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 June 30, 2022
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)

(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)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	LNC	New York Stock Exchange

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 Exchange Act).
Yes ☐ No ☒

As of August 1, 2022, there were 170,226,073 shares of the registrant's common stock outstanding.

Lincoln National Corporation

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. **Financial Statements**

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

	As of June 30, 2022 (Unaudited)	As of December 31, 2021
ASSETS		
Investments:		
Fixed maturity available-for-sale securities, at fair value		
(amortized cost: 2022 - $109,647; 2021 - $105,177; allowance for credit losses: 2022 - $12; 2021 - $19)	$ 103,365	$ 118,746
Trading securities	3,822	4,482
Equity securities	344	318
Mortgage loans on real estate, net of allowance for credit losses		
(portion at fair value: 2022 - $528; 2021 - $739)	17,922	17,991
Policy loans	2,368	2,364
Derivative investments	3,370	5,437
Other investments	4,054	4,292
Total investments	135,245	153,630
Cash and invested cash	1,567	2,612
Deferred acquisition costs and value of business acquired	11,872	6,081
Premiums and fees receivable	656	580
Accrued investment income	1,226	1,189
Reinsurance recoverables, net of allowance for credit losses	19,909	20,295
Funds withheld reinsurance assets	506	517
Goodwill	1,778	1,778
Other assets	17,219	18,036
Separate account assets	145,791	182,583
Total assets	$ 335,769	$ 387,301
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Future contract benefits	$ 39,306	$ 41,030
Other contract holder funds	115,127	111,702
Short-term debt	-	300
Long-term debt	6,498	6,325
Reinsurance-related embedded derivatives	-	206
Funds withheld reinsurance liabilities	2,229	2,118
Payables for collateral on investments	7,524	8,946
Other liabilities	10,106	13,819
Separate account liabilities	145,791	182,583
Total liabilities	326,581	367,029
Contingencies and Commitments (See Note 10)		
Stockholders' Equity		
Preferred stock – 10,000,000 shares authorized	-	-
Common stock – 800,000,000 shares authorized; 170,224,116 and 177,193,515 shares issued and outstanding as of June 30, 2022, and December 31, 2021, respectively	4,546	4,735
Retained earnings	8,985	9,096
Accumulated other comprehensive income (loss)	(4,343)	6,441
Total stockholders' equity	9,188	20,272
Total liabilities and stockholders' equity	$ 335,769	$ 387,301

See accompanying Notes to Consolidated Financial Statements

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues				
Insurance premiums	$ 1,498	$ 1,398	$ 2,975	$ 2,804
Fee income	1,506	1,670	3,075	3,262
Net investment income	1,369	1,584	2,781	3,094
Realized gain (loss)	522	(2)	551	(182)
Amortization of deferred gain on business sold through reinsurance	19	9	38	17
Other revenues	190	192	371	391
Total revenues	5,104	4,851	9,791	9,386
Expenses				
Interest credited	706	737	1,403	1,474
Benefits	2,890	1,930	5,456	4,156
Commissions and other expenses	1,127	1,326	2,362	2,556
Interest and debt expense	68	65	134	131
Spark program expense	44	21	75	35
Total expenses	4,835	4,079	9,430	8,352
Income (loss) before taxes	269	772	361	1,034
Federal income tax expense (benefit)	31	130	20	167
Net income (loss)	238	642	341	867
Other comprehensive income (loss), net of tax	(5,593)	1,718	(10,784)	(1,452)
Comprehensive income (loss)	$ (5,355)	$ 2,360	$ (10,443)	$ (585)
Net Income (Loss) Per Common Share				
Basic	$ 1.39	$ 3.38	$ 1.98	$ 4.54
Diluted	1.34	3.34	1.91	4.51
Cash Dividends Declared Per Common Share	$ 0.45	$ 0.42	$ 0.90	$ 0.84

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Common Stock				
Balance as of beginning-of-period	$ 4,586	$ 5,057	$ 4,735	$ 5,082
Stock compensation/issued for benefit plans	9	23	15	48
Retirement of common stock/cancellation of shares	(49)	(59)	(204)	(109)
Balance as of end-of-period	4,546	5,021	4,546	5,021
Retained Earnings				
Balance as of beginning-of-period	8,876	8,775	9,096	8,686
Net income (loss)	238	642	341	867
Retirement of common stock	(51)	(91)	(296)	(146)
Common stock dividends declared	(78)	(81)	(156)	(162)
Balance as of end-of-period	8,985	9,245	8,985	9,245
Accumulated Other Comprehensive Income (Loss)				
Balance as of beginning-of-period	1,250	5,761	6,441	8,931
Other comprehensive income (loss), net of tax	(5,593)	1,718	(10,784)	(1,452)
Balance as of end-of-period	(4,343)	7,479	(4,343)	7,479
Total stockholders' equity as of end-of-period	$ 9,188	$ 21,745	$ 9,188	$ 21,745

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	For the Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income (loss)	$ 341	$ 867
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Realized (gain) loss	(551)	182
Sales and maturities (purchases) of trading securities, net	117	210
Amortization of deferred gain on business sold through reinsurance	(38)	(17)
Change in:		
Deferred acquisition costs, value of business acquired, deferred sales inducements and deferred front-end loads deferrals and interest, net of amortization	2	115
Premiums and fees receivable	(76)	(97)
Accrued investment income	(40)	(10)
Insurance liabilities and reinsurance-related balances	3,083	(1,438)
Accrued expenses	(371)	42
Federal income tax accruals	74	167
Other	167	(252)
Net cash provided by (used in) operating activities	2,708	(231)
Cash Flows from Investing Activities		
Purchases of available-for-sale securities and equity securities	(8,204)	(8,304)
Sales of available-for-sale securities and equity securities	308	1,269
Maturities of available-for-sale securities	3,231	4,700
Purchases of alternative investments	(329)	(361)
Sales and repayments of alternative investments	183	128
Issuance of mortgage loans on real estate	(1,368)	(1,634)
Repayment and maturities of mortgage loans on real estate	1,428	851
Repayment (issuance) of policy loans, net	(5)	16
Net change in collateral on investments, derivatives and related settlements	(1,892)	1,888
Other	(101)	(71)
Net cash provided by (used in) investing activities	(6,749)	(1,518)
Cash Flows from Financing Activities		
Payment of long-term debt, including current maturities	(300)	-
Issuance of long-term debt, net of issuance costs	297	-
Payment related to sale-leaseback transactions	(47)	-
Proceeds from certain financing arrangements	53	50
Deposits of fixed account values, including the fixed portion of variable	6,900	6,375
Withdrawals of fixed account values, including the fixed portion of variable	(3,298)	(3,299)
Transfers from (to) separate accounts, net	62	(229)
Common stock issued for benefit plans	(14)	12
Repurchase of common stock	(500)	(255)
Dividends paid to common stockholders	(157)	(161)
Other	-	(63)
Net cash provided by (used in) financing activities	2,996	2,430
Net increase (decrease) in cash, invested cash and restricted cash	(1,045)	681
Cash, invested cash and restricted cash as of beginning-of-year	2,612	1,708
Cash, invested cash and restricted cash as of end-of-period	$ 1,567	$ 2,389

See accompanying Notes to Consolidated Financial Statements

LINCOLN NATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations and Basis of Presentation

Nature of Operations

Lincoln National Corporation and its 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 14 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 and VUL, 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 unaudited consolidated financial statements are prepared in accordance with United States of America generally accepted accounting principles ("GAAP") for interim financial information and with the instructions for the Securities and Exchange Commission ("SEC") Quarterly Report on Form 10-Q, including Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The information contained in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K"), should be read in connection with the reading of these interim unaudited consolidated financial statements.

Certain GAAP policies, which significantly affect the determination of financial condition, results of operations and cash flows, are summarized in our 2021 Form 10-K.

In the opinion of management, these statements include all normal recurring adjustments necessary for a fair presentation of the Company's results. Interim results for the six months ended June 30, 2022, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022, especially when considering the risks and uncertainties associated with the COVID-19 pandemic and the future impacts of the pandemic on our business, results of operations and financial condition. All material inter-company accounts and transactions have been eliminated in consolidation.

2. New Accounting Standards

The following table provides a description of our adoption of new Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB") and the impact of the adoption on the consolidated financial statements. ASUs not listed below were assessed and determined to be either not applicable or insignificant in presentation or amount.

Standard	Description	Effective Date	Effect on Financial Statements or Other Significant Matters
ASU 2020-04, Reference Rate Reform (Topic 848) and related amendments	The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform. If certain criteria are met, an entity will not be required to remeasure or reassess contracts impacted by reference rate reform. Additionally, changes to the critical terms of a hedging relationship affected by reference rate reform will not require entities to de-designate the relationship if certain requirements are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, with certain exceptions. The amendments are effective for contract modifications made between March 12, 2020, and December 31, 2022.	March 12, 2020 through December 31, 2022	This standard may be elected and applied prospectively as reference rate reform unfolds. We have elected practical expedients to maintain hedge accounting for certain derivatives. We will continue to evaluate our options under this guidance as our reference rate reform adoption process continues. This ASU has not had a material impact to our consolidated financial condition and results of operations, but we will continue to evaluate those impacts as our transition progresses.

Standard	Description	Effective Date	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 deferred acquisition costs. 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 effective January 1, 2023, and early adoption is permitted.	January 1, 2023	We will adopt this ASU effective January 1, 2023, with a transition date of January 1, 2021, using a modified retrospective approach, except for market risk benefits in which we will apply a full retrospective transition approach. We continue to make progress in our implementation process that includes, but is not limited to, making significant accounting policy decisions, employing appropriate internal controls, building and updating actuarial models and systems, revising reporting processes and developing informative qualitative and quantitative disclosures. In the second quarter of 2022, we continued the process of calculating our transition adjustments and applicable prior period restatements. We are currently evaluating the impact of adopting this ASU on our consolidated financial condition and results of operations and will be able to better assess the effects as we progress with our implementation efforts. For example, upon adoption, there will be adjustments to retained earnings resulting from the remeasurement of certain current benefits (e.g., guaranteed minimum death benefits on variable annuities) to fair valued market risk benefits, excluding the portion attributable to non-performance risk, which will result in an impact to AOCI. There will be additional impacts to AOCI resulting from the remeasurement of in-force future contract benefits using current upper-medium grade fixed income instrument yields as well as the elimination of shadow accounting for DAC and DAC-like intangibles. While the impact to the consolidated financial statements may be material, the magnitude is currently being assessed.

3. Variable Interest Entities

Consolidated VIEs

Asset information (dollars in millions) for the consolidated variable interest entities ("VIEs") included on our Consolidated Balance Sheets was as follows:

	As of June 30, 2022			As of December 31, 2021		
	Number of Instruments	Notional Amounts	Carrying Value	Number of Instruments	Notional Amounts	Carrying Value
Assets						
Total return swap	1	$ 566	$ -	1	$ 594	$ -

There were no gains or losses for consolidated VIEs recognized on our Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2022 and 2021.

Unconsolidated VIEs

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 asset-backed securities ("ABS"), residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"). 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 4.

Limited Partnerships and Limited Liability Companies

We invest in certain limited partnerships ("LPs") and limited liability companies ("LLCs") that we have concluded are VIEs. Our exposure to loss is limited to the capital we invest in the LPs and LLCs. 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 $3.1 billion and $2.9 billion as of June 30, 2022, and December 31, 2021, respectively.

4. Investments

Fixed Maturity AFS Securities

The amortized cost, gross unrealized gains and losses, allowance for credit losses and fair value of fixed maturity available-for-sale ("AFS") securities (in millions) were as follows:

	As of June 30, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity AFS securities:					
Corporate bonds	$ 88,791	$ 1,648	$ 7,274	$ 7	$ 83,158
U.S. government bonds	415	14	14	-	415
State and municipal bonds	5,422	421	320	-	5,523
Foreign government bonds	361	26	39	-	348
RMBS	2,241	51	107	3	2,182
CMBS	1,708	2	153	-	1,557
ABS	10,274	47	610	1	9,710
Hybrid and redeemable preferred securities	435	73	35	1	472
Total fixed maturity AFS securities	$ 109,647	$ 2,282	$ 8,552	$ 12	$ 103,365

	As of December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Fixed maturity AFS securities:					
Corporate bonds	$ 86,373	$ 12,113	$ 349	$ 17	$ 98,120
U.S. government bonds	375	60	2	-	433
State and municipal bonds	5,322	1,311	12	-	6,621
Foreign government bonds	373	64	5	-	432
RMBS	2,334	196	4	1	2,525
CMBS	1,552	61	14	-	1,599
ABS	8,439	127	54	-	8,512
Hybrid and redeemable preferred securities	409	107	11	1	504
Total fixed maturity AFS securities	$ 105,177	$ 14,039	$ 451	$ 19	$ 118,746

The amortized cost and fair value of fixed maturity AFS securities by contractual maturities (in millions) as of June 30, 2022, were as follows:

	Amortized Cost	Fair Value
Due in one year or less	$ 2,954	$ 2,937
Due after one year through five years	16,924	16,490
Due after five years through ten years	19,019	17,808
Due after ten years	56,527	52,681
Subtotal	95,424	89,916
Structured securities (RMBS, CMBS, ABS)	14,223	13,449
Total fixed maturity AFS securities	$ 109,647	$ 103,365

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 of fixed maturity AFS securities (dollars in millions) for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

	As of June 30, 2022					
	Less Than or Equal to Twelve Months		Greater Than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses (1)
Fixed maturity AFS securities:						
Corporate bonds	$ 58,009	$ 6,369	$ 3,162	$ 905	$ 61,171	$ 7,274
U.S. government bonds	228	9	23	5	251	14
State and municipal bonds	1,854	299	69	21	1,923	320
Foreign government bonds	85	21	74	18	159	39
RMBS	1,346	103	30	4	1,376	107
CMBS	1,290	110	211	43	1,501	153
ABS	7,777	527	1,077	83	8,854	610
Hybrid and redeemable preferred securities	134	14	65	21	199	35
Total fixed maturity AFS securities	$ 70,723	$ 7,452	$ 4,711	$ 1,100	$ 75,434	$ 8,552
Total number of fixed maturity AFS securities in an unrealized loss position						7,122

	As of December 31, 2021					
	Less Than or Equal to Twelve Months		Greater Than Twelve Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses (1)
Fixed maturity AFS securities:						
Corporate bonds	$ 10,796	$ 234	$ 1,567	$ 115	$ 12,363	$ 349
U.S. government bonds	6	-	26	2	32	2
State and municipal bonds	522	11	24	1	546	12
Foreign government bonds	61	3	56	2	117	5
RMBS	262	3	22	1	284	4
CMBS	446	12	37	2	483	14
ABS	4,646	49	165	5	4,811	54
Hybrid and redeemable preferred securities	47	1	76	10	123	11
Total fixed maturity AFS securities	$ 16,786	$ 313	$ 1,973	$ 138	$ 18,759	$ 451
Total number of fixed maturity AFS securities in an unrealized loss position						2,597

(1) As of June 30, 2022, and December 31, 2021, we recognized $5 million and $8 million of gross unrealized losses, respectively, in other comprehensive income (loss) ("OCI") for fixed maturity AFS securities for which an allowance for credit losses has been recorded.

The fair value, gross unrealized losses (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 June 30, 2022		
	Fair Value	Gross Unrealized Losses	Number of Securities (1)
Less than six months	$ 8,166	$ 2,797	1,040
Six months or greater, but less than nine months	4	1	3
Twelve months or greater	1	1	17
Total	$ 8,171	$ 2,799	1,060

	As of December 31, 2021		
	Fair Value	Gross Unrealized Losses	Number of Securities (1)
Less than six months	$ 12	$ 3	6
Twelve months or greater	58	8	24
Total	$ 70	$ 11	30

(1) We may reflect a security in more than one aging category based on various purchase dates.

Our gross unrealized losses on fixed maturity AFS securities increased by $8.1 billion for the six months ended June 30, 2022. As discussed further below, we believe the unrealized loss position as of June 30, 2022, did not require an impairment recognized in earnings 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 difference in the fair value compared to the amortized cost was due to factors other than credit loss. Based upon this evaluation as of June 30, 2022, 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 impaired securities.

As of June 30, 2022, the unrealized losses associated with our corporate bond, U.S. government bond, state and municipal bond and foreign government 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 of each impaired security.

Credit ratings express opinions about the credit quality of a security. Securities rated investment grade (those rated BBB- or higher by S&P Global Ratings ("S&P") 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 June 30, 2022, and December 31, 2021, 96% of the fair value of our corporate bond portfolio was rated investment grade. As of June 30, 2022, and December 31, 2021, the portion of our corporate bond portfolio rated below investment grade had an amortized cost of $3.7 billion and a fair value of $3.5 billion and $3.8 billion, respectively. Based upon the analysis discussed above, we believe that as of June 30, 2022, and December 31, 2021, we would have recovered the amortized cost of each corporate bond.

As of June 30, 2022, the unrealized losses associated with our mortgage-backed securities 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 impaired security.

As of June 30, 2022, 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 impaired security.

Credit Loss Impairment on Fixed Maturity AFS Securities

We regularly review our fixed maturity AFS securities for declines in fair value that we determine to be impairment-related, including those attributable to credit risk factors that may require an allowance for credit losses. Changes in the allowance for credit losses on fixed maturity AFS securities (in millions), aggregated by investment category, were as follows:

	For the Three Months Ended June 30, 2022			
	Corporate Bonds	RMBS	Other	Total
Balance as of beginning-of-period	$ 16	$ 2	$ 2	$ 20
Additions for securities for which credit losses were not previously recognized	1	-	-	1
Additions from purchases of PCD debt securities (1)	-	-	-	-
Additions (reductions) for securities for which credit losses were previously recognized	2	1	-	3
Reductions for securities charged-off	(12)	-	-	(12)
Balance as of end-of-period (2)	$ 7	$ 3	$ 2	$ 12

	For the Six Months Ended June 30, 2022			
	Corporate Bonds	RMBS	Other	Total
Balance as of beginning-of-year	$ 17	$ 1	$ 1	$ 19
Additions for securities for which credit losses were not previously recognized	1	-	1	2
Additions from purchases of PCD debt securities (1)	-	-	-	-
Additions (reductions) for securities for which credit losses were previously recognized	2	2	-	4
Reductions for securities disposed	(1)	-	-	(1)
Reductions for securities charged-off	(12)	-	-	(12)
Balance as of end-of-period (2)	$ 7	$ 3	$ 2	$ 12

	For the Three Months Ended June 30, 2021			
	Corporate Bonds	RMBS	Other	Total
Balance as of beginning-of-period	$ 13	$ 1	$ -	$ 14
Additions from purchases of PCD debt securities (1)	-	-	-	-
Additions (reductions) for securities for which credit losses were previously recognized	1	-	-	1
Reductions for securities charged-off	(6)	-	-	(6)
Balance as of end-of-period (2)	$ 8	$ 1	$ -	$ 9

	For the Six Months Ended June 30, 2021			
	Corporate Bonds	RMBS	Other	Total
Balance as of beginning-of-year	$ 12	$ 1	$ -	$ 13
Additions from purchases of PCD debt securities (1)	-	-	-	-
Additions (reductions) for securities for which credit losses were previously recognized	2	-	-	2
Reductions for securities charged-off	(6)	-	-	(6)
Balance as of end-of-period (2)	$ 8	$ 1	$ -	$ 9

(1) Represents purchased credit-deteriorated ("PCD") fixed maturity AFS securities.
(2) As of June 30, 2022 and 2021, accrued investment income on fixed maturity AFS securities totaled $1.0 billion, and was excluded from the estimate of credit losses.

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 June 30, 2022			As of December 31, 2021		
	Commercial	Residential	Total	Commercial	Residential	Total
Current	$ 16,593	$ 1,055	$ 17,648	$ 17,167	$ 837	$ 18,004
30 to 59 days past due	303	23	326	15	21	36
60 to 89 days past due	-	3	3	-	5	5
90 or more days past due	-	25	25	-	29	29
Allowance for credit losses	(72)	(9)	(81)	(79)	(17)	(96)
Unamortized premium (discount)	(10)	31	21	(11)	27	16
Mark-to-market gains (losses) (1)	(20)	-	(20)	(3)	-	(3)
Total carrying value	$ 16,794	$ 1,128	$ 17,922	$ 17,089	$ 902	$ 17,991

(1) Represents the mark-to-market on certain mortgage loans on real estate for which we have elected the fair value option. See Note 13 for additional information.

Our commercial mortgage loan portfolio has the largest concentrations in California, which accounted for 27% and 26% of commercial mortgage loans on real estate as of June 30, 2022, and December 31, 2021, respectively, and Texas, which accounted for 9% of commercial mortgage loans on real estate as of June 30, 2022, and December 31, 2021.

Our residential mortgage loan portfolio has the largest concentrations in California, which accounted for 20% and 22% of residential mortgage loans on real estate as of June 30, 2022, and December 31, 2021, respectively, and Florida, which accounted for 11% and 14% of residential mortgage loans on real estate as of June 30, 2022, and December 31, 2021, respectively.

As of June 30, 2022, and December 31, 2021, we had 63 and 65 residential mortgage loans, respectively, that were either delinquent or in foreclosure. As of June 30, 2022, and December 31, 2021, we had 41 and 34 residential mortgage loans in foreclosure, respectively, with an aggregate carrying value of $17 million and $15 million, respectively.

As of June 30, 2022, and December 31, 2021, there were five and four specifically identified impaired commercial mortgage loans, respectively, with an aggregate carrying value of $1 million.

As of June 30, 2022, and December 31, 2021, there were 32 and 50 specifically identified impaired residential mortgage loans, respectively, with an aggregate carrying value of $10 million and $22 million, respectively.

Additional information related to impaired mortgage loans on real estate (in millions) was as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Average aggregate carrying value for impaired mortgage loans on real estate	$ 15	$ 37	$ 18	$ 36
Interest income recognized on impaired mortgage loans on real estate	-	-	-	-
Interest income collected on impaired mortgage loans on real estate	-	-	-	-

The amortized cost of mortgage loans on real estate on nonaccrual status (in millions) was as follows:

	As of June 30, 2022		As of December 31, 2021	
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual	Nonaccrual with no Allowance for Credit Losses	Nonaccrual
Commercial mortgage loans on real estate	$ -	$ -	$ -	$ -
Residential mortgage loans on real estate	-	26	-	30
Total	$ -	$ 26	$ -	$ 30

We use loan-to-value and debt-service coverage ratios as credit quality indicators for our commercial mortgage loans on real estate. The amortized cost of commercial mortgage loans on real estate (dollars in millions) by year of origination and credit quality indicator was as follows:

	As of June 30, 2022						
	Less than 65%	Debt-Service Coverage Ratio	65% to 75%	Debt-Service Coverage Ratio	Greater than 75%	Debt-Service Coverage Ratio	Total
Origination Year							
2022	$ 963	2.20	$ 51	1.55	$ -	-	$ 1,014
2021	2,363	3.05	77	1.52	-	-	2,440
2020	1,328	2.99	19	1.54	-	-	1,347
2019	2,702	2.14	159	1.48	-	-	2,861
2018	2,189	2.13	151	1.56	15	0.54	2,355
2017 and prior	6,575	2.38	267	1.48	27	0.81	6,869
Total	$ 16,120		$ 724		$ 42		$ 16,886

	As of December 31, 2021										
	Less than 65%		Debt-Service Coverage Ratio	65% to 75%		Debt-Service Coverage Ratio	Greater than 75%		Debt-Service Coverage Ratio	Total	
Origination Year											
2021	$	2,384	3.04	$	136	1.74	$	-	-	$	2,520
2020		1,358	3.03		144	2.06		-	-		1,502
2019		2,917	2.15		188	1.42		-	-		3,105
2018		2,274	2.13		172	1.59		15	1.02		2,461
2017		1,655	2.33		149	1.74		27	0.83		1,831
2016 and prior		5,554	2.41		171	1.76		27	1.08		5,752
Total	$	16,142		$	960		$	69		$	17,171

We use loan performance status as the primary credit quality indicator for our residential mortgage loans on real estate. The amortized cost of residential mortgage loans on real estate (in millions) by year of origination and credit quality indicator was as follows:

	As of June 30, 2022					
	Performing		Nonperforming		Total	
Origination Year						
2022	$	232	$	-	$	232
2021		557		2		559
2020		100		3		103
2019		145		18		163
2018		77		3		80
2017 and prior		-		-		-
Total	$	1,111	$	26	$	1,137

	As of December 31, 2021					
	Performing		Nonperforming		Total	
Origination Year						
2021	$	467	$	2	$	469
2020		129		2		131
2019		189		21		210
2018		104		5		109
2017		-		-		-
2016 and prior		-		-		-
Total	$	889	$	30	$	919

Credit Losses on Mortgage Loans on Real Estate

In connection with our recognition of an allowance for credit losses for mortgage loans on real estate, we perform a quantitative analysis using a probability of default/loss given default/exposure at default approach to estimate expected credit losses in our mortgage loan portfolio as well as unfunded commitments related to commercial mortgage loans, exclusive of certain mortgage loans held at fair value.

