

LINCOLN NATIONAL CORP
Form 10-Q
November 08, 2010

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2010
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
(State or other jurisdiction of
incorporation or organization)

35-1140070
(I.R.S. Employer
Identification No.)

150 N. Radnor Chester Road, Radnor, Pennsylvania
(Address of principal executive offices)

19087
(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company

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

As of November 2, 2010, there were 316,760,578 shares of the registrant's common stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	As of September 30, 2010 (Unaudited)	As of December 31, 2009
ASSETS		
Investments:		
Available-for-sale securities, at fair value:		
Fixed maturity securities (amortized cost: 2010 - \$64,734; 2009 - \$60,757)	\$ 69,716	\$ 60,818
Variable interest entities' fixed maturity securities (amortized cost: 2010 - \$568)	585	-
Equity securities (cost: 2010 - \$174; 2009 - \$382)	205	278
Trading securities	2,711	2,505
Mortgage loans on real estate	6,799	7,178
Real estate	219	174
Policy loans	2,879	2,898
Derivative investments	1,904	1,010
Other investments	1,096	1,057
Total investments	86,114	75,918
Cash and invested cash	3,547	4,025
Deferred acquisition costs and value of business acquired	7,918	9,510
Premiums and fees receivable	308	321
Accrued investment income	989	889
Reinsurance recoverables	6,668	6,426
Goodwill	3,019	3,013
Other assets	3,351	3,831
Separate account assets	78,576	73,500
Total assets	\$ 190,490	\$ 177,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Future contract benefits	\$ 17,295	\$ 15,958
Other contract holder funds	66,903	64,147
Short-term debt	101	350
Long-term debt	5,943	5,050
Reinsurance related embedded derivatives	132	31
Funds withheld reinsurance liabilities	1,136	1,261
Deferred gain on business sold through reinsurance	487	543
Payables for collateral on investments	2,567	1,907
Variable interest entities' liabilities	156	-
Other liabilities	3,635	2,986
Separate account liabilities	78,576	73,500
Total liabilities	176,931	165,733

Contingencies and Commitments (See Note 11)

Stockholders' Equity

Preferred stock - 10,000,000 shares authorized:

Series A preferred stock - 10,914 and 11,497 shares issued and outstanding as of September 30, 2010, and December 31, 2009, respectively	-	-
Series B preferred stock - 950,000 shares outstanding as of December 31, 2009	-	806
Common stock - 800,000,000 shares authorized; 316,754,081 and 302,223,281 shares issued and outstanding as of September 30, 2010, and December 31, 2009, respectively	8,142	7,840
Retained earnings	3,755	3,316
Accumulated other comprehensive income (loss)	1,662	(262)
Total stockholders' equity	13,559	11,700
Total liabilities and stockholders' equity	\$ 190,490	\$ 177,433

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited, in millions, except per share data)

	For the Three Months Ended September 30, 2010		For the Nine Months Ended September 30, 2010	
	2010	2009	2010	2009
Revenues				
Insurance premiums	\$538	\$491	\$1,621	\$1,540
Insurance fees	769	766	2,351	2,157
Net investment income	1,132	1,071	3,358	3,055
Realized gain (loss):				
Total other-than-temporary impairment losses on securities	(99)	(148)	(187)	(578)
Portion of loss recognized in other comprehensive income	53	68	77	259
Net other-than-temporary impairment losses on securities recognized in earnings	(46)	(80)	(110)	(319)
Realized gain (loss), excluding other-than-temporary impairment losses on securities	89	(286)	132	(686)
Total realized gain (loss)	43	(366)	22	(1,005)
Amortization of deferred gain on business sold through reinsurance	19	18	56	56
Other revenues and fees	112	102	337	293
Total revenues	2,613	2,082	7,745	6,096
Benefits and Expenses				
Interest credited	622	614	1,853	1,848
Benefits	925	577	2,543	2,072
Underwriting, acquisition, insurance and other expenses	689	762	2,155	2,099
Interest and debt expense	74	68	212	129
Impairment of intangibles	-	(1)	-	602
Total benefits and expenses	2,310	2,020	6,763	6,750
Income (loss) from continuing operations before taxes	303	62	982	(654)
Federal income tax expense (benefit)	55	(19)	226	(141)
Income (loss) from continuing operations	248	81	756	(513)
Income (loss) from discontinued operations, net of federal income taxes	(2)	72	29	(74)
Net income (loss)	246	153	785	(587)
Preferred stock dividends and accretion of discount	-	(16)	(168)	(16)
Net income (loss) available to common stockholders	\$246	\$137	\$617	\$(603)
Earnings (Loss) Per Common Share - Basic				
Income (loss) from continuing operations	\$0.79	\$0.21	\$1.92	\$(1.94)
Income (loss) from discontinued operations	(0.01)	0.24	0.09	(0.27)
Net income (loss)	\$0.78	\$0.45	\$2.01	\$(2.21)
Earnings (Loss) Per Common Share - Diluted				
Income (loss) from continuing operations	\$0.76	\$0.21	\$1.85	\$(1.94)
Income (loss) from discontinued operations	(0.01)	0.23	0.09	(0.27)
Net income (loss)	\$0.75	\$0.44	\$1.94	\$(2.21)

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in millions, except per share data)

	For the Nine Months Ended September 30,	
	2010	2009
Preferred Stock		
Balance as of beginning-of-year	\$806	\$-
Issuance (redemption) of Series B preferred stock	(950)	794
Accretion of discount on Series B preferred stock	144	6
Balance as of end-of-period	-	800
Common Stock		
Balance as of beginning-of-year	7,840	7,035
Issuance of common stock	368	652
Issuance (repurchase and cancellation) of common stock warrants	(48)	156
Stock compensation/issued for benefit plans	11	(6)
Deferred compensation payable in stock	-	5
Effect of amendment to non-director deferred compensation plans	(29)	-
Balance as of end-of-period	8,142	7,842
Retained Earnings		