West Lawrence
Form 4
February 19, 2019

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
West Lawrence

(Last) (First) (Middle)

C/O GRAN TIERRA ENERGY INC., 900, 520 3 AVENUE SW

(Street)

CALGARY, A0 T2P 0R3

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GRAN TIERRA ENERGY INC. [GTE]

3. Date of Earliest Transaction (Month/Day/Year)
02/15/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President, Exploration

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/15/2019		A		230,480	A	$ 0	475,510	D	
Common Stock	02/15/2019		D		230,480	D	$ 2.25	245,030	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
West Lawrence C/O GRAN TIERRA ENERGY INC. 900, 520 3 AVENUE SW CALGARY, A0 T2P 0R3			Vice President, Exploration	

Signatures

/s/ Diane Phillips, Attorney-In Fact	02/19/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. t; MARGIN-RIGHT: 0pt" align="left">

$

273

19%

$

636

$

536

	19%
Surrender charges	
	10
	10
	0%
	20
	20
	0%
DFEL:	
Deferrals	
	(19)
	(20)
	5%
	(35)
	(37)
	5%

Amortization, net of interest:

Retrospective unlocking

(1)

1

NM

(1)

-

NM

Amortization, net of interest,

Explanation of Responses:

excluding unlocking		6		6	0%	11	11	0%
Total insurance fees	$	321	$	270	19%	$	631	$	530	19%

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	As of June 30,		
	2011	2010	Change
Account Values			
Variable portion of variable annuities	$ 68,551	$ 53,921	27%
Fixed portion of variable annuities	3,286	3,896	-16%
Total variable annuities	71,837	57,817	24%
Fixed annuities, including indexed	17,938	16,501	9%
Fixed annuities ceded to reinsurers	(935)	(994)	6%
Total fixed annuities	17,003	15,507	10%
Total account values	$ 88,840	$ 73,324	21%

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Averages						
Daily variable account values, excluding the fixed portion of variable	$ 68,262	$ 56,788	20%	$ 67,365	$ 56,301	20%
Daily S&P 500 Index® ("S&P 500")	1,318.52	1,134.42	16%	1,310.42	1,127.97	16%

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Net Flows on Account Values						
Variable portion of variable annuity deposits	$ 1,620	$ 1,322	23%	$ 3,143	$ 2,460	28%
Variable portion of variable annuity withdrawals	(1,702)	(1,214)	-40%	(3,345)	(2,429)	-38%
Variable portion of variable annuity net flows	(82)	108	NM	(202)	31	NM
Fixed portion of variable annuity deposits	736	864	-15%	1,397	1,591	-12%
Fixed portion of variable annuity withdrawals	(88)	(102)	14%	(177)	(200)	12%
Fixed portion of variable annuity net flows	648	762	-15%	1,220	1,391	-12%
Total variable annuity deposits	2,356	2,186	8%	4,540	4,051	12%
Total variable annuity withdrawals	(1,790)	(1,316)	-36%	(3,522)	(2,629)	-34%
Total variable annuity net flows	566	870	-35%	1,018	1,422	-28%
Fixed indexed annuity deposits	480	522	-8%	858	846	1%
Fixed indexed annuity withdrawals	(153)	(111)	-38%	(311)	(235)	-32%
Fixed indexed annuity net flows	327	411	-20%	547	611	-10%
Other fixed annuity deposits	91	115	-21%	168	202	-17%
Other fixed annuity withdrawals	(284)	(243)	-17%	(550)	(507)	-8%

Other fixed annuity net flows	(193)	(128)	-51%	(382)	(305)	-25%
Total annuity deposits	2,927	2,823	4%	5,566	5,099	9%
Total annuity withdrawals	(2,227)	(1,670)	-33%	(4,383)	(3,371)	-30%
Total annuity net flows	$ 700	$ 1,153	-39%	$ 1,183	$ 1,728	-32%

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	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Other Changes to Account Values						
Change in market value on variable, excluding the fixed portion of variable	$ 147	$ (4,802)	103%	$ 2,364	$ (3,050)	178%
Transfers to the variable portion of variable annuity products from the fixed portion of variable annuity products	699	800	-13%	1,531	1,572	-3%

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 account values are driven by net flows and the equity markets. In addition, for our fixed annuity contracts and for some variable contracts, we collect surrender charges when contract holders surrender their contracts during their surrender charge periods to protect us from premature withdrawals. Insurance fees include charges on both our variable and fixed annuity products, but exclude the attributed fees on our GLB products; see "Realized Gain (Loss) – Operating Realized Gain (Loss) – GLB" below for discussion of these attributed fees.

Net Investment Income and Interest Credited

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Net Investment Income						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	$ 245	$ 245	0%	$ 493	$ 493	0%
Commercial mortgage loan prepayment and bond makewhole premiums (1)	5	4	25%	17	5	240%
Surplus investments (2)	28	23	22%	56	44	27%
Total net investment income	$ 278	$ 272	2%	$ 566	$ 542	4%
Interest Credited						
Amount provided to contract holders	$ 176	$ 183	-4%	$ 346	$ 365	-5%
DSI deferrals	(9)	(18)	50%	(18)	(37)	51%
Interest credited before DSI amortization	167	165	1%	328	328	0%
DSI amortization:						
Retrospective unlocking	(4)	(2)	-100%	(6)	(4)	-50%
Amortization, excluding unlocking	15	14	7%	30	29	3%
Total interest credited	$ 178	$ 177	1%	$ 352	$ 353	0%

(1) See “Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole 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.

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	For the Three Months Ended June 30,		Basis Point	For the Six Months Ended June 30,		Basis Point
	2011	2010	Change	2011	2010	Change
Interest Rate Spread						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	5.19%	5.47%	(28)	5.24%	5.54%	(30)
Commercial mortgage loan prepayment and bond make whole premiums	0.11%	0.09%	2	0.18%	0.06%	12
Net investment income yield on reserves	5.30%	5.56%	(26)	5.42%	5.60%	(18)
Interest rate credited to contract holders	3.38%	3.51%	(13)	3.34%	3.51%	(17)
Interest rate spread	1.92%	2.05%	(13)	2.08%	2.09%	(1)

Note: The yields, rates and spreads above are calculated using whole dollars instead of dollars rounded to millions.

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Other Information						
Average invested assets on reserves	$ 18,892	$ 17,970	5%	$ 18,841	$ 17,814	6%
Average fixed account values, including the fixed portion of variable	20,668	19,754	5%	20,580	19,625	5%
Transfers to the fixed portion of variable annuity products from the variable portion of variable annuity products	(699)	(800)	13%	(1,531)	(1,572)	3%
Net flows for fixed annuities, including the fixed portion of variable	782	1,045	-25%	1,385	1,697	-18%

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. The interest rate spread for this segment represents the excess of the yield on invested assets on reserves over the average crediting rate. The yield on invested assets on reserves is calculated as net investment income, excluding the amounts attributable to our surplus investments, reverse repurchase agreement interest expense, inter-segment cash management program interest expense and interest on collateral divided by average invested assets on reserves. The average invested assets on reserves is calculated based upon total invested assets, excluding hedge derivatives and collateral. The average crediting rate is calculated as interest credited before DSI amortization, plus the immediate annuity reserve change (included within benefits) divided by the average fixed account values, including the fixed portion of variable annuity contracts, net of coinsured account values. Fixed account values reinsured under modified coinsurance agreements are included in account values for this calculation. Changes in commercial mortgage loan prepayments and bond makewhole 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 reserves of immediate annuity account values driven by premiums, changes in GDB and GLB benefit reserves and our expected costs associated with purchases of derivatives used to hedge our GDB benefit ratio unlocking.

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Underwriting, Acquisition, Insurance and Other Expenses

Details underlying underwriting, acquisition, insurance and other expenses (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Underwriting, Acquisition, Insurance and Other Expenses						
Commissions:						
Deferrable	$ 125	$ 127	-2%	$ 237	$ 224	6%
Non-deferrable	68	50	36%	133	103	29%
General and administrative expenses	93	82	13%	180	160	13%
Taxes, licenses and fees	7	5	40%	15	13	15%
Total expenses incurred, excluding broker-dealer	293	264	11%	565	500	13%
DAC deferrals	(166)	(164)	-1%	(315)	(296)	-6%
Total pre-broker-dealer expenses incurred, excluding amortization, net of interest	127	100	27%	250	204	23%
DAC and VOBA amortization, net of interest:						
Prospective unlocking - assumption changes	-	(8)	100%	-	(39)	100%
Retrospective unlocking	(33)	(20)	-65%	(62)	(47)	-32%
Amortization, net of interest, excluding unlocking	142	132	8%	289	270	7%
Broker-dealer expenses incurred	90	78	15%	182	154	18%
Total underwriting, acquisition, insurance and other expenses	$ 326	$ 282	16%	$ 659	$ 542	22%
DAC Deferrals						
As a percentage of sales/deposits	5.7%	5.8%		5.7%	5.8%	

Commissions and other costs that vary with and are related primarily to the production of new business are deferred to the extent recoverable and are amortized over the lives of the contracts in relation to EGPs. Certain of our 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 and fees.

Explanation of Responses:

Defined Contribution

Income (Loss) from Operations

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Operating Revenues						
Insurance fees	$ 55	$ 49	12%	$ 110	$ 100	10%
Net investment income	200	191	5%	405	377	7%
Other revenues and fees (1)	5	5	0%	8	9	-11%
Total operating revenues	260	245	6%	523	486	8%
Operating Expenses						
Interest credited	109	110	-1%	217	220	-1%
Benefits	-	-	NM	-	2	-100%
Underwriting, acquisition, insurance and other expenses	91	85	7%	176	164	7%
Total operating expenses	200	195	3%	393	386	2%
Income (loss) from operations before taxes	60	50	20%	130	100	30%
Federal income tax expense (benefit)	18	14	29%	39	28	39%
Income (loss) from operations	$ 42	$ 36	17%	$ 91	$ 72	26%

(1) Consists primarily of mutual fund account program fees for mid-to-large employers.

Comparison of the Three Months Ended June 30, 2011 to 2010

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

- Higher net investment income and relatively flat interest credited driven primarily by:
  - § Higher prepayment and bond makewhole premiums (see "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums" below for more information);
  - § Higher average fixed account values, including the fixed portion of variable annuity contracts, attributable primarily to interest credited to contract holders and transfers from variable to fixed, partially offset by negative net flows, since the second quarter of 2010; and
  - § Reductions in crediting rates after the second quarter of 2010;
- Higher insurance fees driven primarily by higher average daily variable account values due to higher equity markets, partially offset by an overall shift in business mix toward products with lower expense assessment rates and negative net flows; and
- A $2 million unfavorable retrospective unlocking of DAC, VOBA and DSI during the second quarter of 2010 due primarily to higher lapses than our model projections assumed, partially offset by higher equity markets than our model projections assumed.

The increase in income from operations was partially offset by higher underwriting, acquisition, insurance and other expenses, excluding amortization of DAC and VOBA, due primarily to the following:

- Investments in strategic initiatives related to updating information technology and expanding distribution and support during the second quarter of 2011, as discussed in "Additional Information" below; and
- Higher account values driving higher trail commissions.