Changes in the allowance for credit losses on mortgage loans on real estate (in millions) were as follows:

	For the Three Months Ended June 30, 2022					
	Commercial		Residential		Total	
Balance as of beginning-of-period	$	59	$	18	$	77
Additions (reductions) from provision for credit loss expense (1)		13		(9)		4
Additions from purchases of PCD mortgage loans on real estate		-		-		-
Balance as of end-of-period (2)	$	72	$	9	$	81

	For the Six Months Ended June 30, 2022		
	Commercial	Residential	Total
Balance as of beginning-of-year	$ 79	$ 17	$ 96
Additions (reductions) from provision for credit loss expense (1)	(7)	(8)	(15)
Additions from purchases of PCD mortgage loans on real estate	-	-	-
Balance as of end-of-period (2)	$ 72	$ 9	$ 81

	For the Three Months Ended June 30, 2021		
	Commercial	Residential	Total
Balance as of beginning-of-period	$ 172	$ 12	$ 184
Additions (reductions) from provision for credit loss expense (1)	(16)	2	(14)
Additions from purchases of PCD mortgage loans on real estate	-	-	-
Balance as of end-of-period (2)	$ 156	$ 14	$ 170

	For the Six Months Ended June 30, 2021		
	Commercial	Residential	Total
Balance as of beginning-of-year	$ 187	$ 17	$ 204
Additions (reductions) from provision for credit loss expense (1)	(31)	(3)	(34)
Additions from purchases of PCD mortgage loans on real estate	-	-	-
Balance as of end-of-period (2)	$ 156	$ 14	$ 170

(1) We recognized less than $(1) million and $(1) million of credit loss benefit (expense) related to unfunded commitments for mortgage loans on real estate for the three months ended June 30, 2022 and 2021, respectively. We recognized $(1) million and $2 million of credit loss benefit (expense) related to unfunded commitments for mortgage loans on real estate for the six months ended June 30, 2022 and 2021, respectively.

(2) Accrued investment income on mortgage loans on real estate totaled $49 million and $50 million as of June 30, 2022 and 2021, respectively, and was excluded from the estimate of credit losses.

Alternative Investments

As of June 30, 2022, and December 31, 2021, alternative investments included investments in 326 and 311 different partnerships, respectively, and represented approximately 2% of total investments.

Impairments on Fixed Maturity AFS Securities

Details underlying credit loss benefit (expense) incurred as a result of impairments that were recognized in net income (loss) and included in realized gain (loss) on fixed maturity AFS securities (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Credit Loss Benefit (Expense)				
Fixed maturity AFS securities:				
Corporate bonds	$ (3)	$ 1	$ (2)	$ (1)
RMBS	(1)	-	(2)	-
ABS	-	-	(1)	-
Gross credit loss benefit (expense)	(4)	1	(5)	(1)
Associated amortization of DAC, VOBA, DSI and DFEL (1)	-	-	-	-
Net credit loss benefit (expense)	$ (4)	$ 1	$ (5)	$ (1)

(1) Deferred acquisition costs ("DAC"), value of business acquired ("VOBA"), deferred sales inducements ("DSI") and deferred front-end loads ("DFEL").

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 June 30, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Collateral payable for derivative investments (1)	$ 3,295	$ 3,295	$ 5,575	$ 5,575
Securities pledged under securities lending agreements (2)	299	291	241	235
Investments pledged for Federal Home Loan Bank of Indianapolis (3)	3,930	5,259	3,130	4,876
Total payables for collateral on investments	$ 7,524	$ 8,845	$ 8,946	$ 10,686

(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. This also includes interest payable on collateral. See Note 5 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 investments for Federal Home Loan Bank ("FHLB") of Indianapolis ("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.

We have repurchase agreements through which we can obtain liquidity by pledging securities. 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 June 30, 2022, and December 31, 2021, we were not participating in any open repurchase agreements.

Increase (decrease) in payables for collateral on investments (in millions) consisted of the following:

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Collateral payable for derivative investments	$ (2,280)	$ 1,415
Securities pledged under securities lending agreements	58	112
Investments pledged for FHLBI	800	450
Total increase (decrease) in payables for collateral on investments	$ (1,422)	$ 1,977

We have elected not to offset our securities lending transactions in the consolidated financial statements. The remaining contractual maturities of securities lending transactions accounted for as secured borrowings (in millions) were as follows:

	As of June 30, 2022				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater Than 90 Days	Total
Securities Lending					
Corporate bonds	$ 288	$ -	$ -	$ -	$ 288
Foreign government bonds	10	-	-	-	10
Equity securities	1	-	-	-	1
Total gross secured borrowings	$ 299	$ -	$ -	$ -	$ 299

	As of December 31, 2021				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater Than 90 Days	Total
Securities Lending					
Corporate bonds	$ 239	$ -	$ -	$ -	$ 239
Foreign government bonds	1	-	-	-	1
Equity securities	1	-	-	-	1
Total gross secured borrowings	$ 241	$ -	$ -	$ -	$ 241

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 consolidated financial statements. In addition, we receive securities in connection with securities borrowing agreements that we are permitted to sell or re-pledge. As of June 30, 2022, the fair value of all collateral received that we are permitted to sell or re-pledge was $25 million, and we had re-pledged all of this collateral to cover initial margin and over-the-counter collateral requirements on certain derivative investments.

Investment Commitments

As of June 30, 2022, our investment commitments were $2.7 billion, which included $1.5 billion of LPs, $806 million of private placement securities and $384 million of mortgage loans on real estate.

Concentrations of Financial Instruments

As of June 30, 2022, and December 31, 2021, our most significant investments in one issuer were our investments in securities issued by the Federal National Mortgage Association with a fair value of $799 million and $926 million, respectively, or 1% of total investments, and our investments in securities issued by the Federal Home Loan Mortgage Corporation with a fair value of $797 million and $953 million, respectively, or 1% of total investments. These concentrations include fixed maturity AFS, trading and equity securities.

As of June 30, 2022, and December 31, 2021, our most significant investments in one industry were our investments in securities in the financial services industry with a fair value of $17.1 billion and $19.2 billion, respectively, or 13% and 12%, respectively, of total investments, and our investments in securities in the consumer non-cyclical industry with a fair value of $16.1 billion and $19.6 billion, respectively, or 12% and 13%, respectively, of total investments. These concentrations include fixed maturity AFS, trading and equity securities.

5. 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, commodity 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 13 for additional disclosures related to the fair value of our derivative instruments.

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® Index and Other Indices

We use call options to hedge the liability exposure on certain options in variable annuity, indexed variable annuity and fixed indexed 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 S&P 500 Index 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 six 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 counterparties to pay us 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 and indexed 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.

Commodity Contracts

We use commodity contracts to economically hedge certain investments that are closely tied to the changes in commodity values. The commodity contract is an over-the-counter contract that combines a purchase put/sold call to lock in a commodity price within a predetermined range in exchange for a net premium.

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 ("CDSs") to hedge the liability exposure on certain options in variable annuity products.

We buy CDSs to hedge against a drop in bond prices due to credit concerns of certain bond issuers. A CDS 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.

CDSs – Selling Protection

We use CDSs to hedge the liability exposure on certain options in variable annuity products.

We sell CDSs to offer credit protection to contract holders and investors. The CDSs hedge the contract holders and investors against a drop in bond prices due to credit concerns of certain bond issuers. A CDS 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

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 Accounting Standards Codification ("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 guaranteed living benefit ("GLB") feature.

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 guaranteed withdrawal benefit and guaranteed income benefit 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.

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® Index 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 six 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 modified coinsurance 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 June 30, 2022			As of December 31, 2021		
	Notional	Fair Value		Notional	Fair Value	
	Amounts	Asset	Liability	Amounts	Asset	Liability
Qualifying Hedges						
Cash flow hedges:						
Interest rate contracts [1]	$ 3,347	$ 8	$ 227	$ 3,222	$ 98	$ 436
Foreign currency contracts [1]	4,281	598	8	3,979	283	51
Total cash flow hedges	7,628	606	235	7,201	381	487
Fair value hedges:						
Interest rate contracts [1]	1,156	-	92	1,157	-	213
Non-Qualifying Hedges						
Interest rate contracts [1]	89,687	596	579	82,786	897	176
Foreign currency contracts [1]	382	27	1	487	7	2
Equity market contracts [1]	94,669	4,598	1,813	92,641	6,461	2,108
Commodity contracts [1]	10	9	-	-	-	-
Credit contracts [1]	244	-	-	49	-	-
Embedded derivatives:						
GLB direct [2]	-	1,400	-	-	1,963	-
GLB ceded [2]	-	41	136	-	56	182
Reinsurance-related [3]	-	305	-	-	-	206
Indexed annuity and IUL contracts [2] [4]	-	440	3,366	-	528	6,131
Total derivative instruments	$ 193,776	$ 8,022	$ 6,222	$ 184,321	$ 10,293	$ 9,505

(1) Reported in derivative investments and other liabilities on our Consolidated Balance Sheets.
(2) Reported in other assets and other liabilities on our Consolidated Balance Sheets.
(3) Reported in other assets and 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 June 30, 2022					
	Less Than 1 Year	1 - 5 Years	6 - 10 Years	11 - 30 Years	Over 30 Years	Total
Interest rate contracts [1]	$ 24,276	$ 29,824	$ 21,587	$ 17,290	$ 1,213	$ 94,190
Foreign currency contracts [2]	295	633	1,627	2,014	94	4,663
Equity market contracts	55,093	22,871	7,303	10	9,392	94,669
Commodity contracts	10	-	-	-	-	10
Credit contracts	-	244	-	-	-	244
Total derivative instruments with notional amounts	$ 79,674	$ 53,572	$ 30,517	$ 19,314	$ 10,699	$ 193,776

(1) As of June 30, 2022, 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 June 30, 2022, the latest maturity date for which we were hedging our exposure to the variability in future cash flows for these instruments was June 16, 2061.

The following amounts (in millions) were recorded on the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges:

Line Item in the Consolidated Balance Sheets in which the Hedged Item is Included	Amortized Cost of the Hedged Assets / (Liabilities) As of June 30, 2022	Amortized Cost of the Hedged Assets / (Liabilities) As of December 31, 2021	Cumulative Fair Value Hedging Adjustment Included in the Amortized Cost of the Hedged Assets / (Liabilities) As of June 30, 2022	Cumulative Fair Value Hedging Adjustment Included in the Amortized Cost of the Hedged Assets / (Liabilities) As of December 31, 2021
Fixed maturity AFS securities, at fair value	$ 640	$ 764	$ 89	$ 211
Long-term debt (1)	(736)	(854)	139	21

(1) Includes $(349) million and $(356) million of unamortized adjustments from discontinued hedges as of June 30, 2022, and December 31, 2021, respectively.

The change in our unrealized gain (loss) on derivative instruments within accumulated other comprehensive income (loss) ("AOCI") (in millions) was as follows:

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Unrealized Gain (Loss) on Derivative Instruments		
Balance as of beginning-of-year	$ (103)	$ (402)
Other comprehensive income (loss):		
Unrealized holding gains (losses) arising during the period:		
Cash flow hedges:		
Interest rate contracts	107	85
Foreign currency contracts	19	55
Change in foreign currency exchange rate adjustment	373	45
Change in DAC, VOBA, DSI and DFEL	13	(11)
Income tax benefit (expense)	(107)	(36)
Less:		
Reclassification adjustment for gains (losses) included in net income (loss):		
Cash flow hedges:		
Interest rate contracts (1)	1	1
Interest rate contracts (2)	(10)	(12)
Foreign currency contracts (1)	30	21
Foreign currency contracts (3)	4	(2)
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	(1)
Income tax benefit (expense)	(5)	(1)
Balance as of end-of-period	$ 283	$ (270)

(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 Three Months Ended June 30,					
	2022			2021		
	Realized Gain (Loss)	Net Investment Income	Interest and Debt Expense	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	$ 522	$ 1,369	$ 68	$ (2)	$ 1,584	$ 65
Qualifying Hedges						
Gain or (loss) on fair value hedging relationships:						
Interest rate contracts:						
Hedged items	-	(58)	60	-	35	(42)
Derivatives designated as hedging instruments	-	58	(60)	-	(35)	42
Gain or (loss) on cash flow hedging relationships:						
Interest rate contracts:						
Amount of gain or (loss) reclassified from AOCI into income	-	-	(4)	-	-	(6)
Foreign currency contracts:						
Amount of gain or (loss) reclassified from AOCI into income	1	17	-	-	11	-
Non-Qualifying Hedges						
Interest rate contracts	(625)	-	-	432	-	-
Foreign currency contracts	2	-	-	(1)	-	-
Equity market contracts	(1,588)	-	-	713	-	-
Commodity contracts	9	-	-	-	-	-
Embedded derivatives:						
GLB	(443)	-	-	(53)	-	-
Reinsurance-related	248	-	-	(84)	-	-
Indexed annuity and IUL contracts	2,177	-	-	(735)	-	-

	Gain (Loss) Recognized in Income For the Six Months Ended June 30,					
	2022			2021		
	Realized Gain (Loss)	Net Investment Income	Interest and Debt Expense	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	$ 551	$ 2,781	$ 134	$ (182)	$ 3,094	$ 131
Qualifying Hedges						
Gain or (loss) on fair value hedging relationships:						
Interest rate contracts:						
Hedged items	-	(121)	118	-	(49)	43
Derivatives designated as hedging instruments	-	121	(118)	-	49	(43)
Gain or (loss) on cash flow hedging relationships:						
Interest rate contracts:						
Amount of gain or (loss) reclassified from AOCI into income	-	1	(10)	-	1	(12)
Foreign currency contracts:						
Amount of gain or (loss) reclassified from AOCI into income	4	30	-	(2)	21	-
Non-Qualifying Hedges						
Interest rate contracts	(1,446)	-	-	(727)	-	-
Foreign currency contracts	3	-	-	(1)	-	-
Equity market contracts	(1,912)	-	-	1,955	-	-
Commodity contracts	9	-	-	-	-	-
Embedded derivatives:				-		
GLB	(532)	-	-	1,136	-	-
Reinsurance-related	511	-	-	64	-	-
Indexed annuity and IUL contracts	2,683	-	-	- (1,329)	-	-

As of June 30, 2022, $99 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 six months ended June 30, 2022 and 2021, 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.

Information related to our CDSs for which we are the seller (dollars in millions) was as follows:

As of June 30, 2022							
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 CDSs	6/20/2027	(3)	(4)	BBB+	4	$ -	$ 244

(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 CDSs.
(3) CDSs 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, 2021, we did not have any exposure related to CDSs for which we are the seller.

Details underlying the associated collateral of our CDSs for which we are the seller if credit risk-related contingent features were triggered (in millions) were as follows:

	As of June 30, 2022	As of December 31, 2021
Maximum potential payout	$ 244	$ -
Less: Counterparty thresholds	-	-
Maximum collateral potentially required to post	$ 244	$ -

Certain of our CDS 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, our counterparties would have been required to post less than $1 million of collateral as of June 30, 2022.

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 non-performance risk ("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 June 30, 2022, 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 June 30, 2022, or December 31, 2021.

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 June 30, 2022		As of December 31, 2021	
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-	$ 677	$ (2)	$ 2,346	$ (281)
A+	2,489	(211)	2,772	(251)
A	126	(20)	456	(189)
	$ 3,292	$ (233)	$ 5,574	$ (721)

Balance Sheet Offsetting

Information related to the effects of offsetting on our Consolidated Balance Sheets (in millions) was as follows:

	As of June 30, 2022		
	Derivative Instruments	Embedded Derivative Instruments	Total
Financial Assets			
Gross amount of recognized assets	$ 5,469	$ 2,186	$ 7,655
Gross amounts offset	(2,379)	-	(2,379)
Net amount of assets (1)	3,090	2,186	5,276
Gross amounts not offset:			
Cash collateral (2)	(3,090)	-	(3,090)
Non-cash collateral	-	-	-
Net amount	$ -	$ 2,186	$ 2,186
Financial Liabilities			
Gross amount of recognized liabilities	$ 250	$ 3,502	$ 3,752
Gross amounts offset	(88)	-	(88)
Net amount of liabilities	162	3,502	3,664
Gross amounts not offset:			
Cash collateral (2)	(162)	-	(162)
Non-cash collateral	-	-	-
Net amount	$ -	$ 3,502	$ 3,502

(1) Includes deferred premiums receivable (payable) of $(279) million reported in other assets and other liabilities on our Consolidated Balance Sheets.

(2) Excludes excess cash collateral received of $202 million and excess cash collateral pledged of $71 million, as the cash collateral offset is limited to the net estimated fair value of derivatives after application of netting arrangements.

	As of December 31, 2021		
	Derivative Instruments	Embedded Derivative Instruments	Total
Financial Assets			
Gross amount of recognized assets	$ 7,938	$ 2,547	$ 10,485
Gross amounts offset	(2,241)	-	(2,241)
Net amount of assets [(1)]	5,697	2,547	8,244
Gross amounts not offset:			
Cash collateral [(2)]	(5,574)	-	(5,574)
Non-cash collateral	(123)	-	(123)
Net amount	$ -	$ 2,547	$ 2,547
Financial Liabilities			
Gross amount of recognized liabilities	$ 777	$ 6,519	$ 7,296
Gross amounts offset	(68)	-	(68)
Net amount of liabilities	709	6,519	7,228
Gross amounts not offset:			
Cash collateral [(2)]	(709)	-	(709)
Non-cash collateral	-	-	-
Net amount	$ -	$ 6,519	$ 6,519

(1) Includes deferred premiums receivable (payable) of $260 million reported in other assets on our Consolidated Balance Sheets.

(2) Excludes excess cash collateral pledged of $12 million, as the cash collateral offset is limited to the net estimated fair value of derivatives after application of netting arrangements.

6. Federal Income Taxes

The effective tax rate is the ratio of tax expense (benefit) over pre-tax income (loss). The effective tax rate was 12% and 6% for the three and six months ended June 30, 2022, respectively, compared to 17% and 16%, respectively, for the corresponding periods in 2021. The effective tax rate on pre-tax income is typically lower than the prevailing corporate federal income tax rate of 21% due to benefits from preferential tax items including the separate accounts dividends-received deduction and tax credits.

For the three and six months ended June 30, 2022 and 2021, the effective tax rate differed from the prevailing corporate federal income tax rate due primarily to the effects of the preferential tax items.

7. Guaranteed Benefit Features

Information on the guaranteed death benefit ("GDB") features outstanding (dollars in millions) was as follows:

	As of June 30, 2022 (1)	As of December 31, 2021 (1)
Return of Net Deposits		
Total account value	$ 96,245	$ 117,503
Net amount at risk (2)	990	84
Average attained age of contract holders	67 years	67 years
Minimum Return		
Total account value	$ 76	$ 102
Net amount at risk (2)	15	11
Average attained age of contract holders	79 years	79 years
Guaranteed minimum return	5%	5%
Anniversary Contract Value		
Total account value	$ 22,393	$ 28,788
Net amount at risk (2)	3,839	400
Average attained age of contract holders	73 years	73 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 Six Months Ended June 30,	
	2022	2021
Balance as of beginning-of-year	$ 132	$ 121
Changes in reserves	202	14
Benefits paid	(21)	(11)
Balance as of end-of-period	$ 313	$ 124

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 June 30, 2022	As of December 31, 2021
Asset Type		
Domestic equity	$ 59,512	$ 77,290
International equity	16,410	21,223
Fixed income	37,845	45,231
Total	$ 113,767	$ 143,744

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 38% and 39% of total life insurance in-force reserves as of June 30, 2022, and December 31, 2021, respectively.

8. 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 Six Months Ended June 30,	
	2022	**2021**
Balance as of beginning-of-year	$ 6,280	$ 5,934
Reinsurance recoverable	147	151
Net balance as of beginning-of-year	6,133	5,783
Incurred related to:		
Current year	2,014	1,932
Prior years:		
Interest	81	81
All other incurred [1]	(149)	(170)
Total incurred	1,946	1,843
Paid related to:		
Current year	(794)	(792)
Prior years	(1,052)	(953)
Total paid	(1,846)	(1,745)
Net balance as of end-of-period	6,233	5,881
Reinsurance recoverable	142	148
Balance as of end-of-period	$ 6,375	$ 6,029

[1] 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 2.5% to 5.0% that vary by year of claim incurral.

9. Debt

Changes in debt (in millions) were as follows:

		For the Six Months Ended June 30, 2022
Balance as of beginning-of-year	$	6,625
3.40% senior notes issued, due 2032		300
Repayment of 4.20% senior notes, due 2022		(300)
Unamortized premiums (discounts)		(1)
Unamortized debt issuance costs		(1)
Unamortized adjustments from discontinued hedges		(7)
Fair value hedge on interest rate swap agreements		(118)
Balance as of end-of-period	$	6,498

10. 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 June 30, 2022.

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 June 30, 2022, 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 $120 million, after-tax. 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.

Among other matters, we are presently engaged in litigation, including relating to cost of insurance rates ("Cost of Insurance and Other Litigation"), as described below. No accrual has been made for several of these matters. Although a loss is believed to be reasonably possible for these matters, we are not able to estimate a reasonably possible amount or range of potential liability. An adverse outcome in one or more of these matters may have a material impact on the consolidated financial statements, but, based on information currently known, management does not believe those cases are likely to have such an impact.

Reinsurance Disputes

Certain reinsurers have sought rate increases on certain yearly renewable term agreements. We are disputing the requested rate increases under these agreements. We may initiate legal proceedings, as necessary, under these agreements in order to protect our contractual rights. Additionally, reinsurers have initiated, and may in the future initiate, legal proceedings against us. We believe it is unlikely the outcome of these disputes would have a material impact on the consolidated financial statements.

Cost of Insurance and Other Litigation

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 The Lincoln National Life Insurance Company ("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. Lincoln Life & 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 defense of this case. On September 30, 2020, the court denied plaintiff's motion for summary judgment and granted in part Voya's motion for summary judgment. On October 22, 2021, the parties informed the presiding judge that they have reached a settlement of the action, subject to court approval. On January 19, 2022, plaintiffs filed a renewed motion for preliminary approval of the class action settlement. The settlement consists of $92.5 million in pre-tax cash and a five-year cost of insurance rate freeze, among other terms. On February 3, 2022, the court preliminarily approved the class action settlement, and on June 29, 2022, the court conducted a final fairness hearing concerning the terms of the settlement, and granted final approval.

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, pending in the U.S. District Court for the Eastern District of Pennsylvania, 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 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. On March 31, 2022, the court issued an order granting plaintiff's motion for class certification and certified a class of all current or former owners of six universal life insurance products issued by LLANY that were assessed a cost of insurance charge any time on or after June 27, 2013. Plaintiff seeks damages on behalf of the class. We are vigorously defending this matter.

Angus v. The Lincoln National Life Insurance Company, pending in the U.S. District Court for the Eastern District of Pennsylvania, No. 2:22-cv-01878, is a putative class action filed on May 13, 2022. Plaintiff alleges that defendant LNL breached the terms of her 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 or insured 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 their behalf. Breach of contract is the only cause of action asserted. We are vigorously defending this matter.

Other Litigation

Andrew Nitkewicz v. Lincoln Life & Annuity Company of New York, pending in the U.S. District Court for the Southern District of New York, No. 1:20-cv-06805, is a putative class action that was filed on August 24, 2020. Plaintiff Andrew Nitkewicz, as trustee of the Joan C. Lupe Trust, 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 for which planned annual, semi-annual, or quarterly premiums were paid for any period beyond the end of the policy month of the insured's death. Plaintiff alleges LLANY failed to refund unearned premium in violation of New York Insurance Law Section 3203(a)(2) in connection with the payment of death benefit claims for certain insurance policies. Plaintiff seeks compensatory damages and pre-judgment interest on behalf of the various classes and sub-class. On July, 2, 2021, the court granted, with prejudice, LLANY's November 2020 motion to dismiss this matter. On July 28, 2021, plaintiff filed a notice of appeal with respect to this ruling, and on June 6, 2022, oral argument was held.

11. Shares and Stockholders' Equity

Common Shares

The changes in our common stock (number of shares) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Common Stock				
Balance as of beginning-of-period	171,890,974	191,149,192	177,193,515	192,329,691
Stock compensation/issued for benefit plans	161,566	171,688	676,421	882,826
Retirement/cancellation of shares	(1,828,424)	(2,230,932)	(7,645,820)	(4,122,569)
Balance as of end-of-period	170,224,116	189,089,948	170,224,116	189,089,948
Common Stock as of End-of-Period				
Basic basis	170,224,116	189,089,948	170,224,116	189,089,948
Diluted basis	171,556,357	191,389,750	171,556,357	191,389,750

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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Weighted-average shares, as used in basic calculation	171,130,192	189,987,670	172,633,482	190,878,951
Shares to cover non-vested stock	895,347	1,278,175	1,127,609	1,133,618
Average stock options outstanding during the period	1,031,878	1,902,854	1,664,374	1,483,184
Assumed acquisition of shares with assumed proceeds and benefits from exercising stock options (at average market price for the period)	(829,921)	(1,462,891)	(1,327,773)	(1,114,026)
Shares repurchasable from measured but unrecognized stock option expense	(12,772)	(38,204)	(42,013)	(19,715)
Average deferred compensation shares	492,269	534,794	506,740	-
Weighted-average shares, as used in diluted calculation	172,706,993	192,202,398	174,562,419	192,362,012

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 earnings per share ("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. This obligation is settled in either cash or LNC stock pursuant to the applicable plan document. We exclude deferred units of LNC stock that are antidilutive from our diluted earnings per share calculation. The mark-to-market adjustment of these deferred units excluded from our diluted earnings per share calculation was $7 million for the three and six months ended June 30, 2022.

