LFA, Limited Liability Company	Indiana	100 %
LFD Insurance Agency, Limited Liability Company	Delaware	100 %
Lincoln Financial Advisors Corporation	Indiana	100 %
Lincoln Financial Distributors, Inc.	Connecticut	100 %
Lincoln Investment Advisors Corporation	Tennessee	100 %
Lincoln Investment Solutions, Inc.	Delaware	100 %
Lincoln Life & Annuity Company of New York	New York	100 %
Lincoln Life Assurance Company of Boston	New Hampshire	100 %
Lincoln Reinsurance Company of Vermont I	Vermont	100 %
Lincoln Reinsurance Company of South Carolina	South Carolina	100 %
Lincoln Reinsurance Company of Vermont III	Vermont	100 %
Lincoln Reinsurance Company of Vermont IV	Vermont	100 %
Lincoln Reinsurance Company of Vermont V	Vermont	100 %
Lincoln Reinsurance Company of Vermont VI	Vermont	100 %
Lincoln Reinsurance Company of Vermont VII	Vermont	100 %
Lincoln Retirement Services Company, LLC	Indiana	100 %
Lincoln Financial Group Trust Company, Inc.	New Hampshire	100 %
Westfield Assigned Benefits Company	Ohio	100 %

Those subsidiaries not listed would not, in the aggregate, constitute a “significant subsidiary” of Lincoln National Corporation, as that term is defined in Rule 1-02(w) of Regulation S-X.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements of Lincoln National Corporation and in the related prospectuses listed below:

1. Forms S-3
    - a. No. 333- 220731 pertaining to the Lincoln National Corporation automatic shelf registration for certain securities,
    - b. No. 333-228471 pertaining to the LNL Agents' 401(k) Savings Plan,
    - c. No. 333-225228 pertaining to the Lincoln National Corporation 2009 Amended and Restated Incentive Compensation Plan, and
    - d. No. 333-231903 pertaining to the Lincoln National Corporation Deferred Compensation Plan for Agents and Brokers;
2. Forms S-8
    - a. No. 333-203690 pertaining to the Lincoln National Corporation 2009 Amended and Restated Incentive Compensation Plan and the Jefferson-Pilot Corporation Long-Term Stock Incentive Plan,
    - b. No. 333-196233 pertaining to the Lincoln National Corporation 2014 Incentive Compensation Plan,
    - c. No. 333-155385 pertaining to the Lincoln National Corporation Deferred Compensation and Supplemental/Excess Retirement Plan,
    - d. No. 333-142872 pertaining to the Lincoln National Corporation Stock Option Plan for Non-Employee Directors,
    - e. No. 333-133039 pertaining to various Jefferson-Pilot Corporation benefit plans,
    - f. Nos. 333-143796 and 333-126452 pertaining to the Lincoln National Corporation Executive Deferred Compensation Plan for Employees,
    - g. Nos. 333-126020 pertaining to the Lincoln National Corporation Employees' Savings and Profit-Sharing Plan and 333-161989 pertaining to the Lincoln National Corporation Employees' Savings and Retirement Plan;
    - h. Nos. 333-143795 and 333-121069 pertaining to the Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors,
    - i. No. 033-58113 pertaining to the Lincoln National Corporation 1993 Stock Plan for Non-Employee Directors, and
    - j. No. 333-105344 pertaining to the Lincoln National Corporation 1993 Stock Plan for Non-Employee Directors;

of our reports dated February 20, 2020, with respect to the consolidated financial statements and financial statement schedules of Lincoln National Corporation and the effectiveness of internal control over financial reporting of Lincoln National Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2019.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
February 20, 2020

Exhibit 31.1

Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Dennis R. Glass, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lincoln National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in theregistrant's internal control over financial reporting.

Dated: February 20, 2020

/s/ Dennis R. Glass
Name: Dennis R. Glass
Title: President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Randal J. Freitag, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lincoln National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 20, 2020

/s/ Randal J. Freitag
Name: Randal J. Freitag
Title: Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lincoln National Corporation (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2019, (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2020

/s/ Dennis R. Glass
Name: Dennis R. Glass
Title: President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required under Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Lincoln National Corporation (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2019, (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2020	/s/ Randal J. Freitag
	Name: Randal J. Freitag
	Title: Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required under Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.