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Comparison of the Six Months Ended June 30, 2011 to 2010

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

- Higher net investment income and relatively flat interest credited driven primarily by:
  - § Higher prepayment and bond makewhole premiums and more favorable investment income on alternative investments within our surplus portfolio (see "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums" and "Consolidated Investments – Alternative Investments" below for more information);
  - § Higher average fixed account values, including the fixed portion of variable annuity contracts, attributable primarily to interest credited to contract holders and transfers from variable to fixed, partially offset by negative net flows, since the second quarter of 2010; and
  - § Reductions in crediting rates after the second quarter of 2010;
- A lower DAC, VOBA and DSI amortization rate, net of interest and excluding unlocking, and a $2 million favorable retrospective unlocking of DAC, VOBA and DSI during the first six months of 2011, compared to a $3 million unfavorable retrospective unlocking during the first six months of 2010:
  - § The lower amortization rate during the first six months of 2011 was due primarily to an overall shift in business mix towards products with lower deferrable expense rates for this segment and no VOBA amortization during the first six months of 2011 as our VOBA balance became fully amortized during the fourth quarter of 2010;
  - § The favorable retrospective unlocking during the first six months of 2011 was due primarily to higher equity markets and prepayment and bond makewhole premiums than our model projections assumed; and
  - § The unfavorable retrospective unlocking during the first six months of 2010 was due primarily to higher lapses than our model projections assumed, partially offset by higher equity markets than our model projections assumed; and
- Higher insurance fees driven primarily by higher average daily variable account values due to higher equity markets, partially offset by an overall shift in business mix toward products with lower expense assessment rates.

The increase in income from operations was partially offset by higher underwriting, acquisition, insurance and other expenses, excluding amortization of DAC and VOBA, due primarily to the following:

- Investments in strategic initiatives related to updating information technology and expanding distribution and support during the first six months of 2011, as discussed in "Additional Information" below; and
- Higher account values driving higher trail commissions.

Additional Information

In the third quarter of each year, we conduct our annual comprehensive review of the assumptions and models used for our estimates of future gross profits underlying the amortization of DAC, VOBA and DSI. 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 2010 Form 10-K for a detailed discussion of our prospective unlocking process.

We expect to continue to make investments in strategic initiatives during the remainder of 2011 similar to those made in the second quarter of 2011.

Net flows in this business fluctuate based on the timing of larger plans rolling onto our platform and rolling off over the course of the year, and we expect this trend will continue for the remainder of 2011.

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 are an important indicator of future

profitability. The other component of net flows relates to the retention of the business. An important measure of retention is the lapse rate, which compares the amount of withdrawals to the average account values. The overall lapse rate for our annuity and mutual fund products was 13% and 12% for the three and six months ended June 30, 2011, compared to 11% and 12% for the corresponding periods in 2010.

Our lapse rate is negatively affected by the continued net outflows from our oldest blocks of annuities business (as presented on our Account Value Roll Forward table below as “Total Multi-Fund® and Other Variable Annuities”), which are also our higher margin product lines in this segment, due to the fact that they are mature blocks with much of the account values out of their surrender charge period. The proportion of these products to our total account values was 41% and 43% as of June 30, 2011, and 2010, respectively. Due to this expected overall shift in business mix toward products with lower returns, a significant increase in new deposit production will be necessary to maintain earnings at current levels.

See Note 8 for information on contractual guarantees to contract holders related to GDB features for our Retirement Solutions business.

Our fixed annuity business includes products with discretionary and index-based crediting rates that are reset on a quarterly basis. Our ability to retain quarterly reset annuities will be subject to current competitive conditions at the time interest rates for these products reset. We expect to manage the effects of spreads on near-term income from operations through portfolio management and, to a lesser extent, crediting rate actions, which assumes no significant changes in net flows into or out of our fixed accounts or other changes that may cause interest rate spreads to differ from our expectations. For information on interest rate spreads and the interest rate risk due to falling interest rates, see "Item 3. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk – Interest Rate Risk on Fixed Insurance Businesses – Falling Rates" herein and "Part I – Item 1A. Risk Factors – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and changes in interest rates may also result in increased contract withdrawals" in our 2010 Form 10-K.

We provide information about this segment's operating revenue and operating expense line items, the period in which amounts are recognized, key drivers of changes and historical details underlying the line items and their associated drivers below.

Insurance Fees

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Insurance Fees						
Annuity expense assessments	$ 46	$ 41	12%	$ 93	$ 85	9%
Mutual fund fees	8	7	14%	16	13	23%
Total expense assessments	54	48	13%	109	98	11%
Surrender charges	1	1	0%	1	2	-50%
Total insurance fees	$ 55	$ 49	12%	$ 110	$ 100	10%

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
Averages	2011	2010	Change	2011	2010	Change
Daily variable annuity account values, excluding the fixed portion of variable	$ 14,284	$ 12,855	11%	$ 14,231	$ 12,882	10%
Daily S&P 500	1,318.52	1,134.42	16%	1,310.42	1,127.97	16%

	As of June 30,		
	2011	2010	Change
Account Values			
Variable portion of variable annuities	$ 14,254	$ 11,967	19%
Fixed portion of variable annuities	6,178	6,114	1%
Total variable annuities	20,432	18,081	13%
Fixed annuities	6,847	6,466	6%
Total annuities	27,279	24,547	11%

Mutual funds (1)	13,008	10,493	24%
Total annuities and mutual funds	$ 40,287	$ 35,040	15%

(1) Includes mutual fund account values and other third-party trustee-held assets. These items are not included in the separate accounts reported on our Consolidated Balance Sheets as we do not have any ownership interest in them.

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	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Account Value Roll Forward – By Product						
Total Micro – Small Segment:						
Balance as of beginning-of-period	$ 6,594	$ 5,966	11%	$ 6,396	$ 5,863	9%
Gross deposits	315	265	19%	641	607	6%
Withdrawals and deaths	(325)	(334)	3%	(709)	(756)	6%
Net flows	(10)	(69)	86%	(68)	(149)	54%
Transfers between fixed and variable accounts	-	-	NM	(6)	(1)	NM
Investment increase and change in market value	(18)	(353)	95%	244	(169)	244%
Balance as of end-of-period	$ 6,566	$ 5,544	18%	$ 6,566	$ 5,544	18%
Total Mid – Large Segment:						
Balance as of beginning-of-period	$ 17,224	$ 14,767	17%	$ 16,207	$ 13,653	19%
Gross deposits	704	920	-23%	1,535	1,689	-9%
Withdrawals and deaths	(657)	(455)	-44%	(1,055)	(805)	-31%
Net flows	47	465	-90%	480	884	-46%
Transfers between fixed and variable accounts	(17)	12	NM	(38)	18	NM
Other (1)	-	-	NM	-	186	-100%
Investment increase and change in market value	79	(860)	109%	684	(357)	292%
Balance as of end-of-period	$ 17,333	$ 14,384	21%	$ 17,333	$ 14,384	21%
Total Multi-Fund® and Other Variable Annuities:						
Balance as of beginning-of-period	$ 16,490	$ 15,966	3%	$ 16,221	$ 15,786	3%
Gross deposits	180	189	-5%	364	385	-5%
Withdrawals and deaths	(395)	(403)	2%	(820)	(829)	1%
Net flows	(215)	(214)	0%	(456)	(444)	-3%
Investment increase and change in market value	113	(640)	118%	623	(230)	NM
Balance as of end-of-period	$ 16,388	$ 15,112	8%	$ 16,388	$ 15,112	8%
Total Annuities and Mutual Funds:						
Balance as of beginning-of-period	$ 40,308	$ 36,699	10%	$ 38,824	$ 35,302	10%
Gross deposits	1,199	1,374	-13%	2,540	2,681	-5%
Withdrawals and deaths	(1,377)	(1,192)	-16%	(2,584)	(2,390)	-8%
Net flows	(178)	182	NM	(44)	291	NM
Transfers between fixed and variable accounts	(17)	12	NM	(44)	17	NM

Other (1)	-	-	NM	-	186	-100%
Investment increase and change in market value	174	(1,853)	109%	1,551	(756)	NM
Balance as of end-of-period (2)	$ 40,287	$ 35,040	15%	$ 40,287	$ 35,040	15%

(1) Represents LINCOLN ALLIANCE® program assets held by a third-party trustee that were not previously included in the account value roll forward. Effective January 1, 2010, all such LINCOLN ALLIANCE® program activity was included in the account value roll forward.

(2) Includes mutual fund account values and other third-party trustee-held assets. These items are not included in the separate accounts reported on our Consolidated Balance Sheets as we do not have any ownership interest in them.

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	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Net Flows on Account Values						
Variable portion of variable annuity deposits	$ 393	$ 362	9%	$ 808	$ 803	1%
Variable portion of variable annuity withdrawals	(516)	(527)	2%	(1,103)	(1,164)	5%
Variable portion of variable annuity net flows	(123)	(165)	25%	(295)	(361)	18%
Fixed portion of variable annuity deposits	85	77	10%	162	157	3%
Fixed portion of variable annuity withdrawals	(152)	(162)	6%	(328)	(329)	0%
Fixed portion of variable annuity net flows	(67)	(85)	21%	(166)	(172)	3%
Total variable annuity deposits	478	439	9%	970	960	1%
Total variable annuity withdrawals	(668)	(689)	3%	(1,431)	(1,493)	4%
Total variable annuity net flows	(190)	(250)	24%	(461)	(533)	14%
Fixed annuity deposits	233	250	-7%	502	486	3%
Fixed annuity withdrawals	(285)	(244)	-17%	(445)	(418)	-6%
Fixed annuity net flows	(52)	6	NM	57	68	-16%
Total annuity deposits	711	689	3%	1,472	1,446	2%
Total annuity withdrawals	(953)	(933)	-2%	(1,876)	(1,911)	2%
Total annuity net flows	(242)	(244)	1%	(404)	(465)	13%
Mutual fund deposits	488	685	-29%	1,068	1,235	-14%
Mutual fund withdrawals	(424)	(259)	-64%	(708)	(479)	-48%
Mutual fund net flows	64	426	-85%	360	756	-52%
Total annuity and mutual fund deposits	1,199	1,374	-13%	2,540	2,681	-5%
Total annuity and mutual fund withdrawals	(1,377)	(1,192)	-16%	(2,584)	(2,390)	-8%
Total annuity and mutual fund net flows	$ (178)	$ 182	NM	$ (44)	$ 291	NM

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Other Changes to Account Values						
Change in market value on variable, excluding the fixed portion of variable	$ 17	$ (1,071)	102%	$ 712	$ (556)	228%
Transfers to the variable portion of						

variable annuity products from the fixed portion of variable annuity products	(40)	(47)	15%	(90)	(69)	-30%

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

Net Investment Income and Interest Credited

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Net Investment Income						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	$ 179	$ 176	2%	$ 356	$ 349	2%
Commercial mortgage loan prepayment and bond makewhole premiums (1)	7	1	NM	18	2	NM
Alternative investments (2)	-	1	-100%	1	1	0%
Surplus investments (3)	14	13	8%	30	25	20%
Total net investment income	$ 200	$ 191	5%	$ 405	$ 377	7%
Interest Credited	$ 109	$ 110	-1%	$ 217	$ 220	-1%

(1) See “Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums” below for additional information.

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

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

	For the Three Months Ended June 30,		Basis Point	For the Six Months Ended June 30,		Basis Point
	2011	2010	Change	2011	2010	Change
Interest Rate Spread						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	5.55%	5.73%	(18)	5.58%	5.71%	(13)
Commercial mortgage loan prepayment and bond makewhole premiums	0.23%	0.04%	19	0.29%	0.03%	26
Alternative investments	0.01%	0.02%	(1)	0.02%	0.02%	-
Net investment income yield on reserves	5.79%	5.79%	-	5.89%	5.76%	13
Interest rate credited to contract holders	3.34%	3.51%	(17)	3.35%	3.55%	(20)
Interest rate spread	2.45%	2.28%	17	2.54%	2.21%	33

Note: The yields, rates and spreads above are calculated using whole dollars instead of dollars rounded to millions.

