

M Associate Carrier Due Care Snapshot

Financials (as of 12/31/2016) and Ratings

All Values in \$000s

Total U.S. L&H Insurance			Ratings			Last reviewed	
Total Admitted Assets, excluding sep. accts.		104,847,990	AM Best	A+	Superior	2 of 15	12/13/2016
Total Liabilities, excluding sep. accts.		96,221,338	Fitch	A+	Strong	5 of 21	12/6/2016
Total Surplus & Asset Valuation Reserve (AVR)		8,733,222	Moody's	A1	Good	5 of 21	12/30/2016
Surplus & AVR / Total Admitted Assets		8.3%	S&P	AA-	Very Strong	4 of 20	10/24/2016
Peer Group Surplus & AVR / Total Admitted Assets ¹		9.6%	Comdex	90			5/15/2017

Member Companies			Assets		Surplus & AVR		Invested Assets		Peer Group Avg. ¹	
Lincoln National Life Insurance Co		95,978,073		8,472,430		8,472,430	Total	98,214,913		79,735,295
Lincoln Life & Annuity Co of NY		8,482,124		1,255,145		1,255,145	Bonds	81.9%		72.9%
First Penn-Pacific Life Insurance Co		1,595,144		210,358		210,358	Preferred Stock	0.2%		0.2%
							Common Stock	1.8%		2.6%
							Mortgages	9.8%		13.1%
							Real Estate	0.1%		0.7%
							Policy Loans	2.3%		4.0%
							Cash & Short-Term Inv.	1.8%		2.3%
							Other	2.1%		4.2%

Source: A.M. Best Statement File

News/Commentary

December 13, 2016 – A.M. Best Affirms Ratings of Lincoln National Corporation and Its Key Subsidiaries

A.M. Best affirmed the 'A+' financial strength rating of the key life/health insurance subsidiaries of Lincoln National Corp. The outlook is stable. According to A.M. Best, the ratings reflect Lincoln National's market position in individual life and annuities, favorable operating performance, and strong enterprise risk management practices. A.M. Best noted that the company's financial and operating leverage ratios are within guidelines for the current ratings and it maintains adequate cash holdings to support its liquidity needs. Partially offsetting these positive factors in A.M. Best's opinion are the challenges to the company's ability to sustain favorable growth trends and it's the elevated risk profile due to sensitivity to interest rates and equity market volatility from its large in-force blocks of secondary guarantee universal life insurance business, variable annuities with guaranteed benefits and fixed annuities with high minimum guaranteed crediting rates.

December 6, 2016 – Fitch Affirms Lincoln National Corp.'s Ratings

Fitch Ratings affirmed the 'A+' insurer financial strength rating of the insurance operating subsidiaries of Lincoln National Corp. The rating outlook is stable. According to Fitch, the affirmation reflects Lincoln National's good operating performance, strong risk-adjusted capitalization, and excellent competitive position. Fitch said Lincoln National's RBC ratio at year-end 2015 was 487% and the company's operating earnings during the first nine months of 2016 improved relative to the same period in the prior year. Fitch said negative factors also considered in the ratings include Lincoln National's above average exposure of its earnings to interest rates and equity market performance.

September 19, 2016 – S&P: Lincoln National Corp. and Subsidiaries Ratings Affirmed; Outlook Stable

S&P affirmed its 'AA-' financial strength rating on the core subsidiaries of Lincoln National Corp. The outlook is stable. According to S&P, the rating reflects its view of Lincoln National's very strong competitive position and financial risk profile. S&P said Lincoln National holds a leading market position in the U.S. life and variable annuity space. S&P also noted it revised its view of Lincoln National's management and governance to strong from satisfactory as a result of its favorable opinion on the company's execution of its stated strategy over the past five years. S&P said it expects Lincoln National will sustain its very strong competitive position and very strong capital position in line with the rating.

June 28, 2016 – Moody's Affirms Lincoln National's Ratings; Stable Outlook

Moody's Investors Service affirmed the 'A1' insurance financial strength rating of the U.S. life insurance subsidiaries of Lincoln National Corp. The outlook on the rating is stable. According to Moody's, the affirmation is based primarily on Lincoln National's good asset quality, capital adequacy, and profitability. Moody's also said Lincoln National has a strong market position in individual life insurance with a diversified mix of core earnings. Moody's noted Lincoln National's de-risked product portfolio and shift to less capital intensive and interest sensitive life products has improved its credit profile on new business. Moody's said these strengths are moderated by the company's challenge in managing significant blocks of liabilities with interest rate sensitivity and equity market exposure. Moody's despite Lincoln National's use of active hedging programs, a stress scenario involving severe downturns in equity markets could pressure profitability and capital adequacy.

¹ 30 life and health insurance groups representing over 80% of issued face amounts in permanent policies in 2016