AOCI

The following summarizes the components and changes in AOCI (in millions):

	For the Six Months Ended June 30,	
	2022	2021
Unrealized Gain (Loss) on Fixed Maturity AFS Securities and Certain Other Investments		
Balance as of beginning-of-year	$ 6,777	$ 9,611
Unrealized holding gains (losses) arising during the period	(19,862)	(3,329)
Change in foreign currency exchange rate adjustment	(370)	(39)
Change in DAC, VOBA, DSI, future contract benefits and other contract holder funds	6,030	1,345
Income tax benefit (expense)	3,030	429
Less:		
Reclassification adjustment for gains (losses) included in net income (loss)	(4)	(2)
Associated amortization of DAC, VOBA, DSI and DFEL	(6)	(9)
Income tax benefit (expense)	2	2
Balance as of end-of-period	$ (4,387)	$ 8,026
Unrealized Gain (Loss) on Derivative Instruments		
Balance as of beginning-of-year	$ (103)	$ (402)
Unrealized holding gains (losses) arising during the period	126	140
Change in foreign currency exchange rate adjustment	373	45
Change in DAC, VOBA, DSI and DFEL	13	(11)
Income tax benefit (expense)	(107)	(36)
Less:		
Reclassification adjustment for gains (losses) included in net income (loss)	25	8
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	(1)
Income tax benefit (expense)	(5)	(1)
Balance as of end-of-period	$ 283	$ (270)
Foreign Currency Translation Adjustment		
Balance as of beginning-of-year	$ (14)	$ (12)
Foreign currency translation adjustment arising during the period	(18)	2
Income tax benefit (expense)	(1)	-
Balance as of end-of-period	$ (33)	$ (10)
Funded Status of Employee Benefit Plans		
Balance as of beginning-of-year	$ (219)	$ (266)
Adjustment arising during the period	13	(1)
Balance as of end-of-period	$ (206)	$ (267)

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 Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021	
Unrealized Gain (Loss) on Fixed Maturity AFS Securities and Certain Other Investments			
Gross reclassification	$ (4)	$ (2)	Realized gain (loss)
Associated amortization of DAC, VOBA, DSI and DFEL	(6)	(9)	Realized gain (loss)
Reclassification before income tax benefit (expense)	(10)	(11)	Income (loss) before taxes
Income tax benefit (expense)	2	2	Federal income tax expense (benefit)
Reclassification, net of income tax	$ (8)	$ (9)	Net income (loss)
Unrealized Gain (Loss) on Derivative Instruments			
Gross reclassifications:			
Interest rate contracts	$ 1	$ 1	Net investment income
Interest rate contracts	(10)	(12)	Interest and debt expense
Foreign currency contracts	30	21	Net investment income
Foreign currency contracts	4	(2)	Realized gain (loss)
Total gross reclassifications	25	8	
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	(1)	Commissions and other expenses
Reclassifications before income tax benefit (expense)	24	7	Income (loss) before taxes
Income tax benefit (expense)	(5)	(1)	Federal income tax expense (benefit)
Reclassifications, net of income tax	$ 19	$ 6	Net income (loss)

12. Realized Gain (Loss)

Realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss) includes realized gains and losses from the sale of investments, write-downs for impairments of investments and changes in the allowance for credit losses for financial assets, changes in fair value for mortgage loans on real estate accounted for under the fair value option, 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. Details underlying realized gain (loss) (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Fixed maturity AFS securities:				
Gross gains	$ 3	$ 5	$ 5	$ 16
Gross losses	(6)	(8)	(9)	(18)
Credit loss benefit (expense) (1)	(4)	1	(5)	(1)
Realized gain (loss) on equity securities (2)	(14)	22	(8)	33
Credit loss benefit (expense) on mortgage loans on real estate	(4)	13	14	36
Credit loss benefit (expense) on reinsurance-related assets	(1)	(5)	(5)	(4)
Other gain (loss) on investments	-	(1)	(5)	2
Associated amortization of DAC, VOBA, DSI and DFEL and changes in other contract holder funds	-	(5)	(7)	(10)
Total realized gain (loss) related to certain financial assets	(26)	22	(20)	54
Realized gain (loss) on the mark-to-market on certain instruments (3)(4)	(1)	(4)	(14)	17
Indexed annuity and IUL contracts net derivative results: (5)				
Gross gain (loss)	35	8	147	40
Associated amortization of DAC, VOBA, DSI and DFEL	(38)	1	(93)	(10)
Variable annuity net derivative results: (6)				
Gross gain (loss)	632	(19)	586	(335)
Associated amortization of DAC, VOBA, DSI and DFEL	(80)	(10)	(55)	52
Total realized gain (loss)	$ 522	$ (2)	$ 551	$ (182)

(1) Includes changes in the allowance for credit losses as well as direct write-downs to amortized cost as a result of negative credit events.

(2) Includes mark-to-market adjustments on equity securities still held of $(11) million and $26 million for the three months ended June 30, 2022 and 2021, respectively, and $(3) million and $36 million for the six months ended June 30, 2022 and 2021, respectively.

(3) 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, mortgage loans on real estate accounted for under the fair value option and trading securities.

(4) Includes gains and losses from fair value changes on mortgage loans on real estate accounted for under the fair value option of $(14) million and $1 million for the three months ended June 30, 2022 and 2021, respectively, and $(17) million and less than $1 million for the six months ended June 30, 2022 and 2021, respectively.

(5) 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.

(6) 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.

13. Fair Value of Financial Instruments

The carrying values and estimated fair values of our financial instruments (in millions) were as follows:

	As of June 30, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Fixed maturity AFS securities	$ 103,365	$ 103,365	$ 118,746	$ 118,746
Trading securities	3,822	3,822	4,482	4,482
Equity securities	344	344	318	318
Mortgage loans on real estate	17,922	16,988	17,991	18,700
Derivative investments (1)	3,370	3,370	5,437	5,437
Other investments	4,044	4,044	4,284	4,284
Cash and invested cash	1,567	1,567	2,612	2,612
Other assets:				
GLB direct embedded derivatives	1,400	1,400	1,963	1,963
GLB ceded embedded derivatives	41	41	56	56
Reinsurance-related embedded derivatives	305	305	-	-
Indexed annuity ceded embedded derivatives	440	440	528	528
Separate account assets	145,791	145,791	182,583	182,583
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(3,366)	(3,366)	(6,131)	(6,131)
Other contract holder funds:				
Remaining guaranteed interest and similar contracts	(1,801)	(1,801)	(1,788)	(1,788)
Account values of certain investment contracts	(41,989)	(36,996)	(41,194)	(47,862)
Short-term debt	-	-	(300)	(302)
Long-term debt	(6,498)	(5,761)	(6,325)	(6,707)
Reinsurance-related embedded derivatives	-	-	(206)	(206)
Other liabilities:				
Derivative liabilities (1)	(254)	(254)	(677)	(677)
GLB ceded embedded derivatives	(136)	(136)	(182)	(182)

(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.

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, excluding mortgage loans accounted for using the fair value option, 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, excluding mortgage loans accounted for using the fair value option, are classified as Level 2 within the fair value hierarchy.

Other Investments

The carrying value of our assets classified as other investments, excluding short-term 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 2 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 June 30, 2022, and December 31, 2021, 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.

Fair Value Option

Mortgage loans on real estate, net of allowance for credit losses, as reported on our Consolidated Balance Sheets, includes mortgage loans on real estate for which the fair value option was elected. The fair value option allows us to elect fair value as an alternative measurement for mortgage loans not otherwise reported at fair value. We have made these elections for certain mortgage loans associated with modified coinsurance agreements to help mitigate the inconsistency in earnings that would otherwise result from the use of embedded derivatives included with these loans. Changes in fair value are reflected in realized gain (loss) on our Consolidated Statement of Comprehensive Income (Loss). Changes in fair value due to instrument-specific credit risk are estimated using changes in credit spreads and quality ratings for the period reported. Mortgage loans on real estate for which the fair value option was elected are valued using third-party pricing services. We have procedures in place to review the valuations each quarter to ensure they are reasonable, including utilizing a separate third party to reperform the valuation for a selection of mortgage loans on an annual basis. Due to lack of observable inputs, mortgage loans electing the fair value option are classified as Level 3 within the fair value hierarchy.

The fair value and aggregate contractual principal for mortgage loans on real estate where the fair value option was elected (in millions) were as follows:

	As of June 30, 2022	As of December 31, 2021
Fair value	$ 528	$ 739
Aggregate contractual principal	547	742

As of June 30, 2022, and December 31, 2021, no loans for which the fair value option was elected were in non-accrual status, and none were more than 90 days past due and still accruing interest.

Financial Instruments Carried at Fair Value

Short-Term Investments

Short-term investments consist of securities with original maturities of one year or less, but greater than three months, and are included in other investments on our Consolidated Balance Sheets. Securities included in short-term investments are carried at fair value, with valuation methods and inputs consistent with those applied to fixed maturity AFS securities.

We did not have any assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2022, or December 31, 2021.

The following summarizes our financial instruments carried at fair value (in millions) on a recurring basis by the fair value hierarchy levels:

	As of June 30, 2022			
	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	$ -	$ 77,682	$ 5,476	$ 83,158
U.S. government bonds	394	21	-	415
State and municipal bonds	-	5,523	-	5,523
Foreign government bonds	-	311	37	348
RMBS	-	2,181	1	2,182
CMBS	-	1,557	-	1,557
ABS	-	8,557	1,153	9,710
Hybrid and redeemable preferred securities	44	324	104	472
Trading securities	-	3,202	620	3,822
Equity securities	12	187	145	344
Mortgage loans on real estate	-	-	528	528
Derivative investments [1]	-	5,387	449	5,836
Other investments – short-term investments	-	177	-	177
Cash and invested cash	-	1,567	-	1,567
Other assets:				
GLB direct embedded derivatives	-	-	1,400	1,400
GLB ceded embedded derivatives	-	-	41	41
Reinsurance-related embedded derivatives	-	305	-	305
Indexed annuity ceded embedded derivatives	-	-	440	440
Separate account assets	392	145,399	-	145,791
Total assets	$ 842	$ 252,380	$ 10,394	$ 263,616
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	$ -	$ -	$ (3,366)	$ (3,366)
Other liabilities:				
Derivative liabilities [1]	-	(2,274)	(446)	(2,720)
GLB ceded embedded derivatives	-	-	(136)	(136)
Total liabilities	$ -	$ (2,274)	$ (3,948)	$ (6,222)

	As of December 31, 2021			
	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	$ -	$ 92,400	$ 5,720	$ 98,120
U.S. government bonds	428	5	-	433
State and municipal bonds	-	6,621	-	6,621
Foreign government bonds	-	391	41	432
RMBS	-	2,521	4	2,525
CMBS	-	1,599	-	1,599
ABS	-	7,642	870	8,512
Hybrid and redeemable preferred securities	54	357	93	504
Trading securities	32	3,622	828	4,482
Equity securities	7	216	95	318
Mortgage loans on real estate	-	-	739	739
Derivative investments [(1)]	-	7,597	149	7,746
Other investments – short-term investments	-	154	-	154
Cash and invested cash	-	2,612	-	2,612
Other assets:				
GLB direct embedded derivatives	-	-	1,963	1,963
GLB ceded embedded derivatives	-	-	56	56
Indexed annuity ceded embedded derivatives	-	-	528	528
Separate account assets	646	181,929	-	182,575
Total assets	$ 1,167	$ 307,666	$ 11,086	$ 319,919
Liabilities				
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	$ -	$ -	$ (6,131)	$ (6,131)
Reinsurance-related embedded derivatives	-	(206)	-	(206)
Other liabilities:				
Derivative liabilities [(1)]	-	(2,858)	(128)	(2,986)
GLB ceded embedded derivatives	-	-	(182)	(182)
Total liabilities	$ -	$ (3,064)	$ (6,441)	$ (9,505)

(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 Three Months Ended June 30, 2022					
	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	Ending Fair Value
Investments: [2]						
Fixed maturity AFS securities:						
Corporate bonds	$ 5,860	$ -	$ (657)	$ 293	$ (20)	$ 5,476
Foreign government bonds	40	-	(3)	-	-	37
RMBS	13	-	-	-	(12)	1
CMBS	17	-	-	-	(17)	-
ABS	988	-	(33)	266	(68)	1,153
Hybrid and redeemable preferred securities	98	-	6	-	-	104
Trading securities	797	(29)	-	(148)	-	620
Equity securities	104	15	-	26	-	145
Mortgage loans on real estate	537	(12)	(5)	8	-	528
Derivative investments	3	-	-	-	-	3
Other assets: [3]						
GLB direct embedded derivatives	1,880	(480)	-	-	-	1,400
GLB ceded embedded derivatives	42	(1)	-	-	-	41
Indexed annuity ceded embedded derivatives	493	(113)	-	60	-	440
Future contract benefits – indexed annuity and IUL contracts embedded derivatives [3]	(5,574)	2,290	-	(82)	-	(3,366)
Other liabilities – GLB ceded embedded derivatives [3]	(174)	38	-	-	-	(136)
Total, net	$ 5,124	$ 1,708	$ (692)	$ 423	$ (117)	$ 6,446

	For the Three Months Ended June 30, 2021					
	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	Ending Fair Value
Investments: (2)						
Fixed maturity AFS securities:						
Corporate bonds	$ 5,145	$ 1	$ 69	$ 215	$ (1)	$ 5,429
U.S. government bonds	5	-	-	(5)	-	-
Foreign government bonds	66	-	-	14	(37)	43
RMBS	2	(1)	-	-	-	1
CMBS	1	-	-	8	-	9
ABS	688	1	4	99	(162)	630
Hybrid and redeemable preferred securities	85	-	11	6	-	102
Trading securities	715	2	-	(64)	(23)	630
Equity securities	61	20	-	1	-	82
Mortgage loans on real estate	874	5	-	(61)	-	818
Derivative investments	2,661	(2)	-	-	(2,658)	1
Other assets: (3)						
GLB direct embedded derivatives	1,831	(64)	-	-	-	1,767
GLB ceded embedded derivatives	42	11	-	-	-	53
Indexed annuity ceded embedded derivatives	527	-	-	-	(527)	-
Future contract benefits – indexed annuity and IUL contracts embedded derivatives (3)	(4,170)	-	-	-	4,170	-
Other liabilities – GLB ceded embedded derivatives (3)	(152)	-	-	-	-	(152)
Total, net	$ 8,381	$ (27)	$ 84	$ 213	$ 762	$ 9,413

	For the Six Months Ended June 30, 2022					
	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	Ending Fair Value
Investments: [2]						
Fixed maturity AFS securities:						
Corporate bonds	$ 5,720	$ 1	$ (1,010)	$ 651	$ 114	$ 5,476
Foreign government bonds	41	-	(4)	-	-	37
RMBS	4	-	-	12	(15)	1
CMBS	-	-	-	17	(17)	-
ABS	870	-	(60)	453	(110)	1,153
Hybrid and redeemable preferred securities	93	-	11	-	-	104
Trading securities	828	(58)	-	(146)	(4)	620
Equity securities	95	32	-	18	-	145
Mortgage loans on real estate	739	(15)	(6)	(190)	-	528
Derivative investments	21	3	(6)	-	(15)	3
Other assets: [3]						
GLB direct embedded derivatives	1,963	(563)	-	-	-	1,400
GLB ceded embedded derivatives	56	(15)	-	-	-	41
Indexed annuity ceded embedded derivatives	528	(166)	-	78	-	440
Future contract benefits – indexed annuity and IUL contracts embedded derivatives [3]	(6,131)	2,849	-	(84)	-	(3,366)
Other liabilities – GLB ceded embedded derivatives [3]	(182)	46	-	-	-	(136)
Total, net	$ 4,645	$ 2,114	$ (1,075)	$ 809	$ (47)	$ 6,446

	For the Six Months Ended June 30, 2021					
	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	Ending Fair Value
Investments: [2]						
Fixed maturity AFS securities:						
Corporate bonds	$ 5,121	$ 3	$ (51)	$ 385	$ (29)	$ 5,429
U.S. government bonds	5	-	-	(5)	-	-
Foreign government bonds	74	-	(8)	14	(37)	43
RMBS	2	(1)	-	-	-	1
CMBS	-	1	-	8	-	9
ABS	570	1	(3)	282	(220)	630
Hybrid and redeemable preferred securities	104	-	12	(14)	-	102
Trading securities	644	(1)	-	2	(15)	630
Equity securities	59	26	-	(3)	-	82
Mortgage loans on real estate	832	7	3	(24)	-	818
Derivative investments	1,542	1,249	-	(132)	(2,658)	1
Other assets: [3]						
GLB direct embedded derivatives	450	1,317	-	-	-	1,767
GLB ceded embedded derivatives	82	(29)	-	-	-	53
Indexed annuity ceded embedded derivatives	550	32	-	(55)	(527)	-
Future contract benefits – indexed annuity and IUL contracts embedded derivatives [3]	(3,594)	(626)	-	50	4,170	-
Other liabilities – GLB ceded embedded derivatives [3]	-	(152)	-	-	-	(152)
Total, net	$ 6,441	$ 1,827	$ (47)	$ 508	$ 684	$ 9,413

(1) The changes in fair value of the interest rate swaps are offset by an adjustment to derivative investments (see Note 5).

(2) 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 credit loss expense are included in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

(3) Gains (losses) from the changes in fair value 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 Three Months Ended June 30, 2022					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 426	$ -	$ (4)	$ (86)	$ (43)	$ 293
RMBS	-	-	-	-	-	-
CMBS	-	-	-	-	-	-
ABS	305	-	-	(39)	-	266
Trading securities	92	(88)	-	(152)	-	(148)
Equity securities	26	-	-	-	-	26
Mortgage loans on real estate	9	-	-	(1)	-	8
Other assets – indexed annuity ceded embedded derivatives	20	-	-	40	-	60
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(100)	-	-	18	-	(82)
Total, net	$ 778	$ (88)	$ (4)	$ (220)	$ (43)	$ 423

	For the Three Months Ended June 30, 2021					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 410	$ (13)	$ (6)	$ (176)	$ -	$ 215
U.S. government bonds	-	-	(5)	-	-	(5)
Foreign government bonds	14	-	-	-	-	14
CMBS	8	-	-	-	-	8
ABS	168	-	-	(69)	-	99
Hybrid and redeemable preferred securities	6	-	-	-	-	6
Trading securities	36	(5)	-	(95)	-	(64)
Equity securities	2	(1)	-	-	-	1
Mortgage loans on real estate	9	(66)	(4)	-	-	(61)
Total, net	$ 653	$ (85)	$ (15)	$ (340)	$ -	$ 213

	For the Six Months Ended June 30, 2022					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 853	$ -	$ (25)	$ (129)	$ (48)	$ 651
RMBS	12	-	-	-	-	12
CMBS	17	-	-	-	-	17
ABS	555	-	-	(95)	(7)	453
Trading securities	271	(220)	-	(197)	-	(146)
Equity securities	26	(8)	-	-	-	18
Mortgage loans on real estate	12	-	-	(202)	-	(190)
Other assets – indexed annuity ceded embedded derivatives	38	-	-	40	-	78
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(228)	-	-	144	-	(84)
Total, net	$ 1,556	$ (228)	$ (25)	$ (439)	$ (55)	$ 809

	For the Six Months Ended June 30, 2021					
	Issuances	Sales	Maturities	Settlements	Calls	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 707	$ (17)	$ (21)	$ (267)	$ (17)	$ 385
U.S. government bonds	-	-	(5)	-	-	(5)
Foreign government bonds	14	-	-	-	-	14
CMBS	8	-	-	-	-	8
ABS	368	-	-	(86)	-	282
Hybrid and redeemable preferred securities	6	(20)	-	-	-	(14)
Trading securities	124	(8)	-	(114)	-	2
Equity securities	6	(9)	-	-	-	(3)
Mortgage loans on real estate	81	(101)	(4)	-	-	(24)
Derivative investments	174	(124)	(182)	-	-	(132)
Other assets – indexed annuity ceded embedded derivatives	3	-	-	(58)	-	(55)
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	(108)	-	-	158	-	50
Total, net	$ 1,383	$ (279)	$ (212)	$ (367)	$ (17)	$ 508

Table of Contents

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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Trading securities	$ (28)	$ 3	$ (58)	$ -
Equity securities	16	23	34	30
Mortgage loans on real estate	(12)	4	(15)	8
Derivative investments	1	-	3	-
GLB embedded derivatives	(281)	143	(161)	1,713
Embedded derivatives – indexed annuity and IUL contracts	(26)	-	58	-
Total, net [(1)]	$ (330)	$ 173	$ (139)	$ 1,751

(1) Included in realized gain (loss) on our Consolidated Statements of Comprehensive Income (Loss).

The following summarizes changes in unrealized gains (losses) included in OCI, net of tax, 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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Fixed maturity AFS securities:				
Corporate bonds	$ (658)	$ 65	$ (1,012)	$ (57)
Foreign government bonds	(3)	-	(5)	(8)
ABS	(34)	3	(62)	(4)
Hybrid and redeemable preferred securities	6	12	11	13
Mortgage loans on real estate	(5)	-	(6)	3
Total, net	$ (694)	$ 80	$ (1,074)	$ (53)

The following provides the components of the transfers into and out of Level 3 (in millions) as reported above:

	For the Three Months Ended June 30, 2022			For the Three Months Ended June 30, 2021		
	Transfers Into Level 3	Transfers Out of Level 3	Total	Transfers Into Level 3	Transfers Out of Level 3	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 32	$ (52)	$ (20)	$ -	$ (1)	$ (1)
Foreign government bonds	-	-	-	-	(37)	(37)
RMBS	-	(12)	(12)	-	-	-
CMBS	-	(17)	(17)	-	-	-
ABS	1	(69)	(68)	-	(162)	(162)
Trading securities	-	-	-	-	(23)	(23)
Derivative investments	-	-	-	-	(2,658)	(2,658)
Other assets – indexed annuity ceded embedded derivatives	-	-	-	-	(527)	(527)
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	-	-	-	-	4,170	4,170
Total, net	$ 33	$ (150)	$ (117)	$ -	$ 762	$ 762

	For the Six Months Ended June 30, 2022			For the Six Months Ended June 30, 2021		
	Transfers Into Level 3	Transfers Out of Level 3	Total	Transfers Into Level 3	Transfers Out of Level 3	Total
Investments:						
Fixed maturity AFS securities:						
Corporate bonds	$ 228	$ (114)	$ 114	$ 10	$ (39)	$ (29)
Foreign government bonds	-	-	-	-	(37)	(37)
RMBS	-	(15)	(15)	-	-	-
CMBS	-	(17)	(17)	-	-	-
ABS	1	(111)	(110)	-	(220)	(220)
Trading securities	-	(4)	(4)	14	(29)	(15)
Derivative investments	-	(15)	(15)	-	(2,658)	(2,658)
Other assets – indexed annuity ceded embedded derivatives	-	-	-	-	(527)	(527)
Future contract benefits – indexed annuity and IUL contracts embedded derivatives	-	-	-	-	4,170	4,170
Total, net	$ 229	$ (276)	$ (47)	$ 24	$ 660	$ 684

Transfers into and out of Level 3 are generally the result of observable market information on financial instruments no longer being available or becoming available to our pricing vendors. For the three and six months ended June 30, 2022 and 2021, transfers in and out of Level 3 were attributable primarily to the financial instruments' observable market information no longer being available or becoming available. In 2021, transfers out of Level 3 included derivative instruments for which we changed valuation techniques. This change in valuation technique was primarily from unobservable inputs in counterparty models to a mathematical model provided by a third party. The updated valuation technique is considered industry standard and provides us with greater visibility into the economic valuation inputs.

Table of Contents

The following summarizes the fair value (in millions), valuation techniques and significant unobservable inputs of the Level 3 fair value measurements as of June 30, 2022:

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Assumption or Input Ranges	Weighted Average Input Range [(1)]
Assets					
Investments:					
Fixed maturity AFS and trading securities:					
Corporate bonds	$ 3,279	Discounted cash flow	Liquidity/duration adjustment [(2)]	0.8% - 5.5%	2.0%
Foreign government bonds	37	Discounted cash flow	Liquidity/duration adjustment [(2)]	1.3% - 6.5%	5.4%
ABS	16	Discounted cash flow	Liquidity/duration adjustment [(2)]	2.0% - 2.0%	2.0%
Hybrid and redeemable preferred securities	7	Discounted cash flow	Liquidity/duration adjustment [(2)]	1.7% - 1.7%	1.7%
Equity securities	20	Discounted cash flow	Liquidity/duration adjustment [(2)]	4.1% - 4.5%	4.2%
Other assets:					
GLB direct and ceded embedded derivatives	1,441	Discounted cash flow	Long-term lapse rate [(3)]	1% - 30%	[(10)]
			Utilization of guaranteed withdrawals [(4)]	85% - 100%	94%
			Claims utilization factor [(5)]	60% - 100%	[(10)]
			Premiums utilization factor [(5)]	80% - 115%	[(10)]
			NPR [(6)]	0.25% - 2.11%	1.53%
			Mortality rate [(7)]	[(9)]	[(10)]
			Volatility [(8)]	1% - 28%	14.08%
Indexed annuity ceded embedded derivatives	440	Discounted cash flow	Lapse rate [(3)]	0% - 9%	[(10)]
			Mortality rate [(7)]	[(9)]	[(10)]
Liabilities					
Future contract benefits – indexed annuity contracts embedded derivatives	$ (3,476)	Discounted cash flow	Lapse rate [(3)]	0% - 9%	[(10)]
			Mortality rate [(7)]	[(9)]	[(10)]
Other liabilities – GLB ceded embedded derivatives	(136)	Discounted cash flow	Long-term lapse rate [(3)]	1% - 30%	[(10)]
			Utilization of guaranteed withdrawals [(4)]	85% - 100%	94%
			Claims utilization factor [(5)]	60% - 100%	[(10)]
			Premiums utilization factor [(5)]	80% - 115%	[(10)]
			NPR [(6)]	0.25% - 2.11%	1.53%
			Mortality rate [(7)]	[(9)]	[(10)]
			Volatility [(8)]	1% - 28%	14.08%

(1) Unobservable inputs were weighted by the relative fair value of the instruments, unless otherwise noted.