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	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Other Information						
Average invested assets on reserves	$ 12,830	$ 12,342	4%	$ 12,738	$ 12,236	4%
Average fixed account values, including the fixed portion of variable	13,000	12,524	4%	12,933	12,428	4%
Transfers to the fixed portion of variable annuity products from the variable portion of variable annuity products	40	47	-15%	90	69	30%
Net flows for fixed annuities, including the fixed portion of variable	(119)	(79)	-51%	(109)	(104)	-5%

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. The interest rate spread for this segment represents the excess of the yield on invested assets on reserves over the average crediting rate. The yield on invested assets on reserves is calculated as net investment income, excluding the amounts attributable to our surplus investments, reverse repurchase agreement interest expense, inter-segment cash management program interest expense and interest on collateral, divided by average invested assets on reserves. The average invested assets on reserves are calculated based upon total invested assets, excluding hedge derivatives. The average crediting rate is calculated as interest credited before DSI amortization, divided by the average fixed account values, including the fixed portion of variable annuity contracts. Commercial mortgage loan prepayments and bond makewhole 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 GDB and GLB benefit reserves and our expected costs associated with purchases of derivatives used to hedge our GDB benefit ratio unlocking.

Underwriting, Acquisition, Insurance and Other Expenses

Details underlying underwriting, acquisition, insurance and other expenses (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Underwriting, Acquisition, Insurance and Other Expenses						
Commissions:						
Deferrable	$ 6	$ 7	-14%	$ 11	$ 13	-15%
Non-deferrable	11	9	22%	23	19	21%
General and administrative expenses	71	58	22%	134	111	21%
Taxes, licenses and fees	4	3	33%	9	7	29%
Total expenses incurred	92	77	19%	177	150	18%
DAC deferrals	(19)	(15)	-27%	(35)	(31)	-13%
Total expenses recognized before amortization	73	62	18%	142	119	19%
DAC and VOBA amortization, net of interest:						
Retrospective unlocking	-	4	-100%	(3)	5	NM
Amortization, net of interest, excluding unlocking	18	19	-5%	37	40	-8%
Total underwriting, acquisition, insurance and other expenses	$ 91	$ 85	7%	$ 176	$ 164	7%
DAC Deferrals						
As a percentage of annuity sales/deposits	2.7%	2.2%		2.4%	2.1%	

Commissions and other costs that vary with and are related primarily to the sale of annuity contracts are deferred to the extent recoverable and are amortized over the lives of the contracts in relation to EGPs. Certain of our commissions, such as trail commissions that are based on account values, are expensed as incurred rather than deferred and amortized. We do not pay commissions on sales of our mutual fund products, and distribution expenses associated with the sale of these mutual fund products are expensed as incurred.

RESULTS OF INSURANCE SOLUTIONS

The Insurance Solutions business provides its products through two segments: Life Insurance and Group Protection. The Life Insurance segment offers wealth protection and transfer opportunities through term insurance, a linked-benefit product (which is a UL policy linked with riders that provide for long-term care costs) and both single (including corporate-owned UL and VUL ("COLI") and bank-owned UL and VUL ("BOLI")) and survivorship versions of UL and VUL insurance products. The Group Protection segment offers group life, disability and dental insurance to employers.

For factors that could cause actual results to differ materially from those set forth in this section, see "Part I – Item 1A. Risk Factors" in our 2010 Form 10-K and "Forward-Looking Statements – Cautionary Language" above.

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Explanation of Responses:

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,		
	2011	2010	Change	2011	2010	Change
Operating Revenues						
Insurance premiums	$ 112	$ 108	4%	$ 220	$ 220	0%
Insurance fees	523	475	10%	975	953	2%
Net investment income	588	545	8%	1,167	1,075	9%
Other revenues and fees	6	7	-14%	14	16	-13%
Total operating revenues	1,229	1,135	8%	2,376	2,264	5%
Operating Expenses						
Interest credited	307	299	3%	610	596	2%
Benefits	609	374	63%	1,057	773	37%
Underwriting, acquisition, insurance and other expenses	87	241	-64%	236	472	-50%
Total operating expenses	1,003	914	10%	1,903	1,841	3%
Income (loss) from operations before taxes	226	221	2%	473	423	12%
Federal income tax expense (benefit)	74	70	6%	154	135	14%
Income (loss) from operations	$ 152	$ 151	1%	$ 319	$ 288	11%

Comparison of the Three Months Ended June 30, 2011 to 2010

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

- Higher net investment income and relatively flat interest credited attributable primarily to:
  - § Growth in business in force;
  - § More favorable investment income on alternative investments, including those within our surplus portfolio, and higher prepayment and bond makewhole premiums (see "Consolidated Investments – Alternative Investments" and "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums" below for more information); and
  - § Reductions in crediting rates after the second quarter of 2010, discussed in "Additional Information" below;
- An increase in insurance fees, excluding unlocking, attributable primarily to growth in insurance in force and higher surrender charges due to higher UL surrender rates and lapses; and
- A $6 million favorable prospective unlocking of DAC, VOBA, DFEL and secondary guarantee life insurance product reserves during the second quarter of 2011 due to a $4 million favorable unlocking from assumption changes and a $2 million favorable unlocking from model refinements.

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

- An increase in benefits, excluding unlocking, attributable primarily to:
  - § Higher death claims;

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An increase in secondary guarantee life insurance product reserves from model refinements and continued growth in the business; and

  - § An increase in traditional product reserves due to the harmonization of certain processes, partially offset by a correction to traditional product surrender benefits;

- A $3 million favorable retrospective unlocking of DAC, VOBA and DFEL during the second quarter of 2010 due primarily to lower lapses than our model projections assumed, partially offset by lower premiums received than our model projections assumed; and

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- An increase in underwriting, acquisition, insurance and other underwriting expenses, excluding amortization of DAC and VOBA, attributable primarily to:

§ An increase in expenses associated with reserve financing supporting our secondary guarantee UL and term business due primarily to higher pricing that has occurred in reaction to the unfavorable market conditions experienced during the recession and our continued efforts to reduce the strain of these statutory reserves (see "Strategies to Address Statutory Reserve Strain" below for more information); and

§ Higher incentive compensation accruals as a result of higher earnings and production performance relative to targets.

Comparison of the Six Months Ended June 30, 2011 to 2010

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

- Higher net investment income and relatively flat interest credited attributable primarily to:

§ Growth in business in force;

§ More favorable investment income on alternative investments, including those within our surplus portfolio, and higher prepayment and bond makewhole premiums (see "Consolidated Investments – Alternative Investments" and "Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums" below for more information); and

§ Reductions in crediting rates after the second quarter of 2010, discussed in "Additional Information" below;

- An increase in insurance fees, excluding unlocking, attributable primarily to growth in insurance in force; and
- A $20 million favorable prospective unlocking of DAC, VOBA, DFEL and secondary guarantee life insurance product reserves during the first six months of 2011 due to an $18 million favorable unlocking from model refinements and a $2 million favorable unlocking from assumption changes.

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

- An increase in benefits, excluding unlocking, attributable primarily to:

§ Higher death claims;

§ An increase in secondary guarantee life insurance product reserves from model refinements and continued growth in the business; and

§ An increase in traditional product reserves due to the harmonization of certain processes, partially offset by a correction to traditional product surrender benefits;

- A $12 million unfavorable retrospective unlocking of DAC, VOBA and DFEL compared to a $1 million unfavorable retrospective unlocking during the first six months of 2010:

§ The unfavorable retrospective unlocking during the first six months of 2011 was due primarily to lower premiums received than our model projections assumed; and

§ The unfavorable retrospective unlocking during the first six months of 2010 was due primarily to lower premiums received and investment income on alternative investments and prepayment and bond makewhole premiums and higher death claims than our model projections assumed, partially offset by lower lapses and expenses than our model projections assumed; and

- An increase in underwriting, acquisition, insurance and other underwriting expenses, excluding amortization of DAC and VOBA, attributable primarily to:

§ An increase in expenses associated with reserve financing supporting our secondary guarantee UL and term business due primarily to higher pricing that has occurred in reaction to the unfavorable market conditions experienced during the recession and our continued efforts to reduce the strain of these statutory reserves (see "Strategies to Address Statutory Reserve Strain" below for more information); and

§ Higher incentive compensation accruals as a result of higher earnings and production performance relative to targets.

Strategies to Address Statutory Reserve Strain

Our insurance subsidiaries have statutory surplus and RBC levels above current regulatory required levels. Products containing secondary guarantees require reserves calculated under Actuarial Guideline 38, or The Application of the Valuation of Life Insurance Policies Model Regulation ("AG38"). Our insurance subsidiaries are employing strategies to reduce the strain of increasing AG38 and Valuation of Life Insurance Policies Model Regulation ("XXX") statutory reserves associated with secondary guarantee UL and term products. As discussed further below, we have been successful in executing reinsurance solutions to release capital to Other Operations. We expect to regularly execute transactions designed to release capital as we continue to sell products that are subject to these reserving requirements. We also plan to refinance prior transactions with long-term structured

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solutions. We have introduced secondary guarantee UL products that are more capital efficient, designed to reduce our dependency on such reinsurance solutions.

Included in the letters of credit ("LOCs") issued as of June 30, 2011, and reported in the credit facilities table in "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Financing Activities," was approximately $1.4 billion of long-dated LOCs issued to support inter-company reinsurance arrangements, of which approximately $600 million was issued for UL business with secondary guarantees through 2015 and approximately $800 million was issued for term business through 2023. LOCs and related capital market alternatives lower the capital effect of secondary guarantee UL products. An inability to obtain the necessary LOC capacity or other capital market alternatives could affect our returns on our in-force secondary guarantee UL business. However, we believe that our insurance subsidiaries have sufficient capital to support the increase in statutory reserves if such structures are not available. See "Part I – Item 1A. Risk Factors – Attempts to mitigate the impact of Regulation XXX and Actuarial Guideline 38 may fail in whole or in part resulting in an adverse effect on our financial condition and results of operations" in our 2010 Form 10-K for further information on XXX reserves. See the table in "Underwriting, Acquisition, Insurance and Other Expenses" below for the presentation of our expenses associated with reserve financing. We expect these expenses will approximately double in 2011 as compared to the level we experienced in 2010 as a result of higher pricing that has occurred in reaction to the unfavorable market conditions experienced during the recession and our expectation to execute additional reserve financing arrangements.

Additional Information

We are in the process of completing a conversion of our actuarial valuation systems to a uniform valuation platform for a significant portion of this segment's blocks of business. Although we expect some differences to emerge as a result of this exercise, based upon the current status of these efforts, we are not able to provide an estimate or range of the effects to our results of operations until completion of the conversion. In the third quarter of each year, we also conduct our annual comprehensive review of the assumptions and models used for our estimates of future gross profits underlying the amortization of DAC, VOBA, DFEL and secondary guarantee life insurance product reserves. 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 2010 Form 10-K for a detailed discussion of our prospective unlocking process and information on our actuarial system conversion.

We expect higher expenses for this segment for the remainder of 2011 than was experienced in the first half of 2011. The expected increase is attributable primarily to expected increases in investments in strategic initiatives.

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. During the second quarter of 2011, we refinanced the reverse treasury locks that we had executed during the fourth quarter of 2010 on $1.0 billion of assets backing our secondary guarantee business. We also executed reverse treasury locks on an additional $300 million, for a total of $1.3 billion of assets backing our secondary guarantee business at rates in excess of those required by product pricing. We entered into these reverse treasury locks to hedge cash flows over 2012 to 2016. On January 1, 2011, we implemented a 65 basis point decrease in crediting rates on most interest-sensitive products not already at contractual guarantees, which reduced overall crediting rates by approximately 7 basis points. During the third quarter of 2010, we lowered our new money investment yield assumption to reflect the then current new money rates and to approximate the forward curve for interest rates relevant at such time. The result was a drop in the current new money investment rate followed by a gradual annual recovery over eight years to a rate of 6.31%, 54 basis points below our previous ultimate long-term assumption of 6.85%. This assumption revision had the effect of lowering the projected EGPs for this segment, thereby increasing our rate of amortization, which results in higher DAC, VOBA and DFEL amortization and lower earnings for this segment.

