

Life Insurer Financial Analysis

Company Lincoln National
Life Ins Co

Ratings

A.M. Best Company (Best's Rating, 15 ratings)	A+
Standard & Poor's (Financial Strength, 20 ratings)	AA-
Moody's (Financial Strength, 21 ratings)	A2
Fitch Ratings (Financial Strength, 21 ratings)	A+

Asset Analysis

Total Admitted Assets	143,345,609
Total Liabilities	137,100,545
Separate Accounts	73,078,634
Total Surplus & AVR	6,461,262
As % of General Account Assets	9.2%

Invested Assets	67,006,961
Bonds (%)	77.3%
Stocks (%)	2.6%
Mortgages (%)	9.8%
Real Estate (%)	0.2%
Policy Loans (%)	3.4%
Cash & Short-Term (%)	3.2%
Other Invested Assets (%)	<u>3.5%</u>
	100.0%

Net Yield on Mean Invested Assets	
2009 (Industry Average 4.63%)	5.41%
2008 (Industry Average 5.40%)	5.75%
2007 (Industry Average 5.63%)	5.89%
2006 (Industry Average 5.54%)	5.83%
2005 (Industry Average 5.52%)	6.01%
5 Year Average (Industry Average 5.34%)	5.78%

Total Investment Return	
2009 (Industry Average 4.72%)	4.32%
2008 (Industry Average 3.36%)	4.19%
2007 (Industry Average 5.74%)	5.90%
2006 (Industry Average 6.06%)	6.02%
2005 (Industry Average 5.80%)	5.98%
5 Year Average (Industry Average 5.14%)	5.28%

Asset Growth	
2009 Total Admitted Assets	143,345,609
1-Year Growth	19.6%
3-Year Compound Growth	1.5%
2009 Total Surplus & AVR	6,461,262
1-Year Growth	32.8%
3-Year Compound Growth	5.0%

Data for Year-End 2009 from the life insurance companies' statutory annual statements. All dollar amounts are in thousands. All ratings shown are current as of June 15, 2010.

Presented by: George V Blaha, CLU, The BOLI Group, 18500 Lake Road, Suite 220, Cleveland, OH 44116-1744 Phone: 440-356-8858 Email: george.blaha@boligroup.com

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Asset Quality Analysis

Non-Investment Grade Bonds (Class 3 - 6)	
Non-Investment Grade Bonds/Total Bonds	7.4%
Non-Investment Grade Bonds/Surplus & AVR	61.9%
Non-Performing Bonds (Class 6)	
Non-Performing Bonds/Total Bonds	0.3%
Non-Performing Bonds/Surplus & AVR	2.9%
Non-Performing Mortgages & Real Estate	
Non-Performing Mort & R.E./ Total Mort & R.E.	0.0%
Non-Performing Mort & R.E./Surplus & AVR	0.0%
Non-Performing Assets/Surplus & AVR	
Bonds In or Near Default	2.9%
Problem Mortgages	0.0%
Real Estate Acquired by Foreclosure	<u>0.0%</u>
Total Non-Performing Assets/Surplus & AVR	2.9%
As a Percent of Invested Assets	0.3%

Bond Portfolio Analysis

Total Bonds Book Value	51,825,141
Total Bonds Market Value	52,403,243
Bonds Market Value/BookValue	101.1%
Quality	
Class 1: Highest Quality	60.1%
Class 2: Higher Quality	32.5%
Class 3: Medium Quality	4.7%
Class 4: Low Quality	1.7%
Class 5: Lower Quality	0.6%
Class 6: In or Near Default	0.3%
Weighted Bond Class	1.5
Maturity	
1 Year or Less	10.1%
1 to 5 Years	33.3%
5 to 10 Years	29.2%
10 to 20 Years	10.6%
Over 20 Years	16.7%
Weighted Bond Maturity (Years)	9.0

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Operating Income Analysis

Total Income	21,439,796
Total General Expenses	1,152,757
Total General Expenses/Total Income	5.4%
Earnings Before Policy Dividends & Taxes	1,053,003
Policy Dividends	60,449
Policy Dividends/Earnings	<u>5.7%</u>
Pretax Earnings from Operations	992,554
Federal Income Taxes	307,652
Income Taxes/Pretax Earnings	<u>31.0%</u>
Net Earnings from Operations	684,902
Net Realized Capital Gains	<u>-801,097</u>
Net Income	-116,195
As % of Admitted Assets	-0.1%
Unrealized Capital Gains	100,875

Premium Growth

2009 Total Premium Income	16,101,551
1-Year Growth	-12.6%
3-Year Compound Growth	-3.8%
2009 Ordinary Life Premium	2,004,865
1-Year Growth	-28.0%
3-Year Compound Growth	-15.8%

Profitability

Return on Assets	0.6%
Return on Equity	14.9%
2009 Lapse Ratio	6.8%
3-Year Average Lapse Ratio	6.5%
Net Investment Income	3,368,878
Required Interest	2,334,683
Interest Margin	44.3%
Ordinary Life Expenses/Premiums	7.2%
General Expenses/Total Income	5.4%
Commissions & General Expenses/Total Income	11.3%

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Analysis of Face Amount of Insurance

Total Insurance In Force	1,026,925,077
Ordinary Life	76.6%
Group Life	23.3%
Other	0.1%
Total Reinsurance Ceded	668,111,812
% of In Force Ceded	
Ordinary Life	84.1%
Group Life	2.4%
Other	92.0%
Ordinary Life Policies In Force	6,230,340
Average Policy Size (in dollars)	126,290
Ordinary Life Policies Issued in 2009	51,324
Average Policy Size (in dollars)	918,320

Analysis by Line of Business

Net Premiums Written	16,101,551
Individual	
Life	12.5%
Annuities	63.6%
Health	0.1%
Group	
Life	3.2%
Annuities	14.3%
Health	6.3%
Credit Life & Health	0.0%
Other Lines	0.0%
Net Earnings from Operations	684,902
Individual	
Life	-0.9%
Annuities	87.8%
Health	0.8%
Group	
Life	7.4%
Annuities	8.1%
Health	5.2%
Credit Life & Health	0.0%
Other Lines	-8.4%

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