(2) 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.

(3) 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 contracts represents the lapse rates during the surrender charge period.

(4) The utilization of guaranteed withdrawals input represents the estimated percentage of contract holders that utilize the guaranteed withdrawal feature.

(5) 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.

(6) The NPR input represents the estimated additional credit spread that market participants would apply to the market observable discount rate when pricing a contract. The NPR input was weighted by the absolute value of the sensitivity of the reserve to the NPR assumption.

(7) 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.
(8) 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. Volatility assumptions vary by fund due to the benchmarking of different indices. The volatility input was weighted by the relative account value assigned to each index.
(9) The mortality rate is based on a combination of company and industry experience, adjusted for improvement factors.
(10) A weighted average input range is not a meaningful measurement for lapse rate, utilization factors or mortality rate.

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 would have resulted 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 have resulted in a decrease in the fair value measurement.
- *Indexed annuity contracts embedded derivatives* – For direct embedded derivatives, an increase in the lapse rate or mortality rate inputs would have resulted 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 have resulted in a decrease in the fair value measurement; and an increase in the utilization of guaranteed withdrawal or volatility inputs would have resulted 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 would not have affected 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.

14. Segment Information

We provide products and services and report results through our Annuities, Retirement Plan Services, Life Insurance and Group Protection segments. 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. A discussion of these segments and Other Operations is found in Note 21 to the Consolidated Financial Statements in our 2021 Form 10-K.

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 financial assets;
  - Changes in the fair value of equity 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; and
  - 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");
- Changes in reserves resulting from benefit ratio unlocking on our GDB and GLB riders and VUL products with secondary guarantees ("benefit ratio unlocking");
- Income (loss) from reserve changes, net of related amortization, on business sold through reinsurance;
- Gains (losses) on modification or early extinguishment of debt;
- Losses from the impairment of intangible assets;
- Income (loss) from discontinued operations;

- Transaction and integration costs related to mergers and acquisitions including the acquisition or divestiture, through reinsurance or other means, of businesses or blocks of business; 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 benefit ratio unlocking; and
- Amortization of deferred gains arising from reserve changes on business sold through reinsurance.

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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues				
Operating revenues:				
Annuities	$ 1,169	$ 1,249	$ 2,401	$ 2,453
Retirement Plan Services	315	333	633	660
Life Insurance	1,800	2,029	3,625	3,968
Group Protection	1,323	1,247	2,626	2,500
Other Operations	34	45	74	84
Excluded realized gain (loss), pre-tax	473	(53)	447	(281)
Amortization of DFEL associated with benefit ratio unlocking, pre-tax	(10)	1	(15)	2
Total revenues	$ 5,104	$ 4,851	$ 9,791	$ 9,386

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Income (Loss)				
Income (loss) from operations:				
Annuities	$ 256	$ 323	$ 558	$ 613
Retirement Plan Services	54	62	109	118
Life Insurance	114	255	172	362
Group Protection	59	46	18	20
Other Operations	(92)	(78)	(172)	(154)
Excluded realized gain (loss), after-tax	374	(43)	352	(223)
Benefit ratio unlocking, after-tax	(527)	77	(696)	131
Net income (loss)	$ 238	$ 642	$ 341	$ 867

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Index to 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 June 30, 2022, compared with December 31, 2021, and the results of operations for the three and six months ended June 30, 2022, compared with the corresponding periods in 2021 of Lincoln National Corporation and its consolidated subsidiaries. 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, the consolidated financial statements and the accompanying notes to the consolidated financial statements ("Notes") presented in "Part I – Item 1. Financial Statements"; our Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K"); and other reports filed with the Securities and Exchange Commission ("SEC"). For more detailed information on the risks and uncertainties associated with the Company's business activities, see the risks described in "Part I – Item 1A. Risk Factors" in our 2021 Form 10-K.

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. Forward-looking statements may contain words like: "anticipate," "believe," "estimate," "expect," "project," "shall," "will" 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:

- The continuation of the COVID-19 pandemic, or future outbreaks of COVID-19, and uncertainty surrounding the length and severity of future impacts on the global economy and on our business, results of operations and financial condition;
- Weak general economic and business conditions that may affect demand for our products, account values, investment results, guaranteed benefit liabilities, premium levels and claims experience;
- Adverse global capital and credit market conditions that may 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;
- The inability of our subsidiaries to pay dividends to the holding company in sufficient amounts, which 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;
- The impact of Regulation Best Interest or other regulations adopted by the SEC, the Department of Labor or other federal or state regulators or self-regulatory organizations relating to the standard of care owed by investment advisers and/or broker-dealers that could affect our distribution model;
- 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;
- The impact of the implementation of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to the regulation of derivatives transactions;
- 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 or continued volatility 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 business, results of operations and financial condition, including the adoption effective January 1, 2023, of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts;
- 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 financial assets, as well as counterparties to which we are exposed to credit risk, requiring that we realize losses on financial assets;
- Interruption in telecommunication, information technology or other operational systems or failure to safeguard the confidentiality or privacy of sensitive data on such systems, including from cyberattacks or other breaches of our data security systems;
- The effect of acquisitions and divestitures, restructurings, product withdrawals and other unusual items;
- The inability to realize or sustain the benefits we expect from, greater than expected investments in, and the potential impact of efforts related to, our strategic initiatives, including the Spark Initiative;
- The adequacy and collectability of reinsurance that we have obtained;
- Future pandemics, acts of terrorism, 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. Our most recent Form 10-K as well as other reports that we file with the SEC include additional factors that could affect our businesses and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

Further, it is not possible to assess the 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" in our 2021 Form 10-K for a discussion of our business segments and products.

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 14. 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 "Forward-Looking Statements – Cautionary Language" above and "Part I – Item 1A. Risk Factors" in our 2021 Form 10-K.

Industry trends, significant operational matters and outlook are described in "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Introduction – Executive Summary" of our 2021 Form 10-K, which is further updated by the discussion that follows.

COVID-19 Pandemic

The health, economic and business conditions precipitated by the worldwide COVID-19 pandemic that emerged in 2020 continue to adversely affect us and are expected to continue to adversely affect our business, results of operations and financial condition in the third quarter of 2022. We continue to monitor U.S. CDC reports related to COVID-19 and the potential impacts of the COVID-19 pandemic on our Life Insurance and Group Protection segments. See "Additional Information" within Results of Life Insurance and Results of Group Protection below for expected impacts of the COVID-19 pandemic in the third quarter of 2022.

The ultimate impact on our business, results of operations and financial condition depends on the severity and duration of the COVID-19 pandemic and related health, economic and business impacts and actions taken by governmental authorities and other third parties in response, each of which is uncertain, rapidly changing and difficult to predict. For more information on the risks related to the COVID-19 pandemic, see "Part I – Item 1A. Risk Factors – Market Conditions – The impacts of the COVID-19 pandemic have adversely affected and are expected to continue to adversely affect our business and results of operations, and the future impacts of the COVID-19 pandemic on the company's business, results of operations and financial condition remain uncertain" in our 2021 Form 10-K.

Interest Rate Environment

In light of substantial progress since 2020 in the labor markets, elevated inflation and geopolitical events, the Federal Reserve announced in March 2022 the first increase to the federal funds rate target range since December 2018. Subsequently, the Federal Reserve announced three additional increases to the federal funds rate target range through July 2022, when it set the range at 2.25% to 2.50% and stated that it anticipates ongoing increases through the remainder of 2022 to combat inflation. Additionally, the Federal Reserve announced that it will continue the reduction it started in June 2022 of its holdings of Treasury securities, agency debt and agency mortgage-backed securities. Although short-term interest rates have been rising in 2022, we continue to be proactive in our investment strategies, product designs, crediting rate strategies, expense management actions and overall asset-liability practices to mitigate the risk of unfavorable consequences in this continued historically low interest rate environment.

We have provided disclosures around 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, impacting our profitability, and make it more challenging to meet certain statutory requirements, and changes in interest rates may also result in increased contract withdrawals," "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – Annual Assumption Review – Long-Term New Money Investment Yield Sensitivity" and "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" in our 2021 Form 10-K.

Critical Accounting Policies and Estimates

The MD&A included in our 2021 Form 10-K contains a detailed discussion of our critical accounting policies and estimates. The following information updates the "Critical Accounting Policies and Estimates" provided in our 2021 Form 10-K, and therefore, should be read in conjunction with that disclosure.

DAC, VOBA, DSI and DFEL

Reversion to the Mean

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, as discussed in our 2021 Form 10-K.

If we had unlocked our RTM assumption as of June 30, 2022, we would have recorded unfavorable unlocking of approximately $35 million, pre-tax, primarily within our Annuities segment.

Investments

Investment Valuation

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 June 30, 2022:

	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	$ 450	$ 89,131	$ 175	$ 89,756
Priced by independent broker quotations	-	-	4,533	4,533
Priced by matrices	-	13,704	-	13,704
Priced by other methods [1]	-	-	3,359	3,359
Total	$ 450	$ 102,835	$ 8,067	$ 111,352
Percent of total	0%	93%	7%	100%

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

For more information about the valuation of our financial instruments carried at fair value, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Introduction – Critical Accounting Policies and Estimates – Investments – Investment Valuation" in our 2021 Form 10-K and Note 13 herein.

Derivatives

For information on our accounting policies for derivatives, see Note 5 herein. For information on market exposures associated with our derivatives, including sensitivities, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2021 Form 10-K.

Future Contract Benefits

Guaranteed Living Benefits

Within our annuity business, we have certain products that contain guaranteed living benefit ("GLB") features. The proportion of our variable annuity account values that contained GLB features to our total annuity account values, net of reinsurance, was 47% and 52% as of June 30, 2022 and 2021, 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 June 30, 2022 and 2021, 54% and 6%, respectively, of all in-force contracts with a GLB feature were "in the money," and our exposure, after reinsurance, as of June 30, 2022 and 2021, was $3.6 billion and $411 million, 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.

For information on our variable annuity hedge program performance, see our discussion in "Realized Gain (Loss) – Variable Annuity Net Derivative Results" below. For information on 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, see our discussion in "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Introduction – Critical Accounting Policies and Estimates – Future Contract Benefits – GLB" in our 2021 Form 10-K.

Annual Assumption Review

During the third quarter of each year, we conduct our comprehensive review of the assumptions and projection models used for our EGPs underlying the amortization of DAC, VOBA, DSI and DFEL as well as our reserves and embedded derivatives. For more information on our comprehensive review, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Introduction – Annual Assumption Review" and Note 1 in our 2021 Form 10-K.

RESULTS OF CONSOLIDATED OPERATIONS

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Income (Loss)				
Income (loss) from operations:				
Annuities	$ 256	$ 323	$ 558	$ 613
Retirement Plan Services	54	62	109	118
Life Insurance	114	255	172	362
Group Protection	59	46	18	20
Other Operations	(92)	(78)	(172)	(154)
Excluded realized gain (loss), after-tax	374	(43)	352	(223)
Benefit ratio unlocking, after-tax	(527)	77	(696)	131
Net income (loss)	$ 238	$ 642	$ 341	$ 867

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Deposits				
Annuities	$ 2,702	$ 3,209	$ 5,407	$ 6,023
Retirement Plan Services	2,943	2,789	6,310	5,428
Life Insurance	1,439	1,278	2,775	2,498
Total deposits	$ 7,084	$ 7,276	$ 14,492	$ 13,949
Net Flows				
Annuities	$ (318)	$ (297)	$ (871)	$ (1,073)
Retirement Plan Services	913	517	1,859	864
Life Insurance	1,038	879	1,921	1,673
Total net flows	$ 1,633	$ 1,099	$ 2,909	$ 1,464

	As of June 30,	
	2022	2021
Account Values		
Annuities	$ 144,252	$ 168,307
Retirement Plan Services	86,706	95,908
Life Insurance	48,133	59,702
Total account values	$ 279,091	$ 323,917

Comparison of the Three and Six Months Ended June 30, 2022 to 2021

Net income decreased due primarily to the following:

- Lower investment income on alternative investments.
- Unfavorable variable annuity net derivative results.
- Lower fee income driven by lower average daily variable account values.
- Higher benefits due to growth in business in force.

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

- Lower expenses driven by equity market performance and lower production performance, partially offset by higher Spark program expense as part of our Spark Initiative.
- Growth in business in force and group earned premiums.

For a discussion of the COVID-19 pandemic, see "Introduction – Executive Summary" above and "Part I – Item 1A. Risk Factors – Market Conditions – The impacts of the COVID-19 pandemic have adversely affected and are expected to continue to adversely affect our business and results of operations, and the future impacts of the COVID-19 pandemic on the company's business, results of operations and financial condition remain uncertain" in our 2021 Form 10-K.

RESULTS OF ANNUITIES

Income (Loss) from Operations

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Insurance premiums (1)	$ 25	$ 27	$ 55	$ 59
Fee income	611	679	1,269	1,332
Net investment income	337	352	697	680
Operating realized gain (loss) (2)	51	53	105	103
Amortization of deferred gain on business sold through reinsurance	6	6	13	12
Other revenues (3)	139	132	262	267
Total operating revenues	1,169	1,249	2,401	2,453
Operating Expenses				
Interest credited	214	199	422	398
Benefits (1)	180	135	332	275
Commissions and other expenses	480	535	1,001	1,050
Total operating expenses	874	869	1,755	1,723
Income (loss) from operations before taxes	295	380	646	730
Federal income tax expense (benefit)	39	57	88	117
Income (loss) from operations	$ 256	$ 323	$ 558	$ 613

(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)" below.
(3) Consists primarily of revenues attributable to broker-dealer services, which are subject to market volatility and the net settlement related to certain reinsurance transactions, which has a corresponding offset in net investment income and interest credited.

Comparison of the Three and Six Months Ended June 30, 2022 to 2021

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

- Lower fee income driven by lower average daily variable account values.
- Higher benefits driven by an increase in the growth of our GLB and GDB benefit reserves due to market performance.
- Lower net investment income, net of interest credited, driven by lower investment income on alternative investments within our surplus portfolio.

The decrease in income from operations was partially offset by lower commissions and other expenses due to lower amortization expense as a result of lower gross profits and lower incentive compensation as a result of production performance.

Additional Information

For a discussion of the COVID-19 pandemic, see "Introduction – Executive Summary" above and "Part I – 1A. Risk Factors – Market Conditions – The impacts of the COVID-19 pandemic have adversely affected and are expected to continue to adversely affect our business and results of operations, and the future impacts of the COVID-19 pandemic on the company's business, results of operations and financial condition remain uncertain" in our 2021 Form 10-K.

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 new business and account values. 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 7% for the three and six months ended June 30, 2022, and 8% for the corresponding periods in 2021.

Our fixed and indexed variable annuities have discretionary fixed and indexed crediting rates that reset on an annual or periodic basis and may be subject to surrender charges. Our ability to retain these 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 or other changes that may cause interest rate spreads to differ from our expectations. For information on interest rate spreads and interest rate risk, 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, impacting our profitability, and make it more challenging to meet certain statutory requirements, and changes in interest rates may also result in increased contract withdrawals" and "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" in our 2021 Form 10-K. For information on the current interest rate environment, see "Introduction – Executive Summary" above.

Fee Income

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Fee Income				
Mortality, expense and other assessments	$ 607	$ 675	$ 1,258	$ 1,324
Surrender charges	7	3	12	4
DFEL:				
Deferrals	(6)	(7)	(12)	(14)
Amortization, net of interest	3	8	11	18
Total fee income	$ 611	$ 679	$ 1,269	$ 1,332

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Variable Account Value Information				
Variable annuity deposits (1)	$ 863	$ 1,290	$ 2,001	$ 2,387
Increases (decreases) in variable annuity account values:				
Net flows (1)	(1,441)	(1,569)	(2,862)	(3,359)
Change in market value (1)	(15,068)	7,163	(24,167)	11,325
Contract holder assessments (1)	(654)	(706)	(1,346)	(1,389)
Transfers to the variable portion of variable annuity products from the fixed portion of variable annuity products	114	111	253	269
Variable annuity account values (1)	108,648	135,051	108,648	135,051
Average daily variable annuity account values (1)	116,001	133,736	121,813	131,894
Average daily S&P 500® Index (2)	4,110	4,182	4,287	4,022

(1) Excludes the fixed portion of variable.

(2) We generally use the S&P 500 Index 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 Index performance. See Note 7 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 "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized Gain (Loss) – Operating Realized Gain (Loss)" in our 2021 Form 10-K for discussion of these attributed fees.

Net Investment Income and Interest Credited

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Investment Income				
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 294	$ 286	$ 596	$ 562
Commercial mortgage loan prepayment and bond make-whole premiums (1)	9	18	29	25
Surplus investments (2)	34	48	72	93
Total net investment income	$ 337	$ 352	$ 697	$ 680
Interest Credited				
Amount provided to contract holders	$ 211	$ 194	$ 415	$ 389
DSI deferrals	-	(1)	(1)	(2)
Interest credited before DSI amortization	211	193	414	387
DSI amortization	3	6	8	11
Total interest credited	$ 214	$ 199	$ 422	$ 398

(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.

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
	2022	2021	2022	2021
Fixed Account Value Information				
Fixed annuity deposits (1)	$ 1,839	$ 1,919	$ 3,406	$ 3,636
Increases (decreases) in fixed annuity account values:				
Net flows (1)	1,123	1,272	1,991	2,286
Contract holder assessments (1)	(13)	(21)	(29)	(46)
Transfers from the fixed portion of variable annuity products to the variable portion of variable annuity products	(114)	(111)	(253)	(269)
Reinvested interest credited (1)(3)	(1,981)	916	(2,340)	1,670
Fixed annuity account values (1)(2)	35,604	33,256	35,604	33,256
Average fixed account values (1)(2)	36,024	32,298	35,914	31,197

(1) Includes the fixed portion of variable.

(2) Net of reinsurance ceded.

(3) Decrease in reinvested interest credited driven by the change in embedded derivatives on our indexed annuity products.

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

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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Commissions and Other Expenses				
Commissions:				
Deferrable	$ 97	$ 129	$ 201	$ 241
Non-deferrable	160	168	325	332
General and administrative expenses	97	110	199	216
Inter-segment reimbursement associated with reserve financing and LOC expenses [1]	1	-	1	1
Taxes, licenses and fees	10	11	25	22
Total expenses incurred, excluding broker-dealer	365	418	751	812
DAC deferrals	(110)	(144)	(228)	(271)
Total pre-broker-dealer expenses incurred, excluding amortization, net of interest	255	274	523	541
DAC and VOBA amortization, net of interest	90	118	202	229
Broker-dealer expenses incurred	135	143	276	280
Total commissions and other expenses	$ 480	$ 535	$ 1,001	$ 1,050
DAC Deferrals				
As a percentage of sales/deposits	4.1%	4.5%	4.2%	4.5%

[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. For more information, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL" in our 2021 Form 10-K.

Table of Contents

RESULTS OF RETIREMENT PLAN SERVICES

Income (Loss) from Operations

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Fee income	$ 65	$ 74	$ 135	$ 146
Net investment income	241	250	479	498
Other revenues [(1)]	9	9	19	16
Total operating revenues	315	333	633	660
Operating Expenses				
Interest credited	156	155	308	309
Benefits	1	1	2	1
Commissions and other expenses	95	103	195	206
Total operating expenses	252	259	505	516
Income (loss) from operations before taxes	63	74	128	144
Federal income tax expense (benefit)	9	12	19	26
Income (loss) from operations	$ 54	$ 62	$ 109	$ 118

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

Comparison of the Three and Six Months Ended June 30, 2022 to 2021

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

- Lower net investment income, net of interest credited, driven by lower investment income on alternative investments within our surplus portfolio and lower prepayment and bond make-whole premiums, partially offset by higher average fixed account values.
- Lower fee income driven by lower average daily account values.

The decrease in income from operations was partially offset by lower commissions and other expenses driven by lower incentive compensation as a result of production performance and lower trail commissions resulting from lower average account values.

Additional Information

For a discussion of the COVID-19 pandemic, see "Introduction – Executive Summary" above and "Part I – Item 1A. Risk Factors – Market Conditions – The impacts of the COVID-19 pandemic have adversely affected and are expected to continue to adversely affect our business and results of operations, and the future impacts of the COVID-19 pandemic on the company's business, results of operations and financial condition remain uncertain" in our 2021 Form 10-K.

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 9% and 10% for the three and six months ended June 30, 2022, respectively, and 10% for the corresponding periods in 2021.

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 18% as of June 30, 2022 and 2021. Due to this 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 interest rate risk, 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, impacting our profitability, and make it more challenging to meet certain statutory requirements, and changes in interest rates may also result in increased contract withdrawals" and "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" in our 2021 Form 10-K. For information on the current interest rate environment, see "Introduction – Executive Summary" above.

Fee Income

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Fee Income				
Annuity expense assessments	$ 48	$ 55	$ 100	$ 108
Mutual fund fees	17	19	35	38
Total fee income	$ 65	$ 74	$ 135	$ 146

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net Flows By Market				
Small market	$ 80	$ 106	$ (36)	$ 79
Mid – large market	1,074	755	2,424	1,435
Multi-Fund® and other	(241)	(344)	(529)	(649)
Total net flows	$ 913	$ 517	$ 1,859	$ 865

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Variable Account Value Information				
Variable annuity deposits (1)	$ 434	$ 561	$ 1,358	$ 1,134
Increases (decreases) in variable annuity account values:				
Net flows (1)	(143)	(114)	11	(240)
Change in market value (1)	(2,743)	1,223	(4,036)	2,057
Contract holder assessments (1)	(41)	(46)	(86)	(91)
Variable annuity account values (1)	16,707	20,424	16,707	20,424
Average daily variable annuity account values (1)	17,986	20,114	18,863	19,658
Average daily S&P 500® Index	4,110	4,182	4,287	4,022

(1) Excludes the fixed portion of variable.

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Mutual Fund Account Value Information				
Mutual fund deposits	$ 1,377	$ 1,804	$ 3,248	$ 3,382
Mutual fund net flows	409	797	1,183	1,365
Mutual fund account values (1)	45,082	52,489	45,082	52,489

(1) 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.

Our fee income is primarily composed of expense assessments that we charge to cover insurance and administrative expenses, and mutual fund fees earned for services we provide to our mutual fund programs. Fee income is primarily based on average account values, both fixed and variable, which are driven by net flows and the equity markets. Fee income is also driven by non-account value-related items such as participant counts. 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 and fixed account values (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Investment Income				
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 214	$ 207	$ 420	$ 417
Commercial mortgage loan prepayment and bond make-whole premiums (1)	8	13	20	22
Surplus investments (2)	19	30	39	59
Total net investment income	$ 241	$ 250	$ 479	$ 498
Interest Credited	$ 156	$ 155	$ 308	$ 309

(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.

	As of or For the Three Months Ended June 30,		As of or For the Six Months Ended June 30,	
	2022	2021	2022	2021
Fixed Account Value Information				
Fixed annuity deposits (1)	$ 1,132	$ 424	$ 1,704	$ 913
Increases (decreases) in fixed annuity account values:				
Net flows (1)	647	(166)	665	(260)
Reinvested interest credited (1)	155	153	305	306
Contract holder assessments (1)	(3)	(3)	(7)	(7)
Fixed annuity account values (1)	24,917	22,995	24,917	22,995
Average fixed account values (1)	24,337	22,985	24,075	22,999

(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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Commissions and Other Expenses				
Commissions:				
Deferrable	$ 1	$ 1	$ 2	$ 3
Non-deferrable	17	19	35	39
General and administrative expenses	72	75	144	149
Taxes, licenses and fees	4	4	10	9
Total expenses incurred	94	99	191	200
DAC deferrals	(5)	(4)	(9)	(10)
Total expenses recognized before amortization	89	95	182	190
DAC and VOBA amortization, net of interest	6	8	13	16
Total commissions and other expenses	$ 95	$ 103	$ 195	$ 206
DAC Deferrals				
As a percentage of annuity sales/deposits	0.3%	0.4%	0.3%	0.5%

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. For more information, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL" in our 2021 Form 10-K.

RESULTS OF LIFE INSURANCE

Income (Loss) from Operations

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Insurance premiums [1]	$ 283	$ 258	$ 560	$ 511
Fee income	840	915	1,686	1,783
Net investment income	665	852	1,353	1,661
Operating realized gain (loss) [2]	(2)	(2)	(1)	(4)
Amortization of deferred gain on business sold through reinsurance	12	3	25	5
Other revenues	2	3	2	12
Total operating revenues	1,800	2,029	3,625	3,968
Operating Expenses				
Interest credited	329	372	653	742
Benefits	1,041	999	2,167	2,172
Commissions and other expenses	291	341	601	607
Total operating expenses	1,661	1,712	3,421	3,521
Income (loss) from operations before taxes	139	317	204	447
Federal income tax expense (benefit)	25	62	32	85
Income (loss) from operations	$ 114	$ 255	$ 172	$ 362

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

Comparison of the Three Months Ended June 30, 2022 to 2021

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

- Lower net investment income, net of interest credited, driven by lower investment income on alternative investments and the impact of the fourth quarter 2021 reinsurance agreement.
- Lower fee income due to the impact of the fourth quarter 2021 reinsurance agreement and lower DFEL amortization.
- Higher benefits due to growth in business in force and favorable mortality experience in the second quarter of 2021.

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

- Lower commissions and other expenses due to lower amortization and lower incentive compensation as a result of production performance.
- Higher amortization of deferred gain on business sold through reinsurance as a result of the fourth quarter 2021 reinsurance agreement.

Comparison of the Six Months Ended June 30, 2022 to 2021

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

- Lower net investment income, net of interest credited, driven by lower investment income on alternative investments and the impact of the fourth quarter 2021 reinsurance agreement.
- Lower fee income due to the impact of the fourth quarter 2021 reinsurance agreement and lower DFEL amortization.

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

- Higher amortization of deferred gain on business sold through reinsurance as a result of the fourth quarter 2021 reinsurance agreement.
- Lower commissions and other expenses due to lower incentive compensation as a result of production performance.

Additional Information

Effective October 1, 2021, we entered into a reinsurance agreement with Security Life of Denver Insurance Company (a subsidiary of Resolution Life that we refer to herein as "Resolution Life") to reinsure liabilities under a block of in-force executive benefit and universal life policies. For more information, see Note 8 in our 2021 Form 10-K. We expect an ongoing reduction in income from operations in future periods as a result of this reinsurance agreement.

While U.S. pandemic deaths have improved, we continue to expect elevated mortality in the third quarter of 2022. For a discussion of the COVID-19 pandemic, see "Introduction – Executive Summary" above and "Part I – Item 1A. Risk Factors – Market Conditions – The impacts of the COVID-19 pandemic have adversely affected and are expected to continue to adversely affect our business and results of operations, and the future impacts of the COVID-19 pandemic on the company's business, results of operations and financial condition remain uncertain" in our 2021 Form 10-K.

For information on interest rate spreads and interest rate risk, 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, impacting our profitability, and make it more challenging to meet certain statutory requirements, and changes in interest rates may also result in increased contract withdrawals" and "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" in our 2021 Form 10-K. For information on the current interest rate environment, see "Introduction – Executive Summary" above.

Insurance Premiums

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

Fee Income

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Fee Income				
Cost of insurance assessments	$ 575	$ 608	$ 1,146	$ 1,215
Expense assessments	380	361	754	715
Surrender charges	8	9	16	18
DFEL:				
Deferrals	(265)	(233)	(515)	(457)
Amortization, net of interest	142	170	285	292
Total fee income	$ 840	$ 915	$ 1,686	$ 1,783

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Sales by Product				
IUL/UL	$ 27	$ 20	$ 53	$ 38
MoneyGuard®	24	23	47	39
VUL	44	27	78	49
Term	48	35	90	64
Executive Benefits	50	21	79	50
Total sales	$ 193	$ 126	$ 347	$ 240
Net Flows				
Deposits	$ 1,439	$ 1,278	$ 2,775	$ 2,498
Withdrawals and deaths	(401)	(399)	(854)	(825)
Net flows	$ 1,038	$ 879	$ 1,921	$ 1,673
Contract Holder Assessments	$ 1,326	$ 1,277	$ 2,676	$ 2,548

	As of June 30,	
	2022	2021
Account Values		
General account (1)	$ 32,268	$ 37,385
Separate account (1)	15,865	22,317
Total account values (1)	$ 48,133	$ 59,702
In-Force Face Amount		
UL and other	$ 361,565	$ 357,670
Term insurance	663,140	567,525
Total in-force face amount	$ 1,024,705	$ 925,195

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Average General Account Values (1)	$ 32,758	$ 37,794	$ 32,811	$ 37,819

(1) Net of reinsurance ceded.

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.

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. For more information on sales, see "Additional Information" above.

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

- UL, IUL and VUL – first-year commissionable premiums plus 5% of excess premiums received;
- *MoneyGuard*® linked-benefit products – *MoneyGuard* (UL), 15% of total expected premium deposits, and *MoneyGuard Market Advantage*SM (VUL), 150% of commissionable premiums;
- Executive Benefits – insurance and corporate-owned UL and VUL, first-year commissionable premiums plus 5% of excess premium received, and single premium bank-owned UL and VUL, 15% of single premium deposits; 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 and interest credited (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Investment Income				
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 589	$ 643	$ 1,176	$ 1,287
Commercial mortgage loan prepayment and bond make-whole premiums (1)	9	9	22	15
Alternative investments (2)	35	167	89	293
Surplus investments (3)	32	33	66	66
Total net investment income	$ 665	$ 852	$ 1,353	$ 1,661
Interest Credited	$ 329	$ 372	$ 653	$ 742

(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.

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 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 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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Benefits				
Death claims direct and assumed	$ 1,351	$ 1,234	$ 2,893	$ 2,842
Death claims ceded	(532)	(460)	(1,152)	(1,068)
Reserves released on death	(157)	(169)	(321)	(373)
Net death benefits	662	605	1,420	1,401
Change in secondary guarantee life insurance product reserves	134	177	270	348
Change in *MoneyGuard*® reserves	146	136	288	268
Other benefits (1)	99	81	189	155
Total benefits	$ 1,041	$ 999	$ 2,167	$ 2,172
Death claims per $1,000 of in-force	2.62	2.64	2.85	3.08

(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.

Commissions and Other Expenses

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Commissions and Other Expenses				
Commissions	$ 176	$ 130	$ 332	$ 250
General and administrative expenses	133	143	267	276
Expenses associated with reserve financing	26	25	52	49
Taxes, licenses and fees	40	40	83	78
Total expenses incurred	375	338	734	653
DAC and VOBA deferrals	(204)	(154)	(386)	(293)
Total expenses recognized before amortization	171	184	348	360
DAC and VOBA amortization, net of interest	119	156	251	245
Other intangible amortization	1	1	2	2
Total commissions and other expenses	$ 291	$ 341	$ 601	$ 607
DAC and VOBA Deferrals				
As a percentage of sales	105.7%	122.2%	111.2%	122.1%

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 the three and six months ended June 30, 2022, to the corresponding periods in 2021, the decrease was primarily a result of changes in sales mix to products with lower commission rates. For more information, see “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL” in our 2021 Form 10-K.

RESULTS OF GROUP PROTECTION

Income (Loss) from Operations

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Insurance premiums	$ 1,187	$ 1,107	$ 2,356	$ 2,226
Net investment income	86	95	171	185
Other revenues [1]	50	45	99	89
Total operating revenues	1,323	1,247	2,626	2,500
Operating Expenses				
Interest credited	2	1	3	3
Benefits	926	877	1,953	1,847
Commissions and other expenses	320	310	647	624
Total operating expenses	1,248	1,188	2,603	2,474
Income (loss) from operations before taxes	75	59	23	26
Federal income tax expense (benefit)	16	13	5	6
Income (loss) from operations	$ 59	$ 46	$ 18	$ 20

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Income (Loss) from Operations by Product Line				
Life	$ -	$ 1	$ (39)	$ (69)
Disability	59	46	58	94
Dental	-	(1)	(1)	(5)
Income (loss) from operations	$ 59	$ 46	$ 18	$ 20

Comparison of the Three Months Ended June 30, 2022 to 2021

Income from operations for this segment increased due primarily to higher insurance premiums due to growth in the business and favorable persistency.

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

- Higher benefits driven by growth in the business and higher severity in both our disability and life businesses, partially offset by lower incidence in our life business.
- Lower net investment income, net of interest credited, driven by lower investment income on alternative investments within our surplus portfolio.
- Higher commissions and other expenses driven by favorable persistency and investments in claims management to address higher claims volume and to improve ongoing operations, partially offset by lower incentive compensation as a result of production performance.

Comparison of the Six Months Ended June 30, 2022 to 2021

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

- Higher benefits driven by growth in the business, higher severity in both our disability and life businesses and higher disability incidence, partially offset by lower incidence in our life business.
- Higher commissions and other expenses driven by investments in claims management to address higher claims volume and to improve ongoing operations and by favorable persistency, partially offset by lower incentive compensation as a result of production performance.
- Lower net investment income, net of interest credited, driven by lower investment income on alternative investments within our surplus portfolio.

The decrease in income from operations was partially offset by higher insurance premiums due to growth in the business and favorable persistency.

Additional Information

We continue to expect morbidity headwinds in our disability business and elevated mortality in our life business attributable to the COVID-19 pandemic in the third quarter of 2022. For a discussion of the COVID-19 pandemic, see "Introduction – Executive Summary" above.

For information about the effect of the loss ratio sensitivity on our income (loss) from operations, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Group Protection – Additional Information" in our 2021 Form 10-K.

For information on the effects of current interest rates on our long-term disability claim reserves, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk – Effect of Interest Rate Sensitivity" in our 2021 Form 10-K.

Insurance Premiums

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Insurance Premiums by Product Line				
Life	$ 445	$ 415	$ 889	$ 825
Disability	692	635	1,368	1,285
Dental	50	57	99	116
Total insurance premiums	$ 1,187	$ 1,107	$ 2,356	$ 2,226
Sales by Product Line				
Life	$ 62	$ 37	$ 116	$ 78
Disability	59	37	105	65
Dental	6	5	11	10
Total sales	$ 127	$ 79	$ 232	$ 153

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. Details underlying net investment income (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Investment Income				
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	$ 63	$ 59	$ 123	$ 119
Commercial mortgage loan prepayment and bond make-whole premiums (1)	2	4	4	6
Surplus investments (2)	21	32	44	60
Total net investment income	$ 86	$ 95	$ 171	$ 185

(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.

Benefits and Interest Credited

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Benefits and Interest Credited by Product Line				
Life	$ 359	$ 330	$ 762	$ 745
Disability	531	501	1,120	1,013
Dental	38	47	74	92
Total benefits and interest credited	$ 928	$ 878	$ 1,956	$ 1,850
Loss Ratios by Product Line				
Life	80.5%	79.6%	85.8%	90.2%
Disability	76.7%	79.0%	81.9%	78.9%
Dental	76.9%	81.6%	74.0%	79.2%
Total	78.2%	79.3%	83.0%	83.1%

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. For additional information on our loss ratios, see "Additional Information" above.

Commissions and Other Expenses

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Commissions and Other Expenses				
Commissions	$ 96	$ 87	$ 190	$ 178
General and administrative expenses	185	181	369	356
Taxes, licenses and fees	29	29	63	61
Total expenses incurred	310	297	622	595
DAC deferrals	(24)	(21)	(46)	(42)
Total expenses recognized before amortization	286	276	576	553
DAC and VOBA amortization, net of interest	25	26	54	55
Other intangible amortization	9	8	17	16
Total commissions and other expenses	$ 320	$ 310	$ 647	$ 624
DAC Deferrals				
As a percentage of insurance premiums	2.0%	1.9%	2.0%	1.9%

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. For more information, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL" in our 2021 Form 10-K

RESULTS OF OTHER OPERATIONS

Income (Loss) from Operations

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Revenues				
Insurance premiums [1]	$ 3	$ 6	$ 4	$ 8
Net investment income	40	35	81	70
Other revenues	(9)	4	(11)	6
Total operating revenues	34	45	74	84
Operating Expenses				
Interest credited	9	10	21	22
Benefits	21	25	35	40
Other expenses	1	25	14	53
Interest and debt expense	68	65	134	131
Spark program expense	44	21	75	35
Total operating expenses	143	146	279	281
Income (loss) from operations before taxes	(109)	(101)	(205)	(197)
Federal income tax expense (benefit)	(17)	(23)	(33)	(43)
Income (loss) from operations	$ (92)	$ (78)	$ (172)	$ (154)

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

Comparison of the Three and Six Months Ended June 30, 2022 to 2021

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

- Higher Spark program expense as part of our Spark Initiative.
- Lower other revenues due to the effect of market fluctuations on assets held as part of certain compensation plans, which decreased during the three and six months ended June 30, 2022, compared to an increase during the corresponding periods in 2021.
- Less favorable income tax benefit driven by unfavorable market impacts on tax preferred investment income.

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

- Lower other expenses due to the effect of changes in our stock price on our deferred compensation plans, as our stock price decreased during the three and six months ended June 30, 2022, compared to an increase during the corresponding periods in 2021.
- Higher net investment income, net of interest credited, related to higher allocated investments driven by an increase in excess capital retained by Other Operations.

Additional Information

We expect to continue making investments as part of our Spark Initiative. For more information, see "Introduction – Executive Summary – Spark Initiative" above and "Introduction – Executive Summary – Significant Operational Matters – Spark and Strategic Digitization Initiatives" in our 2021 Form 10-K.

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 impairments 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 the 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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
General and administrative expenses:				
Branding	$ 11	$ 13	$ 17	$ 21
Other [(1)]	(6)	12	6	34
Total general and administrative expenses	5	25	23	55
Taxes, licenses and fees [(2)]	(2)	1	(5)	(1)
Other [(3)]	(2)	(1)	(4)	(1)
Total other expenses	$ 1	$ 25	$ 14	$ 53

(1) Includes the portion of our deferred compensation plan expense attributable to participants' selection of LNC stock as the measure for their investment return, expenses that are corporate in nature including charitable contributions 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 primarily 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 access to a financing facility and issuance 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 "Liquidity and Capital Resources – Holding Company Sources and Uses of Liquidity and Capital – Debt" below.

REALIZED GAIN (LOSS)

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Components of Realized Gain (Loss), Pre-Tax				
Total operating realized gain (loss)	$ 49	$ 51	$ 104	$ 99
Total excluded realized gain (loss)	473	(53)	447	(281)
Total realized gain (loss), pre-tax	$ 522	$ (2)	$ 551	$ (182)
Components of Excluded Realized Gain (Loss), After-Tax				
Realized gain (loss) related to certain financial assets	$ (20)	$ 16	$ (16)	$ 41
Realized gain (loss) on the mark-to-market on certain instruments [2]	-	(2)	(9)	18
Variable annuity net derivative results:				
Hedge program performance, including unlocking for GLB reserves hedged and benefit ratio unlocking	(183)	13	(430)	(29)
GLB NPR component	74	(1)	92	(145)
Total variable annuity net derivative results	(109)	12	(338)	(174)
Indexed annuity forward-starting option	(3)	8	39	23
Excluded realized gain (loss) including benefit ratio unlocking, after-tax	(132)	34	(324)	(92)
Less: benefit ratio unlocking on GDB and GLB riders, after-tax	(506)	77	(676)	131
Total excluded realized gain (loss), after-tax	$ 374	$ (43)	$ 352	$ (223)

[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] The modified coinsurance investment portfolio includes fixed maturity securities classified as available-for-sale ("AFS") with changes in fair value recorded in other comprehensive income (loss) ("OCI"). Since the corresponding and offsetting changes in fair value of the embedded derivatives related to the modified coinsurance investment portfolio are recorded in realized gain (loss), volatility can occur within net income (loss). See Note 8 in our 2021 Form 10-K for more information regarding modified coinsurance.

Comparison of the Three Months Ended June 30, 2022 to 2021

We had realized losses compared to realized gains due primarily to the following:

- Unfavorable variable annuity net derivatives results driven by unfavorable hedge program performance due to more volatile capital markets, partially offset by a favorable GLB NPR component due to credit spreads widening and our associated reserves increasing.
- Losses related to certain financial assets driven by unfavorable equity market performance in 2022 compared to favorable equity market performance in 2021.

Comparison of the Six Months Ended June 30, 2022 to 2021

We had higher realized losses due primarily to the following:

- Unfavorable variable annuity net derivatives results driven by unfavorable hedge program performance due to more volatile capital markets, partially offset by a favorable GLB NPR component due to credit spreads widening and our associated reserves increasing.
- Losses related to certain financial assets driven by unfavorable equity market performance in 2022 compared to favorable equity market performance in 2021.
- Losses on the mark-to-market on certain instruments driven by declines in trading securities due to increases in interest rates, partially offset by favorable changes in the fair value of embedded derivatives related to certain modified coinsurance arrangements.

The higher realized losses were partially offset by higher gains related to the indexed annuity forward-starting option driven by an increase in discount rates and a decrease in projected index interest credited as a result of equity market performance.

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

Operating Realized Gain (Loss)

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized Gain (Loss) – Operating Realized Gain (Loss)" in our 2021 Form 10-K for a discussion of our operating realized gain (loss).

Realized Gain (Loss) Related to Certain Financial Assets

For information on realized gain (loss) related to certain financial assets, see Note 12.

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

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized Gain (Loss) – Realized Gain (Loss) on the Mark-to-Market on Certain Instruments" in our 2021 Form 10-K for a discussion of the mark-to-market on certain instruments. We also recognize the mark-to-market on certain mortgage loans on real estate for which we have elected the fair value option. See Note 13 for additional information.

Variable Annuity Net Derivative Results

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized Gain (Loss) – Variable Annuity Net Derivative Results" in our 2021 Form 10-K for a discussion of our variable annuity net derivative results and how our NPR adjustment is determined.

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

	As of June 30, 2022	As of March 31, 2022	As of December 31, 2021	As of September 30, 2021	As of June 30, 2021
Variable annuity hedge program assets (liabilities)	$ 1,623	$ 625	$ 721	$ 1,090	$ 881
Variable annuity reserves – asset (liability):					
Embedded derivative reserves, pre-NPR (1)	$ 1,136	$ 1,699	$ 1,818	$ 1,511	$ 1,569
NPR	164	46	17	94	98
Embedded derivative reserves	1,300	1,745	1,835	1,605	1,667
Insurance benefit reserves	(2,349)	(1,547)	(1,231)	(1,254)	(1,135)
Total variable annuity reserves – asset (liability)	$ (1,049)	$ 198	$ 604	$ 351	$ 532
10-year CDS spread	2.05%	1.44%	1.15%	1.18%	1.15%
NPR factor related to 10-year CDS spread	1.33%	0.99%	0.70%	0.74%	0.70%

(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.

For information about the effect of changes in the NPR factor on our net income (loss), see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized Gain (Loss) – Variable Annuity Net Derivative Results" in our 2021 Form 10-K.

For additional information about our guaranteed benefits, see "Critical Accounting Policies and Estimates – Future Contract Benefits – Guaranteed Living Benefits" above.

Indexed Annuity Forward-Starting Option

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Realized Gain (Loss) – Indexed Annuity Forward-Starting Option" in our 2021 Form 10-K for a discussion of our indexed annuity forward-starting option.

CONSOLIDATED INVESTMENTS

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

	As of June 30, 2022	As of December 31, 2021	Percentage of Total Investments As of June 30, 2022	Percentage of Total Investments As of December 31, 2021
Investments				
Fixed maturity AFS securities	$ 103,365	$ 118,746	76.4%	77.3%
Trading securities	3,822	4,482	2.8%	2.9%
Equity securities	344	318	0.3%	0.2%
Mortgage loans on real estate	17,922	17,991	13.3%	11.7%
Policy loans	2,368	2,364	1.8%	1.5%
Derivative investments	3,370	5,437	2.4%	3.6%
Alternative investments	2,949	2,666	2.2%	1.7%
Other investments	1,105	1,626	0.8%	1.1%
Total investments	$ 135,245	$ 153,630	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 "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2021 Form 10-K.

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 4; 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 4.

	As of June 30, 2022				
	Net Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% Fair Value
Fixed Maturity AFS Securities					
Industry corporate bonds:					
Financial services	$ 17,372	$ 253	$ 1,348	$ 16,277	15.7%
Basic industry	4,487	100	323	4,264	4.1%
Capital goods	7,349	129	620	6,858	6.6%
Communications	4,271	137	349	4,059	3.9%
Consumer cyclical	6,052	72	529	5,595	5.4%
Consumer non-cyclical	17,163	364	1,606	15,921	15.4%
Energy	4,875	105	349	4,631	4.5%
Technology	5,377	48	458	4,967	4.7%
Transportation	3,580	48	252	3,376	3.3%
Industrial other	2,294	12	270	2,036	2.0%
Utilities	14,131	305	1,019	13,417	13.0%
Government-related entities	1,833	75	151	1,757	1.7%
Collateralized mortgage and other obligations ("CMOs"):					
Agency backed	1,480	18	73	1,425	1.4%
Non-agency backed	360	29	7	382	0.4%
Mortgage pass through securities ("MPTS"):					
Agency backed	398	4	27	375	0.4%
Commercial mortgage-backed securities ("CMBS"):					
Agency backed	17	-	-	17	0.0%
Non-agency backed	1,691	2	153	1,540	1.5%
Asset-backed securities ("ABS"):					
Collateralized loan obligations ("CLOs")	7,471	1	475	6,997	6.8%
Credit card	85	8	2	91	0.1%
Home equity	214	32	6	240	0.2%
Other	2,503	6	127	2,382	2.3%
Municipals:					
Taxable	5,354	420	316	5,458	5.3%
Tax-exempt	68	1	4	65	0.1%
Government:					
United States	415	14	14	415	0.4%
Foreign	361	26	39	348	0.3%
Hybrid and redeemable preferred securities	434	73	35	472	0.5%
Total fixed maturity AFS securities	109,635	2,282	8,552	103,365	100.0%
Trading Securities (2)	4,034	88	300	3,822	
Equity Securities	318	77	51	344	
Total fixed maturity AFS, trading and equity securities	$ 113,987	$ 2,447	$ 8,903	$ 107,531	

	As of December 31, 2021				
	Net Amortized Cost [(1)]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% Fair Value
Fixed Maturity AFS Securities					
Industry corporate bonds:					
Financial services	$ 16,438	$ 1,981	$ 81	$ 18,338	15.4%
Basic industry	4,436	741	11	5,166	4.4%
Capital goods	7,316	1,040	31	8,325	7.0%
Communications	4,124	734	7	4,851	4.1%
Consumer cyclical	5,811	616	22	6,405	5.4%
Consumer non-cyclical	16,905	2,565	83	19,387	16.3%
Energy	4,932	728	13	5,647	4.8%
Technology	5,173	546	34	5,685	4.8%
Transportation	3,414	423	11	3,826	3.2%
Industrial other	2,159	174	11	2,322	2.0%
Utilities	13,785	2,250	38	15,997	13.5%
Government-related entities	1,863	315	7	2,171	1.8%
CMOs:					
Agency backed	1,544	123	1	1,666	1.4%
Non-agency backed	360	52	1	411	0.3%
MPTS:					
Agency backed	429	21	2	448	0.4%
CMBS:					
Agency backed	20	-	-	20	0.0%
Non-agency backed	1,532	61	14	1,579	1.3%
ABS:					
CLOs	6,356	11	49	6,318	5.3%
Credit card	82	24	1	105	0.1%
Home equity	236	54	-	290	0.2%
Other	1,765	38	4	1,799	1.5%
Municipals:					
Taxable	5,250	1,290	12	6,528	5.5%
Tax-exempt	72	21	-	93	0.1%
Government:					
United States	375	60	2	433	0.4%
Foreign	373	64	5	432	0.4%
Hybrid and redeemable preferred securities	408	107	11	504	0.4%
Total fixed maturity AFS securities	105,158	14,039	451	118,746	100.0%
Trading Securities [(2)]	4,170	343	31	4,482	
Equity Securities	285	55	22	318	
Total fixed maturity AFS, trading and equity securities	$ 109,613	$ 14,437	$ 504	$ 123,546	

(1) Represents amortized cost, net of the allowance for credit losses.

(2) Certain of our trading securities support our reinsurance funds withheld and modified coinsurance agreements and the investment results are passed directly to the reinsurers. See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Consolidated Investments – Fixed Maturity and Equity Securities Portfolios – Trading Securities" in our 2021 Form 10-K for further details.

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 accumulated other comprehensive income (loss) ("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:

		As of June 30, 2022			As of December 31, 2021		
NAIC Designation (1)	Rating Agency Equivalent Designation (1)	Net Amortized Cost	Fair Value	% of Total	Net Amortized Cost	Fair Value	% of Total
Investment Grade Securities							
1	AAA / AA / A	$ 61,623	$ 58,444	56.5%	$ 58,542	$ 66,571	56.1%
2	BBB	44,166	41,214	39.9%	42,797	48,130	40.5%
Total investment grade securities		105,789	99,658	96.4%	101,339	114,701	96.6%
Below Investment Grade Securities							
3	BB	2,187	2,051	2.0%	2,278	2,492	2.1%
4	B	1,544	1,548	1.5%	1,424	1,441	1.2%
5	CCC and lower	113	105	0.1%	51	53	0.0%
6	In or near default	2	3	0.0%	66	59	0.1%
Total below investment grade securities		3,846	3,707	3.6%	3,819	4,045	3.4%
Total fixed maturity AFS securities		$ 109,635	$ 103,365	100.0%	$ 105,158	$ 118,746	100.0%
Total securities below investment grade as a percentage of total fixed maturity AFS securities		3.5%	3.6%		3.6%	3.4%	

(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 Global Ratings ("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. The average credit quality was A- as of June 30, 2022.

Comparisons between the NAIC designations and rating agency designations are published by the NAIC. The NAIC assigns securities quality designations and uniform valuations, which are used by insurers when preparing their annual statements. The NAIC designations are similar to the rating agency designations of the Nationally Recognized Statistical Rating Organizations for marketable bonds. NAIC designations 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 designated 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 designations 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 June 30, 2022, and December 31, 2021, 97% and 94%, respectively, of the total fixed maturity AFS securities in an unrealized loss position were investment grade. Our gross unrealized losses recognized in OCI on fixed maturity AFS securities as of June 30, 2022, increased by $8.1 billion since December 31, 2021. 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.

We regularly review our fixed maturity AFS securities for declines in fair value that we determine to be impairment-related, including those attributable to credit risk factors that may require a credit allowance. We believe the unrealized loss position as of June 30, 2022, did not require an impairment recognized in earnings 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 difference in the fair value compared to the amortized cost was due to factors other than credit loss. This conclusion is consistent with our asset-liability management process. Management considered 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.

We recognized $(4) million and $(5) million of credit loss benefit (expense) on our fixed maturity AFS securities for the three and six months ended June 30, 2022, respectively. In order to determine the amount of credit loss, we calculated the recovery value by performing a discounted cash flow analysis based on the current cash flows and future cash flows we expect to recover. To determine the recoverability, we considered the facts and circumstances surrounding the underlying issuer including, but not limited to, the following:

- Historical and implied volatility of the security;
- The 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.

For information on credit loss impairment on fixed maturity AFS securities, see Notes 4 and 12 herein and Note 1 to the Consolidated Financial Statements in our 2021 Form 10-K.

As reported on our Consolidated Balance Sheets, we had $136.8 billion of investments and cash and invested cash, which exceeded the liabilities for our future obligations under insurance policies and contracts, net of amounts recoverable from reinsurers, which totaled $134.5 billion as of June 30, 2022. 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 $27.9 billion as of June 30, 2022, 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.

As of June 30, 2022, and December 31, 2021, the estimated fair value for all private placement securities was $19.3 billion and $20.7 billion, respectively, representing 14% and 13% of total investments, respectively.

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

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Consolidated Investments – Mortgage-Backed Securities" in our 2021 Form 10-K for a discussion of our mortgage-backed securities.

The market value of fixed maturity AFS and trading securities backed by subprime loans was $212 million and represented less than 1% of our total investment portfolio as of June 30, 2022. Fixed maturity AFS securities represented $202 million, or 95%, and trading securities represented $10 million, or 5%, of the subprime exposure as of June 30, 2022. The table below summarizes our investments in fixed maturity AFS securities backed by pools of residential mortgages (in millions) as of June 30, 2022:

	Agency		Prime		Alt-A		Subprime/ Option ARM [1]		Total	
	Net Amortized Cost	Fair Value	Net Amortized Cost	Fair Value	Net Amortized Cost	Fair Value	Net Amortized Cost	Fair Value	Net Amortized Cost	Fair Value
Type										
RMBS	$ 1,878	$ 1,800	$ 168	$ 169	$ 71	$ 80	$ 121	$ 133	$ 2,238	$ 2,182
ABS home equity	-	-	20	20	20	30	174	190	214	240
Total by type [(2)(3)]	$ 1,878	$ 1,800	$ 188	$ 189	$ 91	$ 110	$ 295	$ 323	$ 2,452	$ 2,422
Rating										
AAA	$ 1,514	$ 1,454	$ 75	$ 73	$ -	$ -	$ -	$ -	$ 1,589	$ 1,527
AA	358	340	8	8	4	4	9	9	379	361
A	6	6	2	2	2	2	12	12	22	22
BBB	-	-	32	29	6	6	7	7	45	42
BB and below	-	-	71	77	79	98	267	295	417	470
Total by rating [(2)(3)(4)]	$ 1,878	$ 1,800	$ 188	$ 189	$ 91	$ 110	$ 295	$ 323	$ 2,452	$ 2,422
Origination Year										
2012 and prior	$ 371	$ 385	$ 92	$ 98	$ 91	$ 110	$ 295	$ 323	$ 849	$ 916
2013	114	110	-	-	-	-	-	-	114	110
2014	49	48	1	1	-	-	-	-	50	49
2015	145	138	15	15	-	-	-	-	160	153
2016	462	424	-	-	-	-	-	-	462	424
2017	227	217	-	-	-	-	-	-	227	217
2018	184	185	-	-	-	-	-	-	184	185
2019	158	145	-	-	-	-	-	-	158	145
2020	70	62	1	1	-	-	-	-	71	63
2021	92	80	34	31	-	-	-	-	126	111
2022	6	6	45	43	-	-	-	-	51	49
Total by origination year [(2)(3)]	$ 1,878	$ 1,800	$ 188	$ 189	$ 91	$ 110	$ 295	$ 323	$ 2,452	$ 2,422
Total fixed maturity AFS securities backed by pools of residential mortgages as a percentage of total fixed maturity AFS securities									2.2%	2.3%
Total prime, Alt-A and subprime/option ARM as a percentage of total fixed maturity AFS securities									0.5%	0.6%

(1) Includes the net amortized cost and fair value of option adjustable rate mortgages ("ARM") within RMBS, totaling $110 million and $121 million, respectively.

(2) Does not include the amortized cost of trading securities totaling $125 million that primarily support our reinsurance funds withheld and modified coinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $125 million in trading securities consisted of $114 million prime, $1 million Alt-A and $10 million subprime.

(3) Does not include the fair value of trading securities totaling $113 million that primarily support our reinsurance funds withheld and modified coinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $113 million in trading securities consisted of $103 million prime, $1 million Alt-A and $9 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 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.

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 investment portfolio.

The following summarizes our investments in fixed maturity AFS securities backed by pools of commercial mortgages (in millions) as of June 30, 2022:

	Multiple Property		Single Property		Total	
	Net Amortized Cost	Fair Value	Net Amortized Cost	Fair Value	Net Amortized Cost	Fair Value
Type						
CMBS [(1)(2)]	$ 1,636	$ 1,493	$ 72	$ 64	$ 1,708	$ 1,557
Rating						
AAA	$ 1,258	$ 1,167	$ 11	$ 9	$ 1,269	$ 1,176
AA	378	326	57	50	435	376
A	-	-	4	5	4	5
Total by rating [(1)(2)(3)]	$ 1,636	$ 1,493	$ 72	$ 64	$ 1,708	$ 1,557
Origination Year						
2012 and prior	$ 12	$ 12	$ 11	$ 11	$ 23	$ 23
2013	92	91	-	-	92	91
2014	15	15	-	-	15	15
2015	24	23	-	-	24	23
2016	112	104	4	4	116	108
2017	321	307	-	-	321	307
2018	174	169	-	-	174	169
2019	302	275	-	-	302	275
2020	241	200	5	5	246	205
2021	220	182	43	36	263	218
2022	123	115	9	8	132	123
Total by origination year [(1)(2)]	$ 1,636	$ 1,493	$ 72	$ 64	$ 1,708	$ 1,557
Total fixed maturity AFS securities backed by pools of commercial mortgages as a percentage of total fixed maturity AFS securities					1.6%	1.5%

(1) Does not include the amortized cost of trading securities totaling $204 million that primarily support our reinsurance funds withheld and modified coinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $204 million in trading securities consisted of $123 million of multiple property CMBS and $81 million of single property CMBS.

(2) Does not include the fair value of trading securities totaling $187 million that primarily support our reinsurance funds withheld and modified coinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $187 million in trading securities consisted of $110 million of multiple property CMBS and $77 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 June 30, 2022, the net amortized cost and fair value of our fixed maturity AFS exposure to monoline insurers was $325 million and $327 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 June 30, 2022, was as follows:

	Net Amortized Cost	% Net Amortized Cost	Gross Unrealized Losses	% Gross Unrealized Losses	Fair Value	% Fair Value
Healthcare	$ 5,640	6.7%	$ 833	9.7%	$ 4,807	6.4%
Electric	6,581	7.8%	667	7.8%	5,914	7.8%
ABS	9,077	10.8%	600	7.0%	8,477	11.2%
Banking	6,023	7.2%	531	6.2%	5,492	7.3%
Technology	4,320	5.1%	458	5.4%	3,862	5.1%
Food and beverage	3,907	4.7%	411	4.8%	3,496	4.6%
Local authorities	2,261	2.7%	322	3.8%	1,939	2.6%
Diversified manufacturing	2,699	3.2%	285	3.3%	2,414	3.2%
Industrial – other	2,017	2.4%	275	3.2%	1,742	2.3%
Brokerage asset management	1,810	2.2%	213	2.5%	1,597	2.1%
Pharmaceuticals	2,464	2.9%	209	2.4%	2,255	3.0%
Chemicals	1,975	2.4%	197	2.3%	1,778	2.4%
Retail	1,829	2.2%	191	2.2%	1,638	2.2%
Property and casualty	1,682	2.0%	180	2.1%	1,502	2.0%
Natural gas	1,511	1.8%	178	2.1%	1,333	1.8%
Life	1,477	1.8%	166	1.9%	1,311	1.7%
Midstream	1,735	2.1%	160	1.9%	1,575	2.1%
Transportation services	1,981	2.4%	158	1.8%	1,823	2.4%
Aerospace and defense	1,281	1.5%	156	1.8%	1,125	1.5%
Non-agency CMBS	1,645	2.0%	153	1.8%	1,492	2.0%
Automotive	1,449	1.7%	140	1.6%	1,309	1.7%
Utility – other	891	1.1%	111	1.3%	780	1.0%
Consumer products	1,126	1.3%	109	1.3%	1,017	1.3%
Wirelines	955	1.1%	101	1.2%	854	1.1%
Wireless	795	0.9%	100	1.2%	695	0.9%
Integrated	822	1.0%	96	1.2%	726	1.1%
Entertainment	835	1.0%	86	1.0%	749	1.0%
Government sponsored	461	0.5%	85	1.0%	376	0.5%
Metals and mining	775	0.9%	84	1.0%	691	0.9%
Railroads	853	1.0%	83	1.0%	770	1.0%
Industries with unrealized losses less than $80 million	13,109	15.6%	1,214	14.2%	11,895	15.8%
Total by industry	$ 83,986	100.0%	$ 8,552	100.0%	$ 75,434	100.0%
Total by industry as a percentage of total fixed maturity AFS securities	76.6%		100.0%		73.0%	

As of June 30, 2022, the net amortized cost and fair value of securities subject to enhanced analysis and monitoring for potential changes in unrealized loss position was $38 million and $36 million, respectively.

Mortgage Loans on Real Estate

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

	As of June 30, 2022			
	Commercial	Residential	Total	%
Credit Quality Indicator				
Current	$ 16,866	$ 1,111	$ 17,977	99.9%
Delinquent [(1)]	-	9	9	0.0%
Foreclosure [(2)]	-	17	17	0.1%
Total mortgage loans on real estate before allowance	16,866	1,137	18,003	100.0%
Allowance for credit losses	(72)	(9)	(81)	
Total mortgage loans on real estate	$ 16,794	$ 1,128	$ 17,922	

	As of December 31, 2021			
	Commercial	Residential	Total	%
Credit Quality Indicator				
Current	$ 17,168	$ 889	$ 18,057	99.8%
Delinquent [(1)]	-	14	14	0.1%
Foreclosure [(2)]	-	16	16	0.1%
Total mortgage loans on real estate before allowance	17,168	919	18,087	100.0%
Allowance for credit losses	(79)	(17)	(96)	
Total mortgage loans on real estate	$ 17,089	$ 902	$ 17,991	

(1) As of June 30, 2022, 3 commercial mortgage loans and 22 residential mortgage loans were delinquent. As of December 31, 2021, 2 commercial mortgage loans and 31 residential mortgage loans were delinquent.

(2) As of June 30, 2022, no commercial mortgage loans and 41 residential loans were in foreclosure. As of December 31, 2021, no commercial mortgage loans and 34 residential mortgage loans were in foreclosure.

As of June 30, 2022, there were 5 specifically identified impaired commercial mortgage loans on real estate with an aggregate carrying value of $1 million and 32 specifically identified impaired residential mortgage loans on real estate with an aggregate carrying value of $10 million. As of December 31, 2021, there were 4 specifically identified impaired commercial mortgage loans on real estate with an aggregate carrying value of $1 million and 50 specifically identified impaired residential mortgage loans on real estate with an aggregate carrying value of $22 million.

The total outstanding principal and interest on commercial mortgage loans on real estate that were two or more payments delinquent as of June 30, 2022, and December 31, 2021, was less than $1 million. The total outstanding principal and interest on the residential mortgage loans on real estate that were three or more payments delinquent as of June 30, 2022, and December 31, 2021, was $9 million and $14 million, respectively.

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

	As of June 30, 2022	As of December 31, 2021
Segment		
Annuities	$ 6,670	$ 6,732
Retirement Plan Services	4,239	4,326
Life Insurance	3,725	3,890
Group Protection	1,438	1,435
Other Operations	1,850	1,608
Total mortgage loans on real estate	$ 17,922	$ 17,991

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

	As of June 30, 2022			As of June 30, 2022	
	Carrying Value	%		Carrying Value	%
Property Type			**State**		
Apartment	$ 5,368	32.0%	CA	$ 4,494	26.8%
Industrial	4,077	24.3%	TX	1,560	9.3%
Office building	3,722	22.2%	NY	1,095	6.5%
Retail	2,478	14.8%	FL	809	4.8%
Other commercial	709	4.2%	PA	802	4.8%
Hotel/motel	231	1.4%	MD	709	4.2%
Mixed use	209	1.1%	WA	652	3.9%
Total	$ 16,794	100.0%	GA	620	3.7%
Geographic Region			TN	561	3.3%
Pacific	5,441	32.4%	AZ	560	3.3%
South Atlantic	3,490	20.8%	OH	460	2.7%
Middle Atlantic	2,172	12.9%	VA	425	2.5%
West South Central	1,699	10.1%	NC	414	2.5%
East North Central	1,228	7.3%	WI	333	2.0%
Mountain	1,193	7.1%	SC	312	1.9%
East South Central	684	4.1%	IL	300	1.8%
West North Central	475	2.8%	UT	298	1.8%
New England	376	2.2%	Non U.S.	36	0.2%
Non U.S.	36	0.3%	All other states	2,354	14.0%
Total	$ 16,794	100.0%	Total	$ 16,794	100.0%

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

	As of June 30, 2022			
	Commercial	Residential	Total	%
Principal Repayment Year				
2022	$ 482	$ 7	$ 489	2.7%
2023	824	15	839	4.7%
2024	1,036	15	1,051	5.8%
2025	1,085	16	1,101	6.1%
2026	1,414	17	1,431	7.9%
2027 and thereafter	12,055	1,036	13,091	72.8%
Total	$ 16,896	$ 1,106	$ 18,002	100.0%

See Note 4 for information regarding our loan-to-value and debt-service coverage ratios and our allowance for credit losses.

Alternative Investments

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Annuities	$ 4	$ 19	$ 11	$ 36
Retirement Plan Services	2	12	6	24
Life Insurance	35	167	89	293
Group Protection	2	13	6	24
Other Operations	1	5	2	9
Total [(1)]	$ 44	$ 216	$ 114	$ 386

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

As of June 30, 2022, and December 31, 2021, alternative investments included investments in 326 and 311 different partnerships, respectively, and the portfolio represented approximately 2% of 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 June 30, 2022, and December 31, 2021, the carrying amount of fixed maturity securities, mortgage loans on real estate and real estate that were non-income producing was $9 million and $14 million, respectively.

Net Investment Income

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Net Investment Income				
Fixed maturity AFS securities	$ 1,091	$ 1,100	$ 2,148	$ 2,201
Trading securities	44	42	86	84
Equity securities	2	1	5	1
Mortgage loans on real estate	169	172	338	341
Policy loans	25	30	50	60
Cash and invested cash	1	-	1	1
Commercial mortgage loan prepayment and bond make-whole premiums [(1)]	30	45	82	72
Alternative investments [(2)]	44	216	114	386
Consent fees	1	1	2	3
Other investments	9	14	38	18
Investment income	1,416	1,621	2,864	3,167
Investment expense	(47)	(37)	(83)	(73)
Net investment income	$ 1,369	$ 1,584	$ 2,781	$ 3,094

(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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Interest Rate Yield				
Fixed maturity AFS securities, mortgage loans on real estate and other, net of investment expenses	3.77%	3.94%	3.78%	3.94%
Commercial mortgage loan prepayment and bond make-whole premiums	0.09%	0.13%	0.12%	0.11%
Alternative investments	0.13%	0.65%	0.17%	0.58%
Net investment income yield on invested assets	3.99%	4.72%	4.07%	4.63%

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, alternative investments and contingent interest and standby real estate equity commitments. 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.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Liquidity refers to our ability to generate adequate amounts of cash from our normal operations to meet cash requirements with a prudent margin of safety. Capital refers to our long-term financial resources to support the operations of our businesses, to fund long-term growth strategies and to support our operations during adverse conditions. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of our businesses, general economic conditions and access to the capital markets and other sources of liquidity and capital as described below.

When considering our liquidity, 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 is largely dependent upon the dividend capacity of its insurance subsidiaries as well as their ability to advance or repay funds to it through inter-company borrowing arrangements, which may be affected by factors influencing the insurance subsidiaries' RBC and statutory earnings performance. Disruptions, uncertainty or volatility in the capital and credit markets, including any current or future impacts related to the COVID-19 pandemic, may materially affect our business operations and results of operations. These poor market conditions may reduce our insurance subsidiaries' statutory surplus and RBC requiring them to retain more capital and may pressure their ability to pay dividends to LNC, which may lead us to take steps to preserve or raise additional capital. We monitor and adjust our liquidity and capital plans in light of market conditions, as well as changing needs and opportunities. Based on the sources of liquidity available to us as discussed below, we currently expect to be able to meet the holding company's ongoing cash needs and to have sufficient capital to offer downside protection. 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" in our 2021 Form 10-K and "Forward-Looking Statements – Cautionary Language" above. For a discussion of the COVID-19 pandemic, see "Introduction – Executive Summary" above.

Consolidated Sources and Uses of Liquidity and Capital

Our primary sources of liquidity and capital are insurance premiums and fees, investment income, maturities and sales of investments, issuance of debt and contract holder deposits. We also have access to alternative sources of liquidity as discussed below. Our primary uses are to pay policy claims and benefits, to fund commissions and other general operating expenses, to purchase investments, to fund policy surrenders and withdrawals, to pay dividends to our stockholders, to repurchase our stock and to repay debt. Our operating activities provided (used) cash of $2.7 billion and $(231) million for the six months ended June 30, 2022 and 2021, respectively.

Holding Company Sources and Uses of Liquidity and Capital

The primary sources of liquidity and capital at the holding company level are 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 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. These sources support the general corporate needs of the holding company, including its common stock dividends, common stock repurchases, interest and debt service, funding of callable securities, acquisitions and investment in core businesses.

Details underlying the primary sources of the holding company's liquidity (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Dividends from Subsidiaries				
LNL	$ 280	$ 315	$ 305	$ 495
Lincoln Investment Management Company	-	-	16	-
Lincoln National Management Corporation	7	-	7	-
Lincoln National Reinsurance Company (Barbados) Limited	-	-	85	75
Total dividends from subsidiaries	$ 287	$ 315	$ 413	$ 570
Interest from Subsidiaries				
Interest on inter-company notes	$ 27	$ 27	$ 56	$ 56

The table above focuses on significant and recurring cash flow items and excludes the effects of certain financing activities, including the periodic issuance and retirement of debt, cash flows related to our inter-company cash management program and certain investing activities, including capital contributions to subsidiaries. These activities are 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 and employee stock exercise activity related to our stock-based incentive compensation plans. See "Part IV – Item 15(a)(2) Financial Statement Schedules – Schedule II – Condensed Financial Information of Registrant" in our 2021 Form 10-K for the holding company cash flow statement. For information regarding limits on the dividends that our insurance subsidiaries may pay without prior approval, see "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Holding Company Sources and Uses of Liquidity and Capital – Restrictions on Subsidiaries' Dividends" in our 2021 Form 10-K.

Insurance Subsidiaries' Statutory Capital and Surplus

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. 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 and free up capital the insurance subsidiaries can use for any number of purposes, including paying dividends to the holding company. 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 June 30, 2022, was approximately $2.0 billion of long-dated LOCs issued to support inter-company reinsurance arrangements for UL products containing secondary guarantees. For information on the LOCs, see the credit facilities table in Note 12 in our 2021 Form 10-K. Our captive reinsurance and reinsurance subsidiaries have also issued long-term notes of $3.9 billion to finance a portion of the excess reserves as of June 30, 2022; of this amount, $3.1 billion involve exposure to variable interest entities. For information on these long-term notes issued by our captive reinsurance and reinsurance subsidiaries, see Note 3 in our 2021 Form 10-K. 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.

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.

Debt

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

Details underlying our debt activities (in millions) for the six months ended June 30, 2022, 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	$ 4,867	$ 300	$ -	$ (118)	$ (9)	$ 5,040
Term loans	250	-	-	-	-	250
Subordinated notes [2]	995	-	-	-	-	995
Capital securities [2]	213	-	-	-	-	213
Total long-term debt	$ 6,325	$ 300	$ -	$ (118)	$ (9)	$ 6,498

(1) Includes the 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) 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 subordinated notes and capital securities.

On March 1, 2022, we completed the issuance and sale of $300 million aggregate principal amount of our 3.40% senior notes due 2032. We intend to use the net proceeds from the offering for general corporate purposes, which may include the repayment of debt on or prior to its maturity.

LNC made interest payments to service debt of $74 million and $144 million for the three and six months ended June 30, 2022, respectively, compared to $74 million and $144 million, respectively, for the corresponding periods in 2021.

For additional information about our short-term and long-term debt, see Note 12 in our 2021 Form 10-K and Note 9 herein.

Capital Contributions to Subsidiaries

LNC made capital contributions to subsidiaries of $65 million for the three and six months ended June 30, 2022, compared to zero and $65 million, respectively, for the corresponding periods in 2021.

Return of Capital to Common Stockholders

One of our 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 repurchases 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. For additional information regarding share repurchases, see "Part II – Item 2(c)" below.

Details underlying return of capital to common stockholders (in millions) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Dividends to common stockholders	$ 77	$ 80	$ 157	$ 161
Repurchase of common stock	100	150	500	255
Total cash returned to common stockholders	$ 177	$ 230	$ 657	$ 416
Number of shares repurchased	1.8	2.2	7.6	4.1

Alternative Sources of Liquidity

Inter-Company Cash Management Program

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 June 30, 2022, the holding company had a net outstanding receivable (payable) of $249 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-domiciled insurance subsidiary, 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.

Facility Agreement for Senior Notes Issuance

LNC entered into a facility agreement in 2020 with a Delaware trust that gives LNC the right over a 10-year period to issue, from time to time, up to $500 million of 2.330% senior notes to the trust in exchange for a corresponding amount of U.S. Treasury securities held by the trust. By agreeing to purchase the 2.330% senior notes in exchange for U.S. Treasury securities upon exercise of the issuance right, the trust will provide a source of liquid assets for the Company. The issuance right will be exercised automatically in full upon our failure to make certain payments to the trust, if the failure to pay is not cured within 30 days, or upon certain bankruptcy events involving LNC. We are also required to exercise the issuance right in full if our consolidated stockholders' equity (excluding AOCI) falls below $2.75 billion, subject to adjustment from time to time in certain cases, and upon certain other events described in the facility agreement. For additional information, see Note 12 in our 2021 Form 10-K.

Federal Home Loan Bank

Our primary insurance subsidiary, LNL, is a member of the Federal Home Loan Bank ("FHLB") 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. Borrowings under this facility are subject to the FHLBI's discretion and require the availability of qualifying assets at LNL. As of June 30, 2022, LNL had an estimated maximum borrowing capacity of $7.0 billion under the FHLBI facility and maximum available borrowing based on qualifying assets of $6.0 billion. As of June 30, 2022, LNL had outstanding borrowings of $3.9 billion under this facility reported within payables for collateral on investments on the Consolidated Balance Sheets. Lincoln Life & Annuity Company of New York ("LLANY") is a member of the Federal Home Loan Bank of New York ("FHLBNY") with an estimated maximum borrowing capacity of $750 million. Borrowings under this facility are subject to the FHLBNY's discretion and require the availability of qualifying assets at LLANY. As of June 30, 2022, LLANY had no outstanding borrowings under this facility. For additional information, see "Payables for Collateral on Investments" in Note 4.

Securities Lending Programs and Repurchase Agreements

Our insurance subsidiaries, by virtue of their general account fixed-income investment holdings, can access liquidity through securities lending programs and repurchase agreements. As of June 30, 2022, our insurance subsidiaries had securities pledged under securities lending agreements with a carrying value of $299 million. In addition, our insurance and reinsurance subsidiaries had access to $2.25 billion through committed repurchase agreements, of which $25 million was utilized as of June 30, 2022. The cash received in our securities lending programs and repurchase agreements is typically invested in cash and invested cash or fixed maturity AFS securities. For additional information, see "Payables for Collateral on Investments" in Note 4.

Collateral on Derivative Contracts

Our cash flows associated with collateral received from counterparties (when we are in a net collateral payable position) and posted with counterparties (when we are in a net collateral receivable position) change as the market value of the underlying derivative contract changes. The net collateral position depends on changes in interest rates and equity markets related to the amount of the exposures hedged. As of June 30, 2022, we were in a net collateral payable position of $3.1 billion compared to $4.9 billion as of December 31, 2021. In the event of adverse changes in fair value of our derivative instruments, we may need to post collateral with a counterparty. If we do not have sufficient high-quality securities or cash and invested cash to provide as collateral, we have committed liquidity sources through facilities that can provide up to $1.25 billion of additional liquidity to help meet collateral needs. Access to such facilities is contingent upon interest rates having achieved certain threshold levels. In addition to these facilities, we have the facility agreement for senior notes issuance, the FHLB facilities and the repurchase agreements discussed above as well as the five-year revolving credit facility discussed in Note 12 in our 2021 Form 10-K to leverage that would be eligible for collateral posting. For additional information, see "Credit Risk" in Note 5.

Ratings

Financial Strength Ratings

See "Part I – Item 1. Business – Financial Strength Ratings" in our 2021 Form 10-K for information on our financial strength ratings.

Credit Ratings

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Ratings" in our 2021 Form 10-K for information on our credit ratings.

If our current financial strength ratings or credit 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 derivative 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 June 30, 2022. 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 – 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" in our 2021 Form 10-K for more information.

Item 3. 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. 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. For information on these market risks, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2021 Form 10-K. See also "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Introduction – Executive Summary" above.

Item 4. Controls and Procedures

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 SEC'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.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to *Hanks v. Lincoln Life & Annuity Company of New York and Voya Retirement Insurance and Annuity Company*, previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K"). On June 29, 2022, the court conducted a final fairness hearing concerning the terms of the settlement, and granted final approval.

Reference is made to *Andrew Nitkewicz v. Lincoln Life & Annuity Company of New York* previously disclosed in our 2021 Form 10-K. On June 6, 2022, oral argument was held with respect to plaintiff's appeal of the court's July 2021 decision to grant, with prejudice, LLANY's motion to dismiss.

Angus v. The Lincoln National Life Insurance Company, pending in the U.S. District Court for the Eastern District of Pennsylvania, No. 2:22-cv-01878, is a putative class action filed on May 13, 2022. Plaintiff alleges that defendant LNL breached the terms of her 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 or insured 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 their behalf. Breach of contract is the only cause of action asserted. We are vigorously defending this matter.

See Note 10 in "Part I – Item 1. Financial Statements" for further discussion regarding these matters and other contingencies.

Item 1A. Risk Factors

In addition to the factors set forth in "Part I – Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements – Cautionary Language," you should carefully consider the risks described under "Part I – Item 1A. Risk Factors" in our Form 10-K for the year ended December 31, 2021. Such risks and uncertainties 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following summarizes purchases of equity securities by the Company during the quarter ended June 30, 2022 (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)]
4/1/22 – 4/30/22	-	$ -	-	$ 864
5/1/22 – 5/31/22	1,665,863	54.39	1,665,863	773
6/1/22 – 6/30/22	162,561	58.02	162,561	764

(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 June 30, 2022, there were 1,828,424 shares purchased as part of publicly announced plans or programs.

(2) On November 10, 2021, our Board of Directors authorized an increase in our securities repurchase authorization, bringing the total aggregate repurchase authorization to $1.5 billion. As of June 30, 2022, our remaining security repurchase authorization was $764 million. The security repurchase authorization does not have an expiration date. The amount and timing of share repurchases 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. Exhibits

The Exhibits included in this report are listed in the Exhibit Index beginning on page 98, which is incorporated herein by reference.

LINCOLN NATIONAL CORPORATION
Exhibit Index for the Report on Form 10-Q
For the Quarter Ended June 30, 2022

10.1	Amendment No. 1 to the Lincoln National Corporation 2020 Incentive Compensation Plan (effective May 27, 2022) is incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (File No. 333-265314) filed with the Securities and Exchange Commission on May 31, 2022.*
10.2	Non-Employee Director Fees (effective May 27, 2022).*
10.3	Form of Non-Qualified Stock Option Agreement for Senior Management Committee ("SMC") (other than CEO) (effective for officers joining SMC on or after May 26, 2022).*
10.4	Form of Long-Term Incentive Award Program Performance Cycle Agreement for SMC (other than CEO) (effective for officers joining SMC on or after May 26, 2022).*
10.5	Form of Restricted Stock Unit Award Agreement for SMC (other than CEO) (effective for officers joining SMC on or after May 26, 2022).*
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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN NATIONAL CORPORATION

By: /s/ Randal J. Freitag

Randal J. Freitag
Executive Vice President and Chief Financial Officer

By: /s/ Adam Cohen

Adam Cohen
Senior Vice President and Chief Accounting Officer

Dated: August 4, 2022

EXHIBIT 10.2

NON-EMPLOYEE DIRECTOR FEES
(Effective May 27, 2022)

Non-Executive Chairman	
Annual Retainer (Cash)	$375,000
Deferred LNC Stock Units	$150,000
Total Non-Executive Chairman Fees	*$525,000*
Lead Independent Director	
Annual Retainer (Cash)	$110,000
Deferred LNC Stock Units	$225,000
Total Lead Independent Director Fees	*$335,000*
Directors other than Non-Executive Chairman and Lead Independent Director	
Annual Retainer (Cash)	$110,000
Deferred LNC Stock Units*	$165,000
Total Board Fees	*$275,000*
Committees (Cash)	
Audit Committee Chair	$35,000
Audit Committee Member	$10,000
Compensation Committee Chair	$25,000
Other Committee Chair	$20,000

*Deferred LNC Stock Units are "phantom" units of LNC Common Stock that are credited under the LNC Directors' Deferred Compensation Plan.

All cash fees may be deferred, at a Director's election, pursuant to the LNC Directors' Deferred Compensation Plan.

Meeting fees may be paid in some cases for meetings which exceed the number of annually scheduled meetings ($1,100 per meeting) as determined by the Corporate Governance Committee.

All fees are paid to the directors on a quarterly basis in arrears and, for partial service during the year, fees are paid on a pro-rata basis.

Exhibit 10.3

LINCOLN NATIONAL CORPORATION

NONQUALIFIED STOCK OPTION AGREEMENT

For Senior Management Committee (other than CEO)

This Nonqualified Stock Option Agreement (the "Agreement") evidences the terms of the grant by Lincoln National Corporation ("LNC") of a Nonqualified Stock Option (the "Option") to <First Name> <Last Name> ("Grantee") on <Grant Date> (the "Grant Date"), and Grantee's acceptance of the Option, in accordance with and subject to the terms and provisions of the Lincoln National Corporation 2020 Incentive Compensation Plan effective June 11, 2020 (the "Plan") and this Agreement. LNC and Grantee agree as follows:

1. **Shares Optioned and Option Price.**

Grantee shall have an Option to purchase <Granted Amount> shares of LNC common stock (the "Shares") for <Grant Price> (in United States Dollars) for each Share.

2. **Vesting Dates.**

The Option shall vest as follows, provided the Grantee remains in Service (defined in Paragraph 9, below) through the specified vesting date:

1/3 of the Option on the first anniversary of the Grant Date;
1/3 of the Option on the second anniversary of the Grant Date; and
1/3 of the Option on the third anniversary of the Grant Date.

In addition, upon Grantee's termination of Service for any of the following reasons, the unvested portion of the Option shall vest as indicated:

(a) **100%** as of the date of Grantee's death; or

(b) **100%** as of the date of Grantee's termination of Service on account of Total Disability (defined in Paragraph 9, below); or

(c) **100%** as of the date of Grantee's involuntary termination of Service other than for Cause, within two (2) years after a Change of Control pursuant to the definition in effect on the day immediately preceding such Change of Control; or

(d) **Pro-rata** as of the date Grantee Retires (defined in Paragraph 9, below); except that if Grantee Retires at age 62 or older, the Option shall be **100%** vested as of that date.

An Option that vests pro-rata upon the event described in Subparagraph 2(d) above shall vest according to a pro-ration formula equal to the total number of days of Service that Grantee provides during the applicable Vesting Period (defined below), divided by the number of days in the applicable Vesting Period in which the event described in Subparagraph 2(d) occurs, multiplied by the number of Shares subject to the Option that may vest during the applicable Vesting Period (rounding up to the nearest whole Share). For purposes of pro-rating, the applicable "Vesting Period" is the one-year period between the Grant Date and first anniversary of the Grant Date during which a portion of the Option vests, or the one-year period between anniversaries of the Grant Date during which a portion of the Option vests.

Except as provided above, any portion of the Option that is unvested upon Grantee's termination of Service shall be deemed forfeited immediately following termination.

3. **Exercise Period.**

Grantee may exercise all or part of the Option, to the extent vested, prior to the close of business at LNC headquarters on any LNC business day (in accordance with procedures established by LNC) until the first to occur of:

(a) the tenth anniversary of the Grant Date; or

(b) the first anniversary of the date of Grantee's termination of Service on account of death or Total Disability; or

(c) the fifth anniversary of Grantee's Retirement; or

(d) the date three (3) months after Grantee's involuntary termination of Service other than for Cause, including the sale or disposition of the business for which Grantee provides Service; or

(e) the date of Grantee's termination of Service for any reason other than those described in Subparagraphs 3(b), (c), or (d), respectively.

4. **Manner of Exercise.**

To exercise an Option, Grantee must: (a) accept the terms of this award by delivering an acknowledgment (in the form specified by LNC); (b) deliver notice of the exercise (in the form specified by LNC) to the LNC stock option administrator; and (c) submit full payment of the exercise price. Payment of the exercise price may be made in any combination of cash, certified check, Shares (including the surrender of Shares held by the Grantee or those that would otherwise be issued on exercise of the Option), or, to the extent LNC has adopted a broker assisted cashless exercise program, through a broker assisted cashless exercise. Any surrendered or withheld Shares will constitute payment to the extent of their Fair Market Value.

5. **Tax Withholding.**

As soon as practicable after the exercise date, LNC shall cause the appropriate number of Shares to be issued to Grantee. LNC shall not issue Shares until any required tax withholding payments are remitted to LNC by Grantee. In accordance with procedures established by the Compensation Committee of the LNC Board of Directors (the "Committee"), Grantee may satisfy any required tax withholding payments in any combination of cash, certified check, or Shares (including the surrender of Shares held by the Grantee or those that would otherwise be issued on exercise of the Option) or, to the extent LNC has adopted a broker assisted cashless exercise program, through a broker assisted cashless exercise. Any surrendered or withheld Shares will constitute satisfaction of any required tax withholding to the extent of their Fair Market Value.

6. **Transferability.**

Unless otherwise approved by the Committee, no rights under this Agreement may be transferred except by will or the laws of descent and distribution. The rights under this Agreement may be exercised during the lifetime of Grantee only by Grantee. After Grantee's death, the Option may be exercised by the person or persons to whom the Option was transferred by will or the laws of descent and distribution.

7. **Cancellation/Rescission of Options and/or Related Exercise/Termination for Cause.**

(a) If Grantee's Service is terminated for Cause, any Shares acquired upon exercise of the Option during the six (6) month period prior to such termination for Cause shall be rescinded and any remaining portion of the Option shall be cancelled without further action by the Committee or its delegate.

(b) If Grantee fails to comply with the non-competition, non-solicitation, non-disparagement, or non-disclosure provisions described in Subparagraphs 8(a) through 8(d) below, before the applicable vesting date of the Option, in addition to the remedies provided in Subparagraph 8(e) below, the Option shall be cancelled without further action by the Committee or its delegate.

(c) Grantee's failure to comply with Subparagraphs 8(a) or 8(b) at any time from the Grant Date through the applicable time periods specified in Subparagraphs 8(a) or 8(b) shall cause such Option and/or any Shares acquired upon exercise of the Option to be rescinded. Grantee's failure to comply with Subparagraphs 8(c) or 8(d) at any time on or after the Grant Date shall cause such Option and/or any Shares acquired upon exercise of the Option to be rescinded.

(d) (1) LNC shall notify Grantee in writing of any such rescission: (A) in the case of Subparagraph 7(a), not later than 90 days after such termination for Cause; and (B) not later than 180 days after LNC obtains knowledge of Grantee's failure to comply with Subparagraphs 8(a) through 8(d) below.

(2) Within ten (10) days after receiving a rescission notice from LNC: (A) Grantee must surrender to LNC the Shares acquired upon exercise of the Option, less a number of Shares having a Fair Market Value equal to the aggregate exercise price of the Option; or (B) if the Shares acquired upon exercise of the Option have been sold or transferred, (i) Grantee must make a payment to LNC of the proceeds from such sale or transfer, or (ii) if there are no proceeds from such transfer, Grantee must make a payment to LNC equal to the Fair Market Value of the Shares on the date of such transfer.

In all cases, Grantee shall pay to LNC the gross amount of any gain realized or payment received (not net of any withholding or other taxes paid by Grantee) as a result of the Option.

8. **Covenants.**

Grantee recognizes and acknowledges that during the term of employment, Grantee has had, and will continue to have, access to confidential and proprietary business information and trade secrets belonging to LNC and LNC's customers, including, but not limited to, customer information, customer lists, pricing, products, information relating to sales, sales leads, sales performance, sales volume, LNC business and financial strategy, LNC quarterly business reviews, and LNC data, all of which are of substantial value to LNC. Grantee therefore agrees that the restrictive covenants below are reasonable and necessary to protect LNC's trade secrets and confidential information.

(a) Non-Competition. From Grant Date through the six (6) month period after the applicable vesting date of this Option, Grantee may not become employed by, work on behalf of, consult with, or otherwise render services that are the same or similar to the services rendered by Grantee to the business unit(s) for which Grantee provided Service or otherwise had responsibilities for within six (6) months prior to his/her Separation from Service to any other business, firm, person, partnership, corporation or other organization that competes with or provides, or is planning to provide, the same or similar products and/or services. Grantee understands and agrees that due to the nature of LNC's nationwide business and the nationwide scope of Grantee's employment, this restriction is nationwide in scope.

(b) Non-Solicitation of Employees and Other Service Providers. During Grantee's employment with LNC, and for a period of twelve (12) months following the date of Grantee's Separation from Service, for any reason, Grantee shall not directly or indirectly hire, manage, solicit, or recruit, or aid in the hiring, soliciting, or recruiting of any persons who are at the time of hire, or were at any time within the six (6) months prior to hire, employees, agents, representatives, or consultants of LNC whom Grantee had hired, managed, supervised, or otherwise became familiar with in any capacity as a result of his/her Service.

(c) Non-Disparagement. Grantee agrees not to defame LNC or any of its affiliates, products, employees, officers, directors or services, or make or solicit any comments, statement or the like to the media or others that may be considered to be derogatory or harmful to the good name or business reputation of LNC or its affiliates, except that Grantee may testify truthfully in any legal proceeding where his testimony is compelled by subpoena under oath. This provision also applies to any comments or statements which Grantee may make on the internet, including but not limited to comments, statements and/or videos placed in email, and/or on YouTube, Instagram, Facebook, Twitter or any other social media site.

(d) Non-Disclosure & Ideas Provision. Grantee shall not, without prior written authorization from LNC, disclose to anyone outside LNC, or use in other than LNC's business, any trade secrets or confidential and/or proprietary information received from or on behalf of, developed for, or otherwise relating to the business of, LNC. Any confidentiality or non-disclosure obligations in this Agreement does not prohibit or restrict Grantee (or Grantee's attorney) from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC, FINRA, any other self-regulatory organization, or any other state, local, or federal regulatory, investigative, or enforcement entity, agency, or authority. For purposes of this Agreement, a confidential disclosure to government officials or attorneys solely for purposes of reporting or investigating a suspected violation of the law (or disclosures made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal) is immune from civil and criminal liabilities under federal and state trade secret laws. Furthermore, Grantee agrees to disclose and assign to LNC all rights and interest in any invention or idea that Grantee developed or helped develop for actual or related business, research, or development work during the period of Grantee's Service.

(e) Consent to Injunction; Attorneys' Fees and Costs. Grantee acknowledges that any violation of the non-competition, non-solicitation, non- disparagement, or non-disclosure provisions described in Subparagraphs 8(a) through 8(d) would entail irreparable injury to the business and goodwill of LNC and would jeopardize the competitive position in the marketplace held by LNC. Therefore, Grantee also acknowledges that, in the event of any violation of Subparagraphs 8(a) through 8(d) by Grantee, the cancellation/rescission of the award alone will be inadequate to compensate LNC, and LNC will be entitled, as a matter of right and without the obligation to post a bond or other security, to an injunction issued by any court of competent jurisdiction and other equitable relief to prevent any actual, intended or likely violation of this Agreement. If LNC brings legal action for injunctive relief, LNC shall have the benefit of the full periods of the post-employment covenants set forth above. The injunction shall run from the date injunctive relief is granted but reduced by the time period after the separation of employment that Grantee was not in violation of the applicable covenant(s). In the event LNC elects to seek any remedy by court action, rendered necessary as the result of any violation or threatened violation of the Agreement by Grantee, and LNC prevails in such action, Grantee shall be responsible to pay all costs and attorneys' fees incurred by LNC in taking such action.

Notwithstanding anything to the contrary herein, LNC may, in its discretion, waive Grantee's compliance with Subparagraphs 8(a) through 8(d) in whole or part in any individual case. Moreover, if Grantee's Service is terminated by LNC other than for Cause, a failure by Grantee to comply with the provisions of Subparagraph 8(a) through 8(d) above, after such termination shall not in and of itself cause rescission to the extent the Option was exercised before Grantee's termination.

If any term, provision or paragraph of this Paragraph 8 shall be determined by a court to be invalid or unenforceable for any reason, the term, provision or paragraph shall be construed so as to be enforceable to the maximum extent compatible with the applicable laws in effect at the time; and such determination of invalidity shall not affect the remaining terms, provisions or paragraphs of this Agreement, which shall continue to be given full force and effect. If any term, provision or paragraph of this Paragraph 8 shall be determined by a court to be unenforceable because of the scope or duration thereof, the parties hereby expressly agree that the court making such determination shall have the power to reduce the scope or duration and/or restrict the geographical area of such term, provision or paragraph and/or to delete such specific words or phrases which the court shall deem necessary to permit enforcement of such term, provision or paragraph in restricted form. If any term, provision or paragraph of this Paragraph 8 is found to be in conflict with any state or local law or regulation, the applicable state or local law will control to the extent that such state or local law applies to the Grantee.

9. **Definitions.**

As used in this Agreement:

"Cause" means (a) a conviction of a crime that is job related or that may otherwise cause harm to the reputation of LNC or any Subsidiary; (b) any act or omission detrimental to the conduct of business of LNC or any Subsidiary; (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 LNC or any Subsidiary; (f) violation of any rule or regulation of any regulatory agency or self-regulatory agency; (g) violation of any policy or rule of LNC or any Subsidiary; or (h) unsatisfactory performance that does not meet expectations after coaching or counseling. Cause shall be determined in the sole discretion of the Committee.

"Retires" or "Retirement" means Grantee's termination of Service, other than for Cause, from LNC or any Subsidiary at age 55 or older with at least five (5) years of Service.

"Service" means Grantee's continuous service as a common law employee of, or as a planner with a full-time agent's contract with, LNC or any Subsidiary. Service as a common law employee is the period of time Grantee is on the payroll of LNC or a Subsidiary. Service as a planner is the period of time Grantee's full-time agent's contract is in effect.

"Subsidiary" means any corporation in which LNC has ownership of at least twenty-five percent.

"Total Disability" means (as determined by the Committee) a disability that results in Grantee being unable to engage in any occupation or employment for wage or profit for which Grantee is, or becomes, reasonably qualified by training, education or experience. In addition, the disability must have lasted six (6) months and be expected to continue for at least six (6) more months or be expected to continue unto death.

10. **Governing Law; Forum for Disputes**.

This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflict of law provision or rule (whether of the chosen state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. Venue for any dispute relating to the Agreement shall be in the state or federal court, as applicable, having jurisdiction over claims arising in Delaware County, Pennsylvania, or such other venue as determined by LNC to best enforce its rights under this Agreement. To the extent legally possible, Grantee expressly waives any objections to LNC's choice of venue and waives any arguments based on the inconvenience of the selected venue.

11. **<u>Incorporation of Plan Terms.</u>**

This award is subject to the terms and conditions of the Plan. Such terms and conditions of the Plan are incorporated into and made a part of this Agreement by reference. In the event of any conflicts between the provisions of this Agreement and the terms of the Plan, the terms of the Plan will control. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Plan unless the context clearly requires an alternative meaning.

IN WITNESS WHEREOF, LNC, by its duly authorized officer has signed this Agreement as of the day and year first above written.

LINCOLN NATIONAL CORPORATION

/s/ Dennis R. Glass
Dennis R. Glass
President and Chief Executive Officer

Exhibit 10.4

LINCOLN NATIONAL CORPORATION

LONG-TERM INCENTIVE AWARD PROGRAM
Performance Cycle Agreement

For Senior Management Committee (other than CEO)

This Award Agreement ("Agreement"), by and between Lincoln National Corporation ("LNC") on behalf of itself and its affiliates, and the <First Name> <Last Name> ("Grantee"), evidences the grant by LNC on **<**Grant Date**>**, of a long-term incentive performance award to Grantee, and Grantee's acceptance of the award, in accordance with and subject to the provisions of the Lincoln National Corporation 2020 Incentive Compensation Plan effective June 11, 2020 (the "Plan") and this Agreement. LNC and Grantee agree as follows:

1. **<u>Form of Award</u>.** This performance award grant is for <Granted Amount> shares of LNC common stock ("Shares"). During the Performance Cycle, this award shall consist of LNC stock units but any actual award that ultimately vests will be delivered in Shares.

The number of Shares that will vest and be delivered, if any, may range from 0-<XXX>% of the aforementioned target number of Shares plus any accumulated dividend equivalents under Section 4, below. Shares will vest and be delivered only after certification by the Compensation Committee of the LNC Board of Directors (the "Committee") of the achievement of company performance criteria previously established and approved by the Committee for the Performance Cycle; however in no event will Shares be delivered later than March 15th of the year following the completion of the Performance Cycle.

The Committee reserves the right to adjust the target number or amount of Shares delivered at any time to the extent permissible under the Plan.

In the event an adjustment pursuant to Section 10(c) of the Plan is required, the number of Shares that may ultimately vest under this Agreement, if any, shall be adjusted in accordance with Section 10(c) of the Plan. All Shares that may ultimately vest under this Agreement, if any, after such adjustment shall be subject to the same restrictions applicable any Shares that may have vested under this Agreement before the adjustment.

2. **<u>Full or Pro-Rata Awards upon Certain Events</u>.**

(a) Except as provided in this Paragraph 2 and in Paragraph 3, below, if Grantee has a Separation from Service (defined in Paragraph 10, below), for any reason during the performance cycle, the award shall be forfeited and automatically transferred back to LNC. Upon forfeiture, Grantee shall have no further rights in such award or Shares issuable pursuant to an award granted hereunder.

(b) In the case of Grantee's Retirement (defined in Paragraph 10, below), Grantee (or Grantee's estate, if applicable) shall receive a pro-rated award based on the pro-ration formula described below.

(c) In the case of Grantee's death or Separation from Service on account of Total Disability (defined in Paragraph 10, below), Grantee (or Grantee's estate, if applicable) shall receive a full, non-prorated award as if Grantee had provided Service for the entire Performance Cycle.

The number of Shares deliverable upon the pro-rata vesting event described in Subparagraph 2(b) shall be calculated by multiplying this award by the product resulting from multiplying a fraction where the denominator is equal to the number of days during the performance cycle, and the numerator is equal to the number of days that the Grantee provided Service during the Performance Cycle, by a factor based on the company's attainment of performance criteria during the Performance Cycle. Thereafter, the number of Shares deliverable shall be rounded up to the nearest whole Share.

Any Shares deliverable under this Paragraph 2 shall be delivered at the same time long-term incentive awards are normally paid and/or delivered after the end of the Performance Cycle.

3. Change of Control. In connection with a Change of Control, pursuant to the definition in effect on the day immediately preceding such Change of Control, the Committee shall determine what, if any, award under this Agreement shall vest. In making such determination, the Committee shall consider the nature of such Change of Control, whether continuation of the Plan and the awards for the Performance Cycle are feasible, and whether the resulting corporate entity, if any, offers or commits to offer awards of comparable economic value; provided, however, that the Committee's determination shall be consistent with existing LNC plans, such as the Plan and the LNC Executives' Severance Benefit Plan.

Shares deliverable pursuant to this Paragraph 3 shall be delivered as of the earlier of (a) the time this award would normally be paid after the end of the original performance cycle established by the Committee, or (b) within 90 days after the Grantee's involuntary Separation from Service, other than for Cause, from LNC, its affiliates or any successor entity, provided such Separation from Service occurs within two years after such Change of Control.

Notwithstanding the foregoing, a Grantee who has a voluntary Separation from Service after a Change of Control but before delivery of Shares in settlement of this award shall forfeit this award.

4. Dividend Equivalent Units. If an award vests, Grantee shall also receive an amount equal to the dividends that would have been paid on such Shares had Grantee held such Shares from the date of grant through the date the Shares become deliverable. Such dividend equivalent amount shall be delivered in Shares based on the Fair Market Value of a Share on the date of the payment of the dividend.

5. Tax Withholding. LNC will require Grantee to remit an amount equal to any tax withholding required under federal, state or local law on the value of the Shares deliverable under this Agreement at such time as LNC is required to withhold such amounts. In accordance with procedures established by the Committee, Grantee may satisfy any required tax withholding payments in any combination of cash, certified check, or Shares (including the surrender of Shares held by the Grantee or those that would otherwise be issued in settlement of this award). Any surrendered or withheld Shares will constitute satisfaction of any required tax withholding to the extent of their Fair Market Value.

6. **Voting Rights.** Grantee shall have no voting rights with respect to LNC stock units.

7. **Transferability.** This award may not be transferred, sold, pledged, hypothecated, margined or otherwise encumbered by Grantee, except by will or the laws of descent and distribution.

8. **Cancellation/Rescission of Award after Vesting or Distribution/Termination for Cause.**

(a) If Grantee's Service is terminated for Cause, any Shares distributed in settlement of this award during the six (6) month period prior to such termination for Cause shall be rescinded and any such Shares not yet delivered in settlement of this award shall be cancelled without further action by the Committee or its delegate.

(b) If Grantee fails to comply with the non-competition, non-solicitation, non-disparagement or non-disclosure provisions described in Subparagraphs 9(a) through 9(d) below, before Shares are delivered in settlement of this award, in addition to the remedies provided in Subparagraph 9(e) below, this award shall be cancelled without further action by the Committee or its delegate.

(c) If requested by LNC, at the time Shares are to be delivered pursuant to this Agreement, Grantee shall certify in a form acceptable to LNC that Grantee is in compliance with the terms and conditions described in Subparagraphs 9(a) through 9(d) below. Grantee's failure to comply with Subparagraphs 9(a) or 9(b) at any time from the Grant Date through the applicable time periods specified in Subparagraphs 9(a) or 9(b) shall cause such Shares to be rescinded. Grantee's failure to comply with Subparagraphs 9(c) or 9(d) at any time on or after the Grant Date shall cause such Shares to be rescinded.

(d) (1) LNC must notify Grantee in writing of any such rescission: (A) in the case of Subparagraph 8(a), not later than 90 days after such termination for Cause; and (B) not later than 180 days after LNC obtains knowledge of Grantee's failure to comply with Subparagraphs 9(a) through 9(d) below.

(2) Within ten (10) days after receiving a rescission notice from LNC: (A) Grantee must surrender to LNC the Shares acquired upon settlement of the award, or (B) if such Shares have been sold or transferred, (i) Grantee must make a payment to LNC of the proceeds from such sale or transfer, or (ii) if there are no proceeds from such transfer, Grantee must make a payment to LNC equal to the Fair Market Value of such Shares on the date of such transfer.

In all cases, Grantee shall pay to LNC the gross amount of any gain realized or payment received (not net of any withholding or other taxes paid by Grantee) as a result of the award.

9. <u>Covenants.</u>

Grantee recognizes and acknowledges that during the term of employment, Grantee has had, and will continue to have, access to confidential and proprietary business information and trade secrets belonging to LNC and LNC's customers, including, but not limited to, customer information, customer lists, pricing, products, information relating to sales, sales leads, sales performance, sales volume, LNC business and financial strategy, LNC quarterly business reviews, and LNC data, all of which are of substantial value to LNC. Grantee therefore agrees that the restrictive covenants below are reasonable and necessary to protect LNC's trade secrets and confidential information.

(a) <u>Non-Competition</u>. From the Grant Date through the six (6) month period after the date Shares are distributed in settlement of this award , Grantee may not become employed by, work on behalf of, consult with, or otherwise render services that are the same or similar to the services rendered by Grantee to the business unit(s) for which Grantee provided Service or otherwise had responsibilities for within six (6) months prior to his/her Separation from Service to any other business, firm, person, partnership, corporation or other organization that competes with or provides, or is planning to provide, the same or similar products and/or services. Grantee understands and agrees that due to the nature of LNC's nationwide business and the nationwide scope of Grantee's employment, this restriction is nationwide in scope.

(b) <u>Non-Solicitation of Employees and Other Service Providers</u>. During Grantee's employment with LNC, and for a period of twelve (12) months following the date of Grantee's Separation from Service, for any reason, Grantee shall not directly or indirectly hire, manage, solicit, or recruit or aid in the hiring, soliciting, or recruiting of any persons who are at the time of hire, or were at any time within the six (6) months prior to hire, any employees, agents, representatives, or consultants of LNC whom Grantee had hired, managed, supervised, or otherwise became familiar with in any capacity as a result of his/her Service.

(c) <u>Non-Disparagement</u>. Grantee agrees not to defame LNC, or any of its affiliates, products, employees, officers, directors or services, or make or solicit any comments, statement or the like to the media or others that may be considered to be derogatory or harmful to the good name or business reputation of LNC or its affiliates, except that Grantee may testify truthfully in any legal proceeding where his testimony is compelled by subpoena under oath. This provision also applies to any comments or statements which Grantee may make on the internet, including but not limited to comments, statements and/or videos placed in email, and/or on YouTube, Instagram, Facebook, Twitter or any other social media site.

(d) <u>Non-Disclosure & Ideas Provision</u>. Grantee shall not, without prior written authorization from LNC, disclose to anyone outside LNC, or use in other than LNC's business, any trade secrets or confidential and/or proprietary information received from or on behalf of, developed for, or otherwise relating to the business of, LNC. Any confidentiality or non-disclosure obligations in this Agreement does not prohibit or restrict Grantee (or Grantee's attorney) from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC, FINRA, any other self-regulatory organization, or any other state, local, or federal regulatory, investigative, or enforcement entity, agency, or authority. For purposes of this

Agreement, a confidential disclosure to government officials or attorneys solely for purposes of reporting or investigating a suspected violation of the law (or disclosures made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal) is immune from civil and criminal liabilities under federal and state trade secret laws. Furthermore, Grantee agrees to disclose and assign to LNC all rights and interest in any invention or idea that Grantee developed or helped develop for actual or related business, research, or development work during the period of Grantee's Service.

(e) Consent to Injunction; Attorneys' Fees and Costs. Grantee acknowledges that any violation of the non-competition, non-solicitation, non- disparagement, or non-disclosure provisions described in Subparagraphs 9(a) through 9(d) would entail irreparable injury to the business and goodwill of LNC and would jeopardize the competitive position in the marketplace held by LNC. Therefore, Grantee also acknowledges that, in the event of any violation of Subparagraphs 9(a) through 9(d) by Grantee, the cancellation/rescission of the award alone will be inadequate to compensate LNC, and LNC will be entitled, as a matter of right and without the obligation to post a bond or other security, to an injunction issued by any court of competent jurisdiction and other equitable relief to prevent any actual, intended or likely violation of this Agreement. If LNC brings legal action for injunctive relief, LNC shall have the benefit of the full periods of the post-employment covenants set forth above. The injunction shall run from the date injunctive relief is granted but reduced by the time period after the separation of employment that Grantee was not in violation of the applicable covenant(s). In the event LNC elects to seek any remedy by court action, rendered necessary as the result of any violation or threatened violation of the Agreement by Grantee, and LNC prevails in such action, Grantee shall be responsible to pay all costs and attorneys' fees incurred by LNC in taking such action.

Notwithstanding anything to the contrary herein, LNC may, in its discretion, waive Grantee's compliance with Subparagraphs 9(a) through 9(d) in whole or part in any individual case. Moreover, if Grantee's Service is terminated by LNC other than for Cause, a failure by Grantee to comply with the provisions of Subparagraph 9(a) through 9(d) above, after such termination shall not in and of itself cause rescission if the Shares were delivered in settlement of this award before Grantee's termination.

If any term, provision or paragraph of this Paragraph 9 shall be determined by a court to be invalid or unenforceable for any reason, the term, provision or paragraph shall be construed so as to be enforceable to the maximum extent compatible with the applicable laws in effect at the time; and such determination of invalidity shall not affect the remaining terms, provisions or paragraphs of this Agreement, which shall continue to be given full force and effect. If any term, provision or paragraph of this Paragraph 9 shall be determined by a court to be unenforceable because of the scope or duration thereof, the parties hereby expressly agree that the court making such determination shall have the power to reduce the scope or duration and/or restrict the geographical area of such term, provision or paragraph and/or to delete such specific words or phrases which the court shall deem necessary to permit enforcement of such term, provision or paragraph in restricted form. If any term, provision or paragraph of this Paragraph 9 is found to be in conflict with any state or local law or regulation, the applicable state or local law will control to the extent that such state or local law applies to the Grantee.

10. Definitions. As used in this Agreement:

"Cause" means (a) a conviction of a crime that is job related or that may otherwise cause harm to the reputation of LNC or any Subsidiary; (b) any act or omission detrimental to the conduct of business of LNC or any Subsidiary; (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 LNC or any Subsidiary; (f) violation of any rule or regulation of any regulatory agency or self-regulatory agency; (g) violation of any policy or rule of LNC or any Subsidiary; or (h) unsatisfactory performance that does not meet expectations after coaching or counseling. Cause shall be determined in the sole discretion of the Committee.

"Performance Cycle" means the three-year period that commences on the first day of the calendar year in which the grant was awarded.

"Retirement" means Grantee's Separation from Service, other than for Cause, from LNC or any Subsidiary at age 55 or older with at least five (5) years of Service.

"Service" means Grantee's continuous service as a common law employee of, or as a planner with a full-time agent's contract with, LNC or any Subsidiary. Service as a common law employee is the period of time Grantee is on the payroll of LNC or a Subsidiary but prior to the time the Grantee has had a Separation from Service. Service as a planner is the period of time Grantee's full-time agent's contract is in effect but prior to the time the Grantee has had a Separation from Service.

"Separation from Service" has the meaning given such term in Code section 409A and the regulations issued thereunder.

"Subsidiary" means a corporation in which LNC has ownership of at least twenty-five percent.

"Total Disability" means (as determined by the Committee) a disability that results in Grantee being unable to engage in any occupation or employment for wage or profit for which Grantee is, or becomes, reasonably qualified by training, education or experience. In addition, the disability must have lasted six (6) months and be expected to continue for at least six (6) more months or be expected to continue unto death.

11. Compliance with Securities Laws. Shares shall not be issued with respect to this award unless the issuance and delivery of such Shares shall comply with all relevant provisions of state and federal laws, rules and regulations, and, in the discretion of LNC, shall be further subject to the approval of counsel for LNC with respect to that compliance.

12. Governing Law; Forum for Disputes. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflict of law provision or rule (whether of the chosen state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. Venue for any dispute relating to the Agreement shall be in the state or federal court, as applicable, having jurisdiction over claims arising in Delaware County, Pennsylvania, or such other venue as determined by LNC to best enforce its rights under this Agreement. To the extent legally possible, Grantee expressly waives any objections to LNC's choice of venue and waives any arguments based on the inconvenience of the selected venue.

13. Incorporation of Plan Terms. This award is subject to the terms and conditions of the Plan. Such terms and conditions of the Plan are incorporated into and made a part of this Agreement by reference. In the event of any conflicts between the provisions of this Agreement and the terms of the Plan, the terms of the Plan will control. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Plan unless the context clearly requires an alternative meaning.

IN WITNESS WHEREOF, LNC, by its duly authorized officer has signed this Agreement as of the first date set forth above.

LINCOLN NATIONAL CORPORATION

By: /s/ Dennis R. Glass
Dennis R. Glass
President and Chief Executive Officer

Exhibit 10.5

LINCOLN NATIONAL CORPORATION

RESTRICTED STOCK UNIT AWARD AGREEMENT

For Senior Management Committee (Other than CEO)

This Restricted Stock Unit Award Agreement (the “Agreement”) is by and between Lincoln National Corporation (“LNC”) on behalf of itself and its affiliates, and <First Name> <Last Name> (the “Grantee”), and evidences the grant on <Grant Date> (the “Grant Date”) of Restricted Stock Units (“RSUs”) to Grantee, and Grantee’s acceptance of the RSUs, in accordance with the terms and provisions of the Lincoln National Corporation 2020 Incentive Compensation Plan effective June 11, 2020 (the “Plan”) and this Agreement. LNC and Grantee agree as follows:

2. **Number of Shares Granted.** Grantee is awarded <Granted Amount> RSUs subject to the terms and restrictions as set forth in the Plan and in this Agreement. In the event an adjustment pursuant to Section 10(c) of the Plan is required, the number of RSUs awarded under this Agreement and/or the number of shares of LNC common stock (the “Shares”) delivered pursuant to RSUs granted under this Agreement shall be adjusted in accordance with Section 10(c) of the Plan. All RSUs after such adjustment (and/or Shares deliverable pursuant to RSUs granted under this Agreement) shall be subject to the same restrictions applicable to such RSUs (and/or Shares issuable pursuant to an RSU granted under this Agreement) before the adjustment.

3. **Vesting of Restricted Stock Units.** Subject to Paragraph 8, below, the RSUs shall vest upon the earliest to occur of the following dates (such date, the “Vesting Date”), provided Grantee remains in Service (defined in Paragraph 10, below) through such date:

(a) **100%** as of the third anniversary of the Grant Date; or

(b) **100%** as of the date on which the Grantee has a Separation from Service (defined in Paragraph 10, below) on account of Total Disability (defined in Paragraph 10, below); or

(c) **100%** as of the date of the Grantee’s death; or

(d) **100%** as of the date of the Grantee’s involuntary Separation from Service other than for Cause (defined in Paragraph 10, below), provided such Separation from Service occurs within two years after a Change of Control pursuant to the definition in effect on the day immediately preceding such Change of Control; or

(e) **Pro-rata** as of the date on which Grantee Retires (defined in Paragraph 10, below).

The number of RSUs vesting pro-rata upon the event described in Subparagraph 2(e) shall be calculated by taking a fraction where the denominator is equal to the number of days during the three-year period beginning on the Grant Date and ending on the third anniversary of the Grant

Date (such three-year period, the "Vesting Period"), and the numerator is equal to the number of days that the Grantee provided Service during the Vesting Period, with this award multiplied by such fraction (rounding up the nearest whole RSU).

In the event that Grantee has a Separation from Service prior to the vesting of RSUs as set forth above, other than under the circumstances described in Subparagraphs 2(b) through (e), the RSUs shall be forfeited and automatically transferred back to LNC. Upon forfeiture, Grantee shall have no further rights in such RSUs or Shares deliverable pursuant to an RSU granted hereunder.

4. **Dividend Equivalent Rights.** No cash dividends shall be payable with respect to the RSUs. Instead, for each RSU, Grantee shall have a dividend equivalent right ("DER"). The DER shall entitle the Grantee to additional RSUs on each date that dividends are paid on Shares while the RSU is outstanding. The number of RSUs to be credited on a dividend payment date based on each DER shall equal the number (or fraction thereof) obtained by dividing the aggregate dividend that would have been paid if the RSUs had been outstanding Shares by the Fair Market Value of a Share on the date of the payment of the dividend. DERs have the same restrictions as the underlying RSUs.

5. **Distribution of Shares.** Except as provided below, a Share shall be distributed to Grantee (or to Grantee's estate) for every vested RSU (including RSUs credited based on DERs), on or within 60 days after the Vesting Date.

Once a Share has been issued with respect to an RSU pursuant to this Agreement and the Plan, the Grantee shall have no further rights with respect to the RSU.

Notwithstanding anything in this Paragraph 4 to the contrary, in the case of a Key Employee (defined below) who is eligible for Retirement at any time prior to the third anniversary of the Grant Date, a distribution upon the Key Employee's Separation from Service shall be made on the date that is six (6) months after the date on which the Key Employee has a Separation from Service. A "Key Employee" means an employee who, as of his Separation from Service from LNC or its affiliates, 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.

6. **Tax Withholding.** LNC will require Grantee to remit an amount equal to any tax withholding required by federal, state, or local law on the value of the RSUs at such time as LNC is required to withhold such amounts. In accordance with procedures established by the Committee, Grantee may satisfy any required tax withholding payments in any combination of cash, certified check, or Shares (including the surrender of Shares held by the Grantee or those that would otherwise be issued in settlement of this award). Any surrendered or withheld Shares will constitute satisfaction of any required tax withholding to the extent of their Fair Market Value.

7. **Voting Rights.** Grantee shall have no voting rights with respect to RSUs.

8. **Transferability.** Neither the RSUs granted under this Agreement, nor any interest or right therein or part thereof, shall be transferred, sold, pledged, hypothecated, margined or otherwise encumbered by the Grantee, except by will or the laws of descent and distribution.

9. **<u>Cancellation/Rescission of Award after Vesting or Distribution/Termination for Cause</u>.**

(a) If Grantee's Service is terminated for Cause, any Shares distributed in settlement of this award during the six (6) month period prior to such termination for Cause shall be rescinded and any such Shares not yet delivered in settlement of this award shall be cancelled without further action by the Compensation Committee of the LNC Board of Directors (the "Committee") or its delegate.

(b) If Grantee fails to comply with the non-competition, non-solicitation, non-disparagement, or non-disclosure provisions described in Subparagraphs 9(a) through 9(d) below, before Shares are distributed in settlement of this award, in addition to the remedies provided in Subparagraph 9(e) below, this award shall be cancelled without further action by the Committee or its delegate.

(c) If requested by LNC, at the time Shares are to be distributed pursuant to this Agreement, Grantee shall certify in a form acceptable to LNC that Grantee is in compliance with the terms and conditions described in Subparagraphs 9(a) through 9(d) below. Grantee's failure to comply with Subparagraphs 9(a) or 9(b) at any time from the Grant Date through the applicable time periods specified in Subparagraphs 9(a) or 9(b) shall cause such Shares to be rescinded. Grantee's failure to comply with Subparagraphs 9(c) or 9(d) at any time on or after the Grant Date shall cause such Shares to be rescinded.

(d) (1) LNC shall notify Grantee in writing of any such rescission: (A) in the case of Subparagraph 8(a), not later than 90 days after such termination for Cause; and (B) not later than 180 days after LNC obtains knowledge of Grantee's failure to comply with Subparagraphs 9(a) through 9(d) below.

(2) Within ten (10) days after receiving a rescission notice from LNC: (A) Grantee must surrender to LNC the Shares acquired upon settlement of this award; or (B) if such Shares have been sold or transferred, (i) Grantee must make a payment to LNC of the proceeds from such sale or transfer, or (ii) if there are no proceeds from such transfer, Grantee must make a payment to LNC equal to the Fair Market Value of such Shares on the date of such transfer.

In all cases, Grantee shall pay to LNC the gross amount of any gain realized or payment received (not net of any withholding or other taxes paid by Grantee) as a result of the RSUs.

10. **<u>Covenants.</u>**

Grantee recognizes and acknowledges that during the term of employment, Grantee has had, and will continue to have, access to confidential and proprietary business information and trade secrets belonging to LNC and LNC's customers, including, but not limited to, customer information, customer lists, pricing, products, information relating to sales, sales leads, sales performance, sales volume, LNC business and financial strategy, LNC quarterly business reviews, and LNC data, all of which are of substantial value to LNC. Grantee therefore agrees that the restrictive covenants below are reasonable and necessary to protect LNC's trade secrets and confidential information.

(a) <u>Non-Competition</u>. From the Grant Date through the six (6) month period after the date Shares are distributed in settlement of the RSUs, , Grantee may not become employed by, work on behalf of, consult with, or otherwise render services that are the same or similar to the services rendered by Grantee to the business unit(s) for which Grantee provided Service or otherwise had responsibilities for within six (6) months prior to his/her Separation from Service to any other business, firm, person, partnership, corporation or other organization that competes with or provides, or is planning to provide, the same or similar products and/or services. Grantee understands and agrees that due to the nature of LNC's nationwide business and the nationwide scope of Grantee's employment, this restriction is nationwide in scope.

(b) <u>Non-Solicitation of Employees and Other Service Providers</u>. During Grantee's employment with LNC, and for a period of twelve (12) months following the date of Grantee's Separation from Service, for any reason, Grantee shall not directly or indirectly hire, manage, solicit, or recruit, or aid in the hiring, soliciting, or recruiting of any persons who are at the time of hire, or were at any time within the six (6) months prior to hire, employees, agents, representatives, or consultants of LNC whom Grantee had hired, managed, supervised, or otherwise became familiar in any capacity with as a result of his/her Service.

(c) <u>Non-Disparagement</u>. Grantee agrees not to defame LNC or any of its affiliates, products, employees, officers, directors or services, or make or solicit any comments, statement or the like to the media or others that may be considered to be derogatory or harmful to the good name or business reputation of LNC or its affiliates, except that Grantee may testify truthfully in any legal proceeding where his testimony is compelled by subpoena under oath. This provision also applies to any comments or statements which Grantee may make on the internet, including but not limited to comments, statements and/or videos placed in email, and/or on YouTube, Instagram, Facebook, Twitter or any other social media site.

(d) <u>Non-Disclosure & Ideas Provision</u>. Grantee shall not, without prior written authorization from LNC, disclose to anyone outside LNC, or use in other than LNC's business, any trade secrets or confidential and/or proprietary information received from or on behalf of, developed for, or otherwise relating to the business of, LNC. Any confidentiality or non-disclosure obligations in this Agreement does not prohibit or restrict Grantee (or Grantee's attorney) from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC, FINRA, any other self-regulatory organization, or any other state, local, or federal regulatory, investigative, or enforcement entity, agency, or authority. For purposes of this Agreement, a confidential disclosure to government officials or attorneys solely for purposes of reporting or investigating a suspected violation of the law (or disclosures made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal) is immune from civil and criminal liabilities under federal and state trade secret laws. Furthermore, Grantee agrees to disclose and assign to LNC all rights and interest in any invention or idea that Grantee developed or helped develop for actual or related business, research, or development work during the period of Grantee's Service.

(e) Consent to Injunction; Attorneys' Fees and Costs. Grantee acknowledges that any violation of the non-competition, non-solicitation, non- disparagement, or non-disclosure provisions described in Subparagraphs 9(a) through 9(d) would entail irreparable injury to the business and goodwill of LNC and would jeopardize the competitive position in the marketplace held by LNC. Therefore, Grantee also acknowledges that, in the event of any violation of Subparagraphs 9(a) through 9(d) by Grantee, the cancellation/rescission of the award alone will be inadequate to compensate LNC, and LNC will be entitled, as a matter of right and without the obligation to post a bond or other security, to an injunction issued by any court of competent jurisdiction and other equitable relief to prevent any actual, intended or likely violation of this Agreement. If LNC brings legal action for injunctive relief, LNC shall have the benefit of the full periods of the post-employment covenants set forth above. The injunction shall run from the date injunctive relief is granted but reduced by the time period after the separation of employment that Grantee was not in violation of the applicable covenant(s). In the event LNC elects to seek any remedy by court action, rendered necessary as the result of any violation or threatened violation of the Agreement by Grantee, and LNC prevails in such action, Grantee shall be responsible to pay all costs and attorneys' fees incurred by LNC in taking such action.

Notwithstanding anything herein to the contrary, LNC may, in its discretion, waive Grantee's compliance with Subparagraphs 9(a) through 9(d) in whole or part in any individual case. Moreover, if Grantee's Service is terminated by LNC other than for Cause, a failure by Grantee to comply with the provisions of Subparagraph 9(a) through 9(d) above, after such termination shall not in and of itself cause rescission if the Shares were distributed in settlement of the RSUs prior to Grantee's date of termination.

If any term, provision or paragraph of this Paragraph 9 shall be determined by a court to be invalid or unenforceable for any reason, the term, provision or paragraph shall be construed so as to be enforceable to the maximum extent compatible with the applicable laws in effect at the time; and such determination of invalidity shall not affect the remaining terms, provisions or paragraphs of this Agreement, which shall continue to be given full force and effect. If any term, provision or paragraph of this Paragraph 9 shall be determined by a court to be unenforceable because of the scope or duration thereof, the parties hereby expressly agree that the court making such determination shall have the power to reduce the scope or duration and/or restrict the geographical area of such term, provision or paragraph and/or to delete such specific words or phrases which the court shall deem necessary to permit enforcement of such term, provision or paragraph in restricted form. If any term, provision or paragraph of this Paragraph 9 is found to be in conflict with any state or local law or regulation, the applicable state or local law will control to the extent that such state or local law applies to the Grantee.

11. **Definitions.** As used in this Agreement:

"Cause" means (a) a conviction of a crime that is job related or that may otherwise cause harm to the reputation of LNC or any Subsidiary; (b) any act or omission detrimental to the conduct of business of LNC or any Subsidiary; (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 LNC or any Subsidiary; (f) violation of any rule or regulation of any regulatory agency or self-regulatory agency; (g) violation of any policy or rule of LNC or any Subsidiary; or (h) unsatisfactory performance that does not meet expectations after coaching or counseling. Cause shall be determined in the sole discretion of the Committee.

"Retires" or "Retirement" means Grantee's Separation from Service, other than for Cause, from LNC or any Subsidiary at age 55 or older with at least five (5) years of Service.

"Service" means Grantee's continuous service as a common law employee of, or as a planner with a full-time agent's contract with, LNC or any Subsidiary. Service as a common law employee is the period of time Grantee is on the payroll of LNC or a Subsidiary but prior to the time the Grantee has had a Separation from Service. Service as a planner is the period of time Grantee's full-time agent's contract is in effect but prior to the time the Grantee has had a Separation from Service.

"Separation from Service" has the meaning given such term in Code section 409A and the regulations issued thereunder.

"Subsidiary" means a corporation in which LNC has ownership of at least twenty-five percent.

"Total Disability" means (as determined by the Committee) a disability that results in Grantee being unable to engage in any occupation or employment for wage or profit for which Grantee is, or becomes, reasonably qualified by training, education or experience. In addition, the disability must have lasted six (6) months and be expected to continue for at least six (6) more months or be expected to continue unto death.

12. **Compliance with Securities Laws.** Shares shall not be issued with respect to RSUs unless the issuance and delivery of such Shares shall comply with all relevant provisions of state and federal laws, rules and regulations, and, in the discretion of LNC, shall be further subject to the approval of counsel for LNC with respect to that compliance.

13. **Governing Law; Forum for Disputes**. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law or conflict of law provision or rule (whether of the chosen state or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the Commonwealth of Pennsylvania. Venue for any dispute relating to the Agreement shall be in the state or federal court, as applicable, having jurisdiction over claims arising in Delaware County, Pennsylvania, or such other venue as determined by LNC to best enforce its rights under this Agreement. To the extent legally possible, Grantee expressly waives any objections to LNC's choice of venue and waives any arguments based on the inconvenience of the selected venue.

14. **<u>Incorporation of Plan Terms</u>.** This award is subject to the terms and conditions of the Plan. Such terms and conditions of the Plan are incorporated into and made a part of this Agreement by reference. In the event of any conflicts between the provisions of this Agreement and the terms of the Plan, the terms of the Plan will control. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Plan unless the context clearly requires an alternative meaning.

IN WITNESS WHEREOF, LNC, by its duly authorized officer has signed this Agreement as of the effective date set out above.

LINCOLN NATIONAL CORPORATION

By: /s/ Dennis R. Glass
Dennis R. Glass
President and Chief Executive Officer

Exhibit 31.1

Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Ellen G. Cooper, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 4, 2022

/s/ Ellen G. Cooper
Name: Ellen G. Cooper
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 quarterly report on Form 10-Q 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: August 4, 2022

/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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, (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: August 4, 2022

/s/ Ellen G. Cooper
Name: Ellen G. Cooper
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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, (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: August 4, 2022

/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.