For information on interest rate spreads and the interest rate risk due to falling interest rates, see “Item 3. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk – Interest Rate Risk on Fixed Insurance Businesses – Falling Rates” herein and “Part I – Item 1A. Risk Factors – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and changes in interest rates may also result in increased contract withdrawals” in our 2010 Form 10-K.

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.

We provide information about this segment’s operating revenue and operating expense line items, the period in which amounts are recognized, key drivers of changes and historical details underlying the line items and their associated drivers below.

Insurance Premiums

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

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Insurance Fees

Details underlying insurance fees, 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,		
	2011	2010	Change	2011	2010	Change
Insurance Fees						
Mortality assessments	$ 327	$ 325	1%	$ 651	$ 643	1%
Expense assessments	234	192	22%	464	392	18%
Surrender charges	29	24	21%	53	55	-4%
DFEL:						
Deferrals	(116)	(114)	-2%	(242)	(232)	-4%
Amortization, net of interest:						
Prospective unlocking - assumption changes	19	-	NM	17	-	NM
Prospective unlocking - model refinements	(14)	-	NM	(32)	-	NM
Retrospective unlocking	5	7	-29%	(6)	15	NM
Amortization, net of interest, excluding unlocking	39	41	-5%	70	80	-13%
Total insurance fees	$ 523	$ 475	10%	$ 975	$ 953	2%

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Sales by Product						
UL:						
Excluding MoneyGuard®	$ 83	$ 78	6%	$ 168	$ 168	0%
MoneyGuard®	39	23	70%	73	41	78%
Total UL	122	101	21%	241	209	15%
VUL	11	10	10%	21	17	24%
COLI and BOLI	10	10	0%	27	17	59%
Term	14	19	-26%	27	39	-31%
Total sales	$ 157	$ 140	12%	$ 316	$ 282	12%
Net Flows						
Deposits	$ 1,274	$ 1,063	20%	$ 2,544	$ 2,140	19%
Withdrawals and deaths	(406)	(413)	2%	(855)	(888)	4%
Net flows	$ 868	$ 650	34%	$ 1,689	$ 1,252	35%
Contract holder assessments	$ 815	$ 752	8%	$ 1,621	$ 1,515	7%

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	As of June 30,		
	2011	2010	Change
Account Values			
UL	$ 26,990	$ 25,425	6%
VUL	5,300	4,284	24%
Interest-sensitive whole life	2,277	2,256	1%
Total account values	$ 34,567	$ 31,965	8%
In-Force Face Amount			
UL and other	$ 302,205	$ 293,013	3%
Term insurance	268,520	259,450	3%
Total in-force face amount	$ 570,725	$ 552,463	3%

Insurance fees relate only to interest-sensitive products and include mortality assessments, expense assessments (net of deferrals and amortization related to DFEL) and surrender charges. Mortality 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. Insurance in force, in turn, is driven by sales, persistency and mortality experience. In-force growth should be considered independently with respect to term products versus UL and other products, as term products have a lower profitability relative to face amount compared to interest-sensitive and other products.

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

- UL (excluding linked-benefit products) and VUL (including COLI and BOLI) – first year commissionable premiums plus 5% of excess premiums received, including an adjustment for internal replacements of approximately 50% of commissionable premiums;
- MoneyGuard® (our linked-benefit product) – 15% of premium deposits; and
- Term – 100% of first year paid premiums.

UL and VUL products with secondary guarantees represented approximately 38% of interest-sensitive life insurance in force as of June 30, 2011, and approximately 51% and 50% of sales for the three and six months ended June 30, 2011, respectively. Actuarial Guideline 37, or Variable Life Reserves for Guaranteed Minimum Death Benefits, and AG38 impose additional statutory reserve requirements for these products.

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Net Investment Income and Interest Credited

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

	For the Three Months Ended June 30,					For the Six Months Ended June 30,				
	2011		2010		Change	2011		2010		Change
Net Investment Income										
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	$	522	$	500	4%	$	1,040	$	988	5%
Commercial mortgage loan prepayment and bond makewhole premiums (1)		11		6	83%		15		10	50%
Alternative investments (2)		23		14	64%		48		27	78%
Surplus investments (3)		32		25	28%		64		50	28%
Total net investment income	$	588	$	545	8%	$	1,167	$	1,075	9%
Interest Credited	$	307	$	299	3%	$	610	$	596	2%

(1) See “Consolidated Investments – Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums” below for additional information.

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

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

	For the Three Months Ended June 30,		Basis Point	For the Six Months Ended June 30,		Basis Point
	2011	2010	Change	2011	2010	Change
Interest Rate Yields and Spread						
Attributable to interest-sensitive products:						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	5.82%	5.91%	(9)	5.86%	5.86%	-
Commercial mortgage loan prepayment and bond makewhole premiums	0.14%	0.07%	7	0.09%	0.06%	3
Alternative investments	0.29%	0.19%	10	0.31%	0.19%	12
Net investment income yield on reserves	6.25%	6.17%	8	6.26%	6.11%	15
Interest rate credited to contract holders	4.09%	4.18%	(9)	4.09%	4.18%	(9)
Interest rate spread	2.16%	1.99%	17	2.17%	1.93%	24
Attributable to traditional products:						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	6.00%	6.11%	(11)	5.95%	6.18%	(23)
Commercial mortgage loan prepayment						

and bond makewhole premiums	0.00%	0.04%	(4)	0.05%	0.02%	3
Alternative investments	0.00%	0.01%	(1)	0.01%	0.01%	-
Net investment income yield on reserves	6.00%	6.16%	(16)	6.01%	6.21%	(20)

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	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Averages						
Attributable to interest-sensitive products:						
Invested assets on reserves	$ 31,488	$ 29,235	8%	$ 31,140	$ 29,003	7%
Account values - universal and whole life	29,817	28,306	5%	29,629	28,178	5%
Attributable to traditional products:						
Invested assets on reserves	4,285	4,469	-4%	4,279	4,488	-5%

A portion of the investment income earned for this segment is credited to contract holder accounts. Invested assets will typically grow at a faster rate than account values because of the AG38 reserve requirements, which cause statutory reserves to grow at a faster rate than account values. Invested assets are based upon the statutory reserve liabilities and are therefore affected by various reserve adjustments, including capital transactions providing relief from AG38 reserve requirements, which leads to a transfer of invested assets from this segment to Other Operations for use in other corporate purposes. 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. The interest rate spread for this segment represents the excess of the yield on invested assets on reserves over the average crediting rate on interest-sensitive products. The yield on invested assets on reserves is calculated as net investment income, excluding amounts attributable to our surplus investments and reverse repurchase agreement interest expense, divided by average invested assets on reserves. In addition, we exclude the effect of earnings from affordable housing tax credit securities, which is reflected as a reduction to federal income tax expense, from our spread calculations. We use our investment income to offset the earnings effect of the associated build of our policy reserves for traditional products. Commercial mortgage loan prepayments and bond makewhole 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,		
	2011	2010	Change	2011	2010	Change
Benefits						
Death claims direct and assumed	$ 721	$ 614	17%	$ 1,420	$ 1,280	11%
Death claims ceded	(351)	(284)	-24%	(669)	(581)	-15%
Reserves released on death	(105)	(106)	1%	(237)	(223)	-6%
Net death benefits	265	224	18%	514	476	8%
Change in secondary guarantee life insurance product reserves:						
Prospective unlocking - assumption changes	18	-	NM	29	-	NM

Prospective unlocking - model refinements		129		-	NM		162		-	NM
Change in reserves, excluding unlocking		125		52	140%		234		128	83%
Other benefits (1)		72		98	-27%		118		169	-30%
Total benefits	$	609	$	374	63%	$	1,057	$	773	37%
Death claims per $1,000 of in-force		1.86		1.63	14%		1.81		1.74	4%

(1) Includes primarily traditional product changes in reserves and dividends.

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Benefits for this segment includes claims incurred during the period in excess of the associated reserves for its interest-sensitive and traditional products. In addition, benefits includes the change in secondary guarantee life insurance product reserves. The reserve for secondary guarantees is affected by changes in expected future trends of expense assessments causing unlocking adjustments to this liability similar to DAC, VOBA and DFEL.

Underwriting, Acquisition, Insurance and Other Expenses

Details underlying underwriting, acquisition, insurance and other expenses (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Underwriting, Acquisition, Insurance and Other Expenses						
Commissions	$ 166	$ 151	10%	$ 339	$ 318	7%
General and administrative expenses	114	105	9%	227	208	9%
Expenses associated with reserve financing	14	7	100%	28	12	133%
Taxes, licenses and fees	35	27	30%	70	59	19%
Total expenses incurred	329	290	13%	664	597	11%
DAC and VOBA deferrals	(232)	(208)	-12%	(467)	(431)	-8%
Total expenses recognized before amortization	97	82	18%	197	166	19%
DAC and VOBA amortization, net of interest:						
Prospective unlocking - assumption changes	(6)	-	NM	(14)	-	NM
Prospective unlocking - model refinements	(145)	-	NM	(223)	-	NM
Retrospective unlocking	5	2	150%	13	17	-24%
Amortization, net of interest, excluding unlocking	135	156	-13%	261	287	-9%
Other intangible amortization	1	1	0%	2	2	0%
Total underwriting, acquisition, insurance and other expenses	$ 87	$ 241	-64%	$ 236	$ 472	-50%
DAC and VOBA Deferrals						
As a percentage of sales	147.8%	148.6%		147.8%	152.8%	

Commissions and other general and administrative expenses that vary with and are related primarily to the production of new business are deferred to the extent recoverable and for our interest-sensitive products are generally amortized over the lives 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, 2011 and 2010, the decrease is primarily a result of incurred deferrable commissions declining at a rate higher than sales

attributable primarily to changes in sales mix to products with lower commission rates.

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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,		
	2011	2010	Change	2011	2010	Change
Operating Revenues						
Insurance premiums	$ 460	$ 434	6%	$ 897	$ 843	6%
Net investment income	38	34	12%	78	68	15%
Other revenues and fees	3	2	50%	4	4	0%
Total operating revenues	501	470	7%	979	915	7%
Operating Expenses						
Interest credited	1	1	0%	2	2	0%
Benefits	345	333	4%	672	644	4%
Underwriting, acquisition, insurance and other expenses	115	101	14%	227	202	12%
Total operating expenses	461	435	6%	901	848	6%
Income (loss) from operations before taxes	40	35	14%	78	67	16%
Federal income tax expense (benefit)	14	12	17%	27	23	17%
Income (loss) from operations	$ 26	$ 23	13%	$ 51	$ 44	16%

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Income (Loss) from Operations by Product Line						
Life	$ 9	$ 16	-44%	$ 17	$ 19	-11%
Disability	17	7	143%	34	25	36%
Dental	(1)	(1)	0%	(3)	(3)	0%
Total non-medical	25	22	14%	48	41	17%
Medical	1	1	0%	3	3	0%
Income (loss) from operations	$ 26	$ 23	13%	$ 51	$ 44	16%

Comparison of the Three and Six Months Ended June 30, 2011 to 2010

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

- More favorable non-medical loss ratio experience, partially offset by unfavorable non-waiver mortality experience within our life business during the second quarter of 2011 (see "Additional Information" below for more information);
- Growth in insurance premiums driven by normal, organic business growth in our non-medical products; and
- Higher net investment income driven by an increase in business and higher portfolio yields on surplus.

The increase in income from operations was partially offset by higher underwriting, acquisition, insurance and other expenses due primarily to higher costs of investments in strategic initiatives associated with enhancements to sales processes and improvements to technology platforms during the three and six months ended June 30, 2011.

Additional Information

During the three and six months ended June 30, 2011, our non-medical loss ratios were 73.4% and 73.7%, respectively, below the 75.5% and 75.1% we experienced during the corresponding periods of 2010, and on the high end of our long-term expectation of 71% to 74%. Although we experienced improvement in our long-term disability loss ratios during 2011 as compared to unfavorable experience throughout 2010, loss ratios in general are likely to remain at the high end of our long-term expectation in 2011, as demonstrated by our disability claim incidence and short-term disability claim durations still being at elevated levels. However, we expect loss ratios to recover over time. For every one percent increase in the loss ratio above our expectation, we would expect an approximate annual $10 million to $12 million decrease to income from operations.

Management compares trends in actual loss ratios to pricing expectations because group-underwriting risks change over time. We expect normal fluctuations in our composite non-medical loss ratios of this segment, as claims experience is inherently uncertain. We are taking actions to manage the effects of our loss ratio results, such as implementing price adjustments on our product lines upon renewal to better reflect our experience going forward. In addition, we have been focusing on managing the higher volume of incidence through claims risk management, including contracting additional resources to help reduce caseloads and improve claim recovery experience so that incidence volumes do not detract from our claim recovery efforts. We are also employing new tools to identify and support claimants who will return to work.

We expect higher expenses for this segment for the remainder of 2011 than was experienced in the first half of 2011. The expected increase is attributable primarily to expected increases in investments in strategic initiatives.

We are evaluating the potential effects that health care reform may have on the value and profitability of this segment's products and income from operations, including, but not limited to, potential changes to traditional sources of income for our brokers who may seek additional portfolio options and/or modification to compensation structures.

During the second quarter of 2011, we reviewed the discount rate assumptions associated with reserves for long-term disability and life waiver claim incurrals. Due to the persistent decline in new money investment yields, we lowered the discount rate by 50 basis points to 4.25% on new incurrals, which decreased income from operations by $3 million during the second quarter of 2011. For information on the effects of current interest rates on our long-term disability claim reserves, see "Item 3. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk – Interest Rate Risk on Fixed Insurance Businesses – Falling Rates."

Sales relate to long-duration contracts sold 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. Our sales declined during the first six months of 2011 as compared to the corresponding period of 2010 due to conditions in the marketplace.

We provide information about this segment's operating revenue and operating expense line items, the period in which amounts are recognized, key drivers of changes and historical details underlying the line items and their associated drivers below.

Insurance Premiums

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

	For the Three Months Ended	For the Six Months Ended

	June 30,			June 30,		
	2011	2010	Change	2011	2010	Change
Insurance Premiums by Product Line						
Life	$ 174	$ 160	9%	$ 344	$ 317	9%
Disability	190	182	4%	376	360	4%
Dental	45	41	10%	92	80	15%
Total non-medical	409	383	7%	812	757	7%
Medical	51	51	0%	85	86	-1%
Total insurance premiums	$ 460	$ 434	6%	$ 897	$ 843	6%
Sales	$ 67	$ 65	3%	$ 112	$ 128	-13%

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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 in the table above are the combined annualized premiums for our life, disability and dental products.

Net Investment Income

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

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,		
	2011	2010	Change	2011	2010	Change
Benefits and Interest Credited by Product Line						
Life	$ 132	$ 112	18%	$ 261	$ 241	8%
Disability	132	143	-8%	263	260	1%
Dental	36	34	6%	75	69	9%
Total non-medical	300	289	4%	599	570	5%
Medical	46	45	2%	75	76	-1%
Total benefits and interest credited	$ 346	$ 334	4%	$ 674	$ 646	4%
Loss Ratios by Product Line						
Life	76.1%	69.7%		76.0%	76.0%	
Disability	69.4%	78.6%		69.7%	72.1%	
Dental	79.9%	84.4%		81.8%	85.3%	
Total non-medical	73.4%	75.5%		73.7%	75.1%	
Medical	89.4%	89.0%		88.1%	88.5%	

Note: Loss ratios presented above are calculated using whole dollars instead of dollars rounded to millions.

Underwriting, Acquisition, Insurance and Other Expenses

Details underlying underwriting, acquisition, insurance and other expenses (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Underwriting, Acquisition, Insurance and Other Expenses						
Commissions	$ 49	$ 47	4%	$ 100	$ 93	8%
General and administrative expenses	57	49	16%	107	96	11%
Taxes, licenses and fees	10	8	25%	21	19	11%
Total expenses incurred	116	104	12%	228	208	10%
DAC deferrals	(12)	(14)	14%	(23)	(28)	18%
Total expenses recognized before amortization	104	90	16%	205	180	14%
DAC and VOBA amortization, net of interest	11	11	0%	22	22	0%
Total underwriting, acquisition, insurance and other expenses	$ 115	$ 101	14%	$ 227	$ 202	12%
DAC Deferrals						
As a percentage of insurance premiums	2.6%	3.2%		2.6%	3.3%	

Expenses, excluding broker commissions, that vary with and are related primarily to the production of new business are deferred to the extent recoverable and 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. Broker commissions, which vary with and are related to paid premiums, are expensed as incurred. The level of expenses is an important driver of profitability for this segment as group insurance contracts are offered within an environment that competes on the basis of price and service.

RESULTS OF OTHER OPERATIONS

Other Operations includes investments related to the excess capital in our insurance subsidiaries; investments in media properties and other corporate investments; benefit plan net liability; the unamortized deferred gain on indemnity reinsurance related to the sale of reinsurance to Swiss Re in 2001; the results of certain disability income business; the Institutional Pension business, which is a closed-block of pension business, the majority of which was sold on a group annuity basis, and is currently in run-off; and debt costs. We are actively managing our remaining radio station clusters to maximize performance and future value.

For factors that could cause actual results to differ materially from those set forth in this section, see "Part I – Item 1A. Risk Factors" in our 2010 Form 10-K and "Forward-Looking Statements – Cautionary Language" above.

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,		
	2011	2010	Change	2011	2010	Change
Operating Revenues						
Net investment income	$ 76	$ 78	-3%	$ 156	$ 163	-4%
Amortization of deferred gain on business sold through reinsurance	18	18	0%	36	36	0%
Media revenues (net)	19	18	6%	36	34	6%
Other revenues and fees	1	7	-86%	4	11	-64%
Total operating revenues	114	121	-6%	232	244	-5%
Operating Expenses						
Interest credited	29	28	4%	59	62	-5%
Benefits	29	35	-17%	62	69	-10%
Media expenses	17	14	21%	34	28	21%
Other expenses	2	37	-95%	28	65	-57%
Interest and debt expense	72	69	4%	144	137	5%
Total operating expenses	149	183	-19%	327	361	-9%
Income (loss) from operations before taxes	(35)	(62)	44%	(95)	(117)	19%
Federal income tax expense (benefit)	(13)	(26)	50%	(36)	(44)	18%
Income (loss) from operations	$ (22)	$ (36)	39%	$ (59)	$ (73)	19%

Comparison of the Three and Six Months Ended June 30, 2011 to 2010

Loss from operations for this segment decreased due primarily to lower other expenses attributable to the following:

- Higher legal expenses in 2010; and
- Lower branding expenses in 2011 (see "Additional Information" below).

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

- Higher interest and debt expense attributable to higher average balances of outstanding debt in 2011; and
- Lower net investment income net of interest credited, due primarily to:

§ Lower average invested assets driven primarily by repurchases of common stock, net cash used in operating activities primarily due to interest payments, write-downs for OTTI and payments of income taxes, partially offset by distributable earnings received from our insurance segments and proceeds from issuances debt; and

§ The decline in new money rates and interest rates in general.

When comparing the three months ended June 30, 2011 to 2010, the decrease in loss from operations was also partially offset by more favorable tax items during the second quarter of 2010 that affected the federal income tax benefit.

Additional Information

We expect higher expenses for Other Operations for the remainder of 2011 than was experienced in the first half of 2011. The expected increase is attributable primarily to expected increases in branding and non-branding marketing expenses.

We provide information about Other Operations' operating revenue and operating expense line items, the period in which amounts are recognized, key drivers of changes and historical details underlying the line items and their associated drivers below.

The results of Other Operations include our thrift business. We are in the process of exiting this business, which will not have a significant effect on Other Operations' results.

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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 regulations require increases in our insurance segments' statutory reserves and surplus, the amount of capital retained by Other Operations would decrease and net investment income would be negatively affected. In addition, as discussed below in "Review of Consolidated Financial Condition – Liquidity and Capital Resources – Sources of Liquidity and Cash Flow – Alternative Sources of Liquidity," we maintain an inter-segment cash management program where certain subsidiaries can borrow from or lend money to the holding company to meet short-term borrowing needs. The inter-segment cash management program affects net investment income for Other Operations, as all inter-segment eliminations are reported within Other Operations.

Write-downs for OTTI decrease the recorded value of our invested assets owned by our business segments. These write-downs are not included in the income from operations of our operating segments. When impairment occurs, assets are transferred to the business segments' portfolios and will reduce the future net investment income for Other Operations, but should not have an effect on a consolidated basis unless the impairments are related to defaulted securities. Statutory reserve adjustments for our business segments can also cause allocations of invested assets between the affected segments and Other Operations.

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

Benefits

Benefits are recognized when incurred for Institutional Pension products and disability income business.

Other Expenses

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Other Expenses						
General and administrative expenses:						
Legal	$ (7)	$ 12	NM	$ 2	$ 13	-85%
Branding	5	8	-38%	10	13	-23%
Non-brand marketing	1	2	-50%	2	5	-60%
Other (1)	8	16	-50%	21	31	-32%
Total general and administrative expenses	7	38	-82%	35	62	-44%
Merger-related expenses (2)	-	2	-100%	-	4	-100%
Taxes, licenses and fees	(3)	(3)	0%	(3)	(1)	NM
Inter-segment reimbursement associated						

with reserve financing and LOC expenses (3)		(2)		-	NM		(4)		-	NM
Total other expenses	$	2	$	37	-95%	$	28	$	65	-57%

(1) Includes expenses that are corporate in nature including charitable contributions, amortization of media intangible assets with a definite life, other expenses not allocated to our business segments and inter-segment expense eliminations.

(2) Includes the result of actions undertaken by us to eliminate duplicate operations and functions as a result of the Jefferson-Pilot merger along with costs related to the implementation of our unified product portfolio and other initiatives. These actions were completed during 2010. Our cumulative integration expense was approximately $225 million, pre-tax, which excluded amounts capitalized or recorded as goodwill.

(3) Consists of reimbursements to Other Operations from the Life Insurance segment for the use of proceeds from certain issuances of senior notes that were used as long-term structured solutions, net of expenses incurred by Other Operations for its use of LOCs. The inter-segment amounts are not reported on our Consolidated Statements of Income.

Interest and Debt Expense

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

REALIZED GAIN (LOSS)

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,		
Pre-Tax	2011	2010	Change	2011	2010	Change
Operating realized gain (loss):						
Indexed annuity net derivatives results	$ -	$ -	NM	$ 1	$ -	NM
GLB	22	16	38%	42	31	35%
Total operating realized gain (loss)	22	16	38%	43	31	39%
Realized gain (loss) related to certain investments	(34)	(5)	NM	(51)	(60)	15%
Realized gain (loss) related to certain derivative investments, including those associated with our consolidated variable interest entities ("VIEs"), and trading securities	(1)	(46)	98%	9	(33)	127%
GLB net derivatives results	3	11	-73%	(6)	23	NM
GDB derivatives results	(3)	26	NM	(13)	13	NM
Indexed annuity forward-starting option	-	3	-100%	3	5	-40%
Total excluded realized gain (loss)	(35)	(11)	NM	(58)	(52)	-12%
Total realized gain (loss)	$ (13)	$ 5	NM	$ (15)	$ (21)	29%

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

For factors that could cause actual results to differ materially from those set forth in this section, see "Part I – Item 1A. Risk Factors" in our 2010 Form 10-K and "Forward-Looking Statements – Cautionary Language" above.

For information on our counterparty exposure see "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

Comparison of the Three and Six Months Ended June 30, 2011 to 2010

We had realized losses during the three months ended June 30, 2011, as compared to gains for the corresponding period of 2010, due primarily to an increase in OTTI attributable primarily to continued weakness within the commercial and residential real estate market that affected select RMBS and CMBS holdings, in addition to less favorable hedge program performance, partially offset by a decrease in losses on derivative investments.

We had lower realized losses during the six months ended June 30, 2011, as compared to the corresponding period of 2010, due primarily to a decline in OTTI attributable primarily to overall improvement in the credit markets and gains on derivative investments as compared to losses in the corresponding period of 2010, partially offset by less favorable hedge program performance.

Our GLB net derivatives results during the three and six months ended June 30, 2011 and 2010 were relatively flat. The GLB net derivatives results were unfavorably affected by our over-hedged position due to a decline in implied volatilities during the first six

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months of 2011. The unfavorable hedge results were partially offset by the NPR component of the liability being favorable during this same period attributable to an increase in the NPR factors related to beyond 10-year CDS spreads. See "GLB Net Derivatives Results" below for a discussion of how our NPR adjustment is determined.

We experienced GDB derivative losses during the three and six months ended June 30, 2011, and GDB derivative gains during the corresponding periods of 2010, attributable primarily to favorable equity market experience during 2011 and unfavorable equity market experience during 2010, respectively. These GDB derivative results offset some of the change in our benefit ratio unlocking, which is not reported in realized gain (loss), but the amount is disclosed in "Results of Consolidated Operations" above.

The more favorable results related to certain derivative instruments and trading securities during the three and six months ended June 30, 2011, as compared to the corresponding periods of 2010, were attributable primarily to widening spreads on corporate credit default swaps during 2010, which affected the derivative instruments related to our consolidated VIEs, partially offset by gains on our trading securities due to the decline in interest rates during 2010.

For information regarding realized gains (losses) related to certain investments, see "Consolidated Investments – Realized Gain (Loss) Related to Certain Investments" below.

Operating Realized Gain (Loss)

Details underlying operating realized gain (loss) (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Indexed Annuity Net Derivatives Results						
Change in fair value of S&P 500 call options	$ 7	$ (79)	109%	$ 61	$ (43)	242%
Change in fair value of embedded derivatives	(6)	78	NM	(58)	43	NM
Associated amortization of DAC, VOBA, DSI and DFEL	(1)	1	NM	(2)	-	NM
Total indexed annuity net derivatives results	-	-	NM	1	-	NM
GLB						
Pre-DAC amount (1)	29	24	21%	58	47	23%
Associated amortization of DAC, VOBA, DSI and DFEL:						
Retrospective unlocking (2)	10	8	25%	20	16	25%
Amortization, excluding unlocking	(17)	(16)	-6%	(36)	(32)	-13%
Total GLB	22	16	38%	42	31	35%
Total Operating Realized Gain (Loss)	$ 22	$ 16	38%	$ 43	$ 31	39%

(1) DAC refers to the associated amortization of DAC, VOBA, DSI and DFEL.

(2) Related primarily to the emergence of gross profits.

Operating realized gain (loss) includes the following:

Indexed Annuity Net Derivatives Results

Indexed annuity net derivatives results represent the net difference between the change in the fair value of the S&P 500 call options that we hold and the change in the fair value of the embedded derivative liabilities of our indexed annuity products. The change in the fair value of the liability for the embedded derivative represents the amount that is credited to the indexed annuity contract.

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GLB

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

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

Realized Gain (Loss) Related to Certain Investments

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

Realized Gain (Loss) Related to Certain Derivative Instruments, Including Those Associated With Our Consolidated VIEs, and Trading Securities

Realized gain (loss) related to certain derivative instruments, including those associated with our consolidated VIEs and trading securities represents changes in the fair values of certain derivative investments (including the credit default swaps and contingent forwards associated with consolidated VIEs), total return swaps (embedded derivatives that are theoretically included in our various modified coinsurance and coinsurance with funds withheld reinsurance arrangements that have contractual returns related to various assets and liabilities associated with these arrangements) and trading securities.

See Note 4 for information about our consolidated VIEs.

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GLB Net Derivatives Results and GDB Derivatives Results

Details underlying GLB net derivatives results and GDB derivative results (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
GLB Net Derivatives Results						
Net valuation premium, net of reinsurance	$ 37	$ 28	32%	$ 73	$ 54	35%
Change in reserves hedged	(202)	(1,402)	86%	93	(1,212)	108%
Change in market value of derivative assets	137	1,248	-89%	(213)	1,050	NM
Hedge program effectiveness (ineffectiveness)	(65)	(154)	58%	(120)	(162)	26%
Change in reserves not hedged (NPR component)	34	151	-77%	47	150	-69%
Change in derivative assets not hedged (NPR component)	2	(8)	125%	2	(9)	122%
Associated amortization of DAC, VOBA, DSI and DFEL:						
Retrospective unlocking (1)	(2)	5	NM	(14)	10	NM
Amortization, excluding unlocking	(3)	(11)	73%	6	(20)	130%
Total GLB net derivatives results	$ 3	$ 11	-73%	$ (6)	$ 23	NM
GDB Derivatives Results						
Change in fair value of derivatives	$ (3)	$ 29	NM	$ (14)	$ 14	NM
Associated amortization of DAC, VOBA, DSI and DFEL:						
Retrospective unlocking (1)	(2)	15	NM	(8)	8	NM
Amortization, excluding unlocking	2	(18)	111%	9	(9)	200%
Total GDB derivatives results	$ (3)	$ 26	NM	$ (13)	$ 13	NM

(1) Related primarily to the emergence of gross profits.

GLB Net Derivatives Results

Our GLB net derivatives results are comprised of the net valuation premium, the change in the GLB embedded derivative reserves and the change in the fair value of the derivative instruments we own to hedge them, including the cost of purchasing the hedging instruments.

Our GWB, GIB and 4LATER® features have elements of both benefit reserves and embedded derivative reserves. We calculate the value of the embedded derivative reserve and the benefit reserve based on the specific characteristics of each GLB feature. We record the embedded derivative reserve on our GLBs at fair value on our Consolidated Balance Sheets. We use derivative instruments to hedge our exposure to the risks and earnings volatility that result from changes in the GLB embedded derivatives reserves. The change in fair value of these derivative instruments is designed to generally offset the change in embedded derivative reserves. In the table above, we have

presented the components of our GLB results, which can be volatile especially when sudden and significant changes in equity markets and/or interest rates occur. When we assess the effectiveness of our hedge program, we exclude the effect of the change in the component of the embedded derivative reserves related to the required NPR. We do not attempt to hedge the change in the NPR component of the liability. As of June 30, 2011, the net effect of the NPR resulted in a $28 million decrease in the liability for our GLB embedded derivative reserves. The NPR factors affect the discount rate used in the calculation of the GLB embedded derivative reserve. Our methodology for calculating the NPR component of the embedded derivative reserve utilizes an extrapolated 30-year NPR spread curve applied to a series of expected cash flows over the expected life of the embedded derivative. Our cash flows consist of both expected fees to be received from contract holders and benefits to be paid, and these cash flows are different on a pre- and post- NPR basis. We utilize a model based on our holding company's

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credit default swap ("CDS") spreads adjusted for items, such as the liquidity of our holding company CDS. Because the guaranteed benefit liabilities are contained within our insurance subsidiaries, we apply items, such as the effect of our insurance subsidiaries' claims-paying ratings compared to holding company credit risk and the over-collateralization of insurance liabilities, in order to determine factors that are representative of a theoretical market participant's view of the NPR of the specific liability within our insurance subsidiaries.

Details underlying the NPR component and associated effect to our GLB embedded derivative reserves (dollars in millions) were as follows:

	As of June 30, 2011	As of March 31, 2011	As of December 31, 2010	As of September 30, 2010	As of June 30, 2010
10-year CDS spread	2.02%	1.78%	1.98%	2.55%	2.94%
NPR factor related to 10-year CDS spread	0.24%	0.17%	0.17%	0.30%	0.40%
Unadjusted embedded derivative liability	$ 306	$ 112	$ 389	$ 1,556	$ 1,786

Estimating what the absolute amount of the NPR effect will be period to period is difficult due to the utilization of all cash flows and the shape of the spread curve. Currently, we estimate that if the NPR factors as of June 30, 2011, were to have been zero along all points on the spread curve, then the NPR offset to the unadjusted liability would have resulted in an unfavorable effect to net income of approximately $120 million, pre-DAC and tax. Alternatively, if the NPR factors were 20 basis points higher along all points on the spread curve as of June 30, 2011, then there would have been a favorable effect to net income of approximately $50 million, pre-DAC and tax. In the preceding two sentences, "DAC" refers to the associated amortization of DAC, VOBA, DSI and DFEL. Changing market conditions could cause this relationship to deviate significantly in future periods. Sensitivity within this range is primarily a result of volatility in our CDS spreads and the slope of the CDS spread term structure.

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

GDB Derivatives Results

Our GDB derivatives results represent the change in the fair value of the derivative instruments we own to hedge the change in our benefit ratio unlocking, excluding our expected cost of the hedging instruments.

Indexed Annuity Forward-Starting Option

Details underlying indexed annuity forward-starting option (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Indexed Annuity Forward-Starting Option						
Pre-DAC amounts (1)	$ -	$ 6	-100%	$ 4	$ 10	-60%
Associated amortization of DAC, VOBA,						

DSI and DFEL		-		(3)	100%		(1)		(5)	80%
Total	$	-	$	3	-100%	$	3	$	5	-40%

(1) DAC refers to the associated amortization of DAC, VOBA, DSI and DFEL.

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

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CONSOLIDATED INVESTMENTS

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

			Percentage of Total Investments	
	As of June 30, 2011	As of December 31, 2010	As of June 30, 2011	As of December 31, 2011
Investments				
AFS securities:				
Fixed maturity	$ 70,920	$ 68,030	82.2%	81.6%
VIEs' fixed maturity	593	584	0.7%	0.7%
Total fixed maturity	71,513	68,614	82.9%	82.3%
Equity	144	197	0.2%	0.2%
Trading securities	2,625	2,596	3.0%	3.1%
Mortgage loans on real estate	6,871	6,752	8.0%	8.1%
Real estate	150	202	0.2%	0.3%
Policy loans	2,877	2,865	3.3%	3.5%
Derivative investments	1,097	1,076	1.3%	1.3%
Alternative investments	800	750	0.9%	0.9%
Other investments	201	288	0.2%	0.3%
Total investments	$ 86,278	$ 83,340	100.0%	100.0%

Investment Objective

Invested assets 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 on our risk management process, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2010 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 and equity securities consist of portfolios classified as AFS and trading. Mortgage-backed and private securities are included in both AFS and trading portfolios.

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

	As of June 30, 2011				
	Amortized Cost	Unrealized Gains	Unrealized Losses and OTTI	Fair Value	% Fair Value
Fixed Maturity AFS Securities					
Industry corporate bonds:					
Financial services	$ 8,582	$ 489	$ 128	$ 8,943	12.5%
Basic industry	2,839	219	14	3,044	4.3%
Capital goods	3,873	260	27	4,106	5.7%
Communications	3,190	271	29	3,432	4.8%
Consumer cyclical	2,930	197	44	3,083	4.3%
Consumer non-cyclical	7,673	656	17	8,312	11.6%
Energy	4,734	433	15	5,152	7.2%
Technology	1,769	113	7	1,875	2.6%
Transportation	1,446	120	3	1,563	2.2%
Industrial other	940	55	6	989	1.4%
Utilities	10,245	769	61	10,953	15.4%
Corporate asset-backed securities ("ABS"):					
Collateralized debt obligations ("CDOs")	97	5	4	98	0.1%
Commercial real estate ("CRE") CDOs	40	-	12	28	0.0%
Credit card	788	38	-	826	1.2%
Home equity	961	6	253	714	1.0%
Manufactured housing	90	4	1	93	0.1%
Auto loan	83	1	-	84	0.1%
Other	199	26	-	225	0.3%
CMBS:					
Non-agency backed	1,819	89	102	1,806	2.5%
Collateralized mortgage and other obligations ("CMOs"):					
Agency backed	3,654	318	1	3,971	5.6%
Non-agency backed	1,594	16	202	1,408	2.0%
Mortgage pass through securities ("MPTS"):					
Agency backed	3,026	124	3	3,147	4.4%
Non-agency backed	2	-	-	2	0.0%
Municipals:					
Taxable	3,367	137	28	3,476	4.9%
Tax-exempt	3	-	-	3	0.0%
Government and government agencies:					
United States	1,071	129	4	1,196	1.7%
Foreign	1,573	98	4	1,667	2.3%
Hybrid and redeemable preferred securities	1,357	67	107	1,317	1.8%
Total fixed maturity AFS securities	67,945	4,640	1,072	71,513	100.0%
Equity AFS Securities	121	25	2	144	
Total AFS securities	68,066	4,665	1,074	71,657	
Trading Securities (1)	2,339	315	29	2,625	
Total AFS and trading securities	$ 70,405	$ 4,980	$ 1,103	$ 74,282	

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	As of December 31, 2010				
	Amortized Cost	Unrealized Gains	Unrealized Losses and OTTI	Fair Value	% Fair Value
Fixed Maturity AFS Securities					
Industry corporate bonds:					
Financial services	$ 8,377	$ 438	$ 148	$ 8,667	12.7%
Basic industry	2,478	203	20	2,661	3.9%
Capital goods	3,425	243	45	3,623	5.3%
Communications	3,050	251	32	3,269	4.8%
Consumer cyclical	2,772	185	47	2,910	4.2%
Consumer non-cyclical	7,259	628	20	7,867	11.5%
Energy	4,533	428	17	4,944	7.2%
Technology	1,414	108	9	1,513	2.2%
Transportation	1,379	116	3	1,492	2.2%
Industrial other	884	53	10	927	1.4%
Utilities	9,800	708	62	10,446	15.2%
ABS:					
CDOs	128	22	8	142	0.2%
CRE CDOs	46	-	14	32	0.0%
Credit card	831	33	4	860	1.3%
Home equity	1,002	6	268	740	1.1%
Manufactured housing	110	3	4	109	0.2%
Auto loan	162	2	-	164	0.2%
Other	211	21	1	231	0.3%
CMBS:					
Non-agency backed	2,144	95	186	2,053	3.0%
CMOs:					
Agency backed	3,975	308	1	4,282	6.2%
Non-agency backed	1,718	16	259	1,475	2.1%
MPTS:					
Agency backed	2,978	106	5	3,079	4.5%
Non-agency backed	2	-	-	2	0.0%
Municipals:					
Taxable	3,219	27	94	3,152	4.6%
Tax-exempt	3	-	-	3	0.0%
Government and government agencies:					
United States	931	120	2	1,049	1.5%
Foreign	1,438	94	7	1,525	2.2%
Hybrid and redeemable preferred securities	1,476	56	135	1,397	2.0%
Total fixed maturity AFS securities	65,745	4,270	1,401	68,614	100.0%
Equity AFS Securities	179	25	7	197	
Total AFS securities	65,924	4,295	1,408	68,811	
Trading Securities (1)	2,340	297	41	2,596	
Total AFS and trading securities	$ 68,264	$ 4,592	$ 1,449	$ 71,407	

(1)

Certain of our trading securities support our modified coinsurance arrangements ("Modco") and the investment results are passed directly to the reinsurers. Refer to the "Trading Securities" section of our 2010 Form 10-K for further details.

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AFS Securities

The general intent of the AFS accounting guidance is to reflect stockholders' equity as if unrealized gains and losses were actually recognized, and it is necessary that we 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, other contract holder funds and deferred income taxes. Adjustments to each of these balances are charged or credited to accumulated OCI. 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 AFS fixed maturity securities portfolio, as measured at estimated fair value and by the percentage of fixed maturity securities invested in various ratings categories, relative to the entire fixed maturity AFS security portfolio (in millions) was as follows:

	Rating Agency	As of June 30, 2011			As of December 31, 2010		
NAIC Designation(1)	Equivalent Designation(1)	Amortized Cost	Fair Value	% of Total	Amortized Cost	Fair Value	% of Total
Investment Grade Securities							
1	Aaa / Aa / A	$ 42,401	$ 44,970	62.9%	$ 40,573	$ 42,769	62.3%
2	Baa	21,805	23,238	32.5%	21,032	22,286	32.5%
Total investment grade securities		64,206	68,208	95.4%	61,605	65,055	94.8%
Below Investment Grade Securities							
3	Ba	2,645	2,467	3.4%	2,620	2,403	3.5%
4	B	602	507	0.7%	796	665	1.0%
5	Caa and lower	321	211	0.3%	476	325	0.5%
6	In or near default	171	120	0.2%	248	166	0.2%
Total below investment grade securities		3,739	3,305	4.6%	4,140	3,559	5.2%
Total fixed maturity AFS securities		$ 67,945	$ 71,513	100.0%	$ 65,745	$ 68,614	100.0%
Total securities below investment grade as a percentage of total fixed maturity AFS securities		5.5%	4.6%		6.3%	5.2%	

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

Comparisons between the NAIC ratings and rating agency designations are published by the NAIC. The NAIC assigns securities quality ratings and uniform valuations, which are used by insurers when preparing their annual statements. The NAIC ratings are similar to the rating agency designations of the Nationally Recognized Statistical Rating Organizations for marketable bonds. NAIC ratings 1 and 2 include bonds generally considered investment grade (rated Baa3 or higher by Moody's, or rated BBB- or higher by S&P and Fitch), by such ratings

organizations. However, securities rated NAIC 1 and NAIC 2 could be below investment grade by the rating agencies, which is a result of the changes in the RBC rules for RMBS and CMBS for statutory reporting. NAIC ratings 3 through 6 include bonds generally considered below investment grade (rated Ba1 or lower by Moody's, or rated BB+ or lower by S&P and Fitch).

Greece, Ireland, Italy, Portugal and Spain are experiencing stress in the credit markets. As of June 30, 2011, the amortized cost and fair value of our total sovereign exposure was $3 million to Italy.   We also had AFS securities in a large Spanish bank, where our investments were in subsidiaries located outside of Spain, with an amortized cost of $48 million and a fair value of $50 million as of June 30, 2011. Other banking exposure to these countries as of June 30, 2011, included a $14 million notional CDS position where we have sold protection on a highly rated multi-national Spanish bank.

Our total non-banking and non-sovereign AFS securities to Ireland, Italy, Portugal and Spain had an amortized cost of $780 million and a fair value of $813 million as of June 30, 2011, approximately 50% of which related to large multinational companies domiciled in those countries. The detailed breakout by country was as follows: Ireland – $229 million amortized cost and $226 million fair value; Italy – $161 million amortized cost and $175 million fair value; Portugal – $40 million amortized cost and $34 million fair value; and Spain – $350 million amortized cost and fair value $378 million.

As of June 30, 2011, and December 31, 2010, 81.0% and 79.8%, respectively, of the total publicly traded and private securities in an unrealized loss status were rated as investment grade. See Note 5 for maturity date information for our fixed maturity investment portfolio. Our gross unrealized losses on AFS securities as of June 30, 2011, decreased $334 million. This change was attributable primarily to a decline in overall market yields, which was driven by market uncertainty and weakening economic activity. As more fully described in Note 1 of our 2010 Form 10-K, we regularly review our investment holdings for OTTI. We believe the unrealized loss position as of June 30, 2011, does not represent OTTI as we do not intend to sell these debt securities, it is not more likely than not that we will be required to sell the debt securities before recovery of their amortized cost basis, the estimated future cash flows are equal to or greater than the amortized cost basis of the debt securities, or we have the ability and intent to hold the equity securities for a period of time sufficient for recovery. For further information on our AFS securities unrealized losses, see “Additional Details on our Unrealized Losses on AFS Securities” below.

Selected information for certain AFS securities in a gross unrealized loss position (dollars in millions) was as follows:

	As of June 30, 2011					
	Fair Value	Gross Unrealized Losses and OTTI	Estimated Years until Call or Maturity	Estimated Average Years until Recovery	Subordination Level	
					Current	Origination
CMBS	$ 269	$ (102)	1 to 42	29	20.9%	16.7%
Hybrid and redeemable preferred securities	622	(107)	1 to 55	32	N/A	N/A

As provided in the table above, many of the securities in these categories are long-dated with some of the preferred securities being perpetual. This is purposeful as it matches the long-term nature of our liabilities associated with our life insurance and annuity products. See “Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our 2010 Form 10-K where we present information related to maturities of securities and the expected cash flows for rate sensitive liabilities and maturities of our holding company debt, which also demonstrates the long-term nature of the cash flows associated with these items. Because of this relationship, we do not believe it will be necessary to sell these securities before they recover or mature. For these securities, the estimated range and average period until recovery is the call or maturity period. It is difficult to predict or project when the securities will recover as it is dependent upon a number of factors including the overall economic climate. We do not believe it is necessary to impair these securities as long as the expected future cash flows are projected to be sufficient to recover the amortized cost of these securities.

The actual range and period until recovery could vary significantly depending on a variety of factors, many of which are out of our control. There are several items that could affect the length of the period until recovery, such as the pace of economic recovery, level of delinquencies, performance of the underlying collateral, changes in market interest rates, exposures to various industry or geographic conditions, market behavior and other market conditions.

We concluded that it is not more likely than not that we will be required to sell the fixed maturity AFS securities before recovery of their amortized cost basis, that the estimated future cash flows are equal to or greater than the amortized cost basis of the debt securities, and that we have the ability to hold the equity AFS securities for a period of time sufficient for recovery. This conclusion is consistent with our asset-liability management process. Management considers the following as part of the evaluation:

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

- Our current financial condition and liquidity demands.

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

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

As reported on our Consolidated Balance Sheets, we had $89.2 billion of investments and cash, which exceeded the liabilities for our future obligations under insurance policies and contracts, net of amounts recoverable from reinsurers, which totaled $79.2 billion as of June 30, 2011. If it were necessary to liquidate securities prior to maturity or call to meet cash flow needs, we would first look to those securities that are in an unrealized gain position, which had a fair value of $59.6 billion, excluding consolidated VIEs in the amount of $593 million, as of June 30, 2011, rather than selling securities in an unrealized loss position. The amount of cash that we have on hand at any point of 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 on-going cash flows from new and existing business.

See “AFS Securities – Evaluation for Recovery of Amortized Cost” in Note 1 in our 2010 Form 10-K and Note 5 for additional discussion.

As of June 30, 2011, and December 31, 2010, the estimated fair value for all private securities was $8.8 billion and $8.4 billion, both representing approximately 10% of total invested assets.

For information regarding our VIEs’ fixed maturity securities, see Note 4 in both this report and in our 2010 Form 10-K.

MBS (Included in AFS and Trading Securities)

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

We limit the extent of our risk on MBS by prudently limiting exposure to the asset class, by generally avoiding the purchase of securities with a cost that significantly exceeds par, by purchasing securities backed by stable collateral and by concentrating on securities with enhanced priority in their trust structure. Such securities with reduced risk typically have a lower yield (but higher liquidity) than higher-risk MBS. At selected times, higher-risk securities may be purchased if they do not compromise the safety of the general portfolio. As of June 30, 2011, we did not have a significant amount of higher-risk, trust structured MBS. A significant amount of assets in our MBS portfolio are

either guaranteed by U.S. government-sponsored enterprises or are supported in the securitization structure by junior securities enabling the assets to achieve high investment grade status.

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

The slowing U.S. housing market, increased interest rates for non-prime borrowers and relaxed underwriting standards from 2003 to 2007 have led to higher delinquency rates for residential mortgage loans and home equity loans. We expect delinquency rates and loss rates on residential mortgages and home equity loans to increase in the future; however, we continue to expect to receive payments in accordance with contractual terms for a significant amount of our securities, largely due to the seniority of the claims

on the collateral of the securities that we own. The tranches of the securities will experience losses according to their seniority level with the least senior (or most junior), typically the unrated residual tranche, taking the initial loss. The credit ratings of our securities reflect the seniority of the securities that we own. Our RMBS had a market value of $8.8 billion and an unrealized gain of $260 million, or 3%, as of June 30, 2011.

The market value of AFS securities and trading securities backed by subprime loans was $481 million and represented less than 1% of our total investment portfolio as of June 30, 2011. AFS securities represented $465 million, or 97%, and trading securities represented $16 million, or 3%, of the subprime exposure as of June 30, 2011. AFS securities and trading securities rated A or above represented 46% of the subprime investments and $239 million in market value of our subprime investments was backed by loans originating in 2005 and forward. The tables below summarize our investments in AFS securities backed by pools of residential mortgages (in millions):

	Fair Value as of June 30, 2011				
	Prime Agency	Prime/ Non-Agency	Alt-A	Subprime	Total
Type					
CMOs and MPTS	$ 7,118	$ 909	$ 500	$ 1	$ 8,528
ABS home equity	5	-	244	465	714
Total by type (1)	$ 7,123	$ 909	$ 744	$ 466	$ 9,242
Rating					
AAA	$ 7,107	$ 105	$ 35	$ 104	$ 7,351
AA	-	51	18	31	100
A	16	52	35	76	179
BBB	-	83	49	49	181
BB and below	-	618	607	206	1,431
Total by rating (1)(2)	$ 7,123	$ 909	$ 744	$ 466	$ 9,242
Origination Year					
2004 and prior	$ 1,993	$ 244	$ 242	$ 231	$ 2,710
2005	862	132	257	171	1,422
2006	254	182	196	63	695
2007	1,116	351	49	-	1,516
2008	265	-	-	-	265
2009	1,299	-	-	1	1,300
2010	1,109	-	-	-	1,109
2011	225	-	-	-	225
Total by origination year (1)	$ 7,123	$ 909	$ 744	$ 466	$ 9,242
Total AFS securities					$ 71,657
Total AFS RMBS as a percentage of total AFS securities					12.9%
Total prime/non-agency, Alt-A and subprime as a percentage of total AFS securities					3.0%

(1)

Does not include the fair value of trading securities totaling $281 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $281 million in trading securities consisted of $254 million prime, $12 million Alt-A and $15 million subprime.

(2) Based upon the rating designations determined and provided by the major credit rating agencies (Fitch, Moody's and S&P). For securities where the ratings assigned by the major credit agencies are not equivalent, the second highest 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.

	Amortized Cost as of June 30, 2011				
	Prime Agency	Prime/ Non-Agency	Alt-A	Subprime	Total
Type					
CMOs and MPTS	$ 6,681	$ 986	$ 605	$ 4	$ 8,276
ABS home equity	4	-	310	647	961
Total by type (1)	$ 6,685	$ 986	$ 915	$ 651	$ 9,237
Rating					
AAA	$ 6,671	$ 102	$ 34	$ 110	$ 6,917
AA	-	52	20	31	103
A	14	54	38	79	185
BBB	-	88	49	63	200
BB and below	-	690	774	368	1,832
Total by rating (1)(2)	$ 6,685	$ 986	$ 915	$ 651	$ 9,237
Origination Year					
2004 and prior	$ 1,855	$ 249	$ 271	$ 283	$ 2,658
2005	795	154	313	237	1,499
2006	229	193	259	129	810
2007	1,000	390	72	-	1,462
2008	242	-	-	-	242
2009	1,252	-	-	2	1,254
2010	1,089	-	-	-	1,089
2011	223	-	-	-	223
Total by origination year (1)	$ 6,685	$ 986	$ 915	$ 651	$ 9,237
Total AFS securities					$ 68,066
Total AFS RMBS as a percentage of total AFS securities					13.6%
Total prime/non-agency, Alt-A and subprime as a percentage of total AFS securities					3.7%

(1) Does not include the amortized cost of trading securities totaling $277 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $277 million in trading securities consisted of $245 million prime, $14 million Alt-A and $18 million subprime.

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

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

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The following summarizes our investments in AFS securities backed by pools of consumer loan ABS (in millions):

	As of June 30, 2011					
	Credit Card		Auto Loans		Total	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Rating						
AAA	$ 804	$ 766	$ 76	$ 75	$ 880	$ 841
BBB	22	22	8	8	30	30
Total by rating (1)(2)	$ 826	$ 788	$ 84	$ 83	$ 910	$ 871
Total AFS securities					$ 71,657	$ 68,066
Total by rating as a percentage of total AFS securities					1.3%	1.3%

(1) Does not include the fair value of trading securities totaling $5 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $5 million in trading securities consisted of $3 million of credit card securities and $2 million of auto loan securities.

(2) Based upon the rating designations determined and provided by the major credit rating agencies (Fitch, Moody's and S&P). For securities where the ratings assigned by the major credit agencies are not equivalent, the second highest 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 following summarizes our investments in AFS securities backed by pools of commercial mortgages (in millions):

	As of June 30, 2011							
	Multiple Property		Single Property		CRE CDOs		Total	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Type								
CMBS	$ 1,748	$ 1,725	$ 58	$ 94	$ -	$ -	$ 1,806	$ 1,819
CRE CDOs	-	-	-	-	28	40	28	40
Total by type (1)	$ 1,748	$ 1,725	$ 58	$ 94	$ 28	$ 40	$ 1,834	$ 1,859
Rating								
AAA	$ 1,183	$ 1,112	$ 16	$ 16	$ -	$ -	$ 1,199	$ 1,128
AA	226	222	10	10	-	-	236	232
A	146	147	6	6	2	2	154	155
BBB	108	108	6	6	11	13	125	127
BB and below	85	136	20	56	15	25	120	217
Total by rating (1)(2)	$ 1,748	$ 1,725	$ 58	$ 94	$ 28	$ 40	$ 1,834	$ 1,859
Origination Year								
2004 and prior	$ 1,065	$ 1,040	$ 26	$ 26	$ 5	$ 6	$ 1,096	$ 1,072
2005	343	324	30	60	11	13	384	397
2006	143	160	2	8	12	21	157	189
2007	143	147	-	-	-	-	143	147
2010	54	54	-	-	-	-	54	54
Total by origination year (1)	$ 1,748	$ 1,725	$ 58	$ 94	$ 28	$ 40	$ 1,834	$ 1,859
Total AFS securities							$ 71,657	$ 68,066
Total AFS securities backed by pools of commercial mortgages as a percentage of total AFS securities							2.6%	2.7%

(1) Does not include the fair value of trading securities totaling $52 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $52 million in trading securities consisted of $49 million CMBS and $3 million CRE CDOs.

(2) Based upon the rating designations determined and provided by the major credit rating agencies (Fitch, Moody's and S&P). For securities where the ratings assigned by the major credit agencies are not equivalent, the second highest 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.

Monoline insurers provide guarantees on debt for issuers, often in the form of credit wraps, which enhance the credit of the issuer. Monoline insurers guarantee the timely repayment of bond principal and interest when a bond issuer defaults and generally provide credit enhancement for bond issues such as municipal bonds and private placements as well as other types and structures of securities. Our direct exposure represents our bond holdings of the actual Monoline insurers. Our insured bonds represent our holdings in bonds of other issuers that are insured by Monoline insurers.

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The following summarizes our exposure to Monoline insurers (in millions):

	As of June 30, 2011					
	Direct Exposure	Insured Bonds (1)	Total Amortized Cost	Total Unrealized Gain	Total Unrealized Loss and OTTI	Total Fair Value
Monoline Name						
AMBAC	$ -	$ 225	$ 225	$ 4	$ 38	$ 191
ASSURED GUARANTY LTD	30	-	30	-	16	14
FGIC	-	75	75	1	16	60
FSA	-	39	39	1	1	39
MBIA	12	131	143	14	11	146
MGIC	-	5	5	-	1	4
PMI GROUP INC	24	-	24	-	11	13
XL CAPITAL LTD	72	61	133	2	9	126
Total by Monoline insurer (2)	$ 138	$ 536	$ 674	$ 22	$ 103	$ 593
Total AFS securities			$ 68,066	$ 4,665	$ 1,074	$ 71,657
Total by Monoline insurer as a percentage of total AFS securities			1.0%	0.5%	9.6%	0.8%

(1) Additional indirect insured exposure through structured securities is excluded from this table.

(2) Does not include the fair value of trading securities totaling $31 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $31 million in trading securities consisted of $11 million of direct exposure and $20 million of insured exposure. This table also excludes insured exposure totaling $9 million for a guaranteed investment tax credit partnership.

Additional Details on our Unrealized Losses on AFS Securities

When considering unrealized gain and loss information, it is important to recognize that the information relates to the status of securities at a particular point in time and may not be indicative of the status 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 unrealized loss securities on our future earnings.

We have no concentrations of issuers or guarantors of fixed maturity and equity securities. We conduct enhanced analysis and monitoring for potential changes in unrealized loss status of securities that we believe are most at risk of impairment. The composition by industry categories of these securities was as follows (in millions):

	As of June 30, 2011					
	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss and OTTI	% Unrealized Loss and OTTI
CMOs	$ 349	60.5%	$ 428	54.2%	$ 79	37.1%
ABS	87	15.0%	132	16.6%	45	21.1%
CMBS	13	2.3%	51	6.5%	38	17.8%
Banking	40	6.9%	67	8.5%	27	12.7%
Diversified manufacturing	54	9.4%	64	8.1%	10	4.7%
Property and casualty insurers	22	3.8%	36	4.6%	14	6.6%
Gaming	12	2.1%	12	1.5%	-	0.0%
Total securities subject to enhanced analysis and monitoring	$ 577	100.0%	$ 790	100.0%	$ 213	100.0%
Total AFS securities	$ 71,657		$ 68,066		$ 1,074	
Total securities subject to enhanced analysis and monitoring as a percentage of total AFS securities	0.8%		1.2%		19.8%	

	As of December 31, 2010					
	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss and OTTI	% Unrealized Loss and OTTI
CMBS	$ 11	3.2%	$ 83	15.6%	$ 72	37.7%
CMOs	150	43.8%	184	34.5%	34	17.8%
Banking	67	19.6%	98	18.4%	31	16.2%
Diversified manufacturing	38	11.1%	63	11.8%	25	13.1%
ABS	17	5.0%	34	6.4%	17	9.0%
Property and casualty insurers	42	12.3%	52	9.8%	10	5.2%
Gaming	12	3.5%	13	2.4%	1	0.5%
Industrial - other	5	1.5%	6	1.1%	1	0.5%
Total securities subject to enhanced analysis and monitoring	$ 342	100.0%	$ 533	100.0%	$ 191	100.0%
Total AFS securities	$ 68,811		$ 65,924		$ 1,408	
Total securities subject to enhanced analysis and monitoring as a percentage						

of total AFS securities	0.5%	0.8%	13.6%

In addition, as discussed in Note 1 in our 2010 Form 10-K, we perform detailed analysis of our AFS securities, including those presented above as well as other AFS securities. For selected information on these AFS securities in a gross unrealized loss position backed by pools of residential and commercial mortgages as of June 30, 2011, see Note 5.

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The composition by industry categories of all securities in unrealized loss status (in millions), was as follows:

	As of June 30, 2011					
	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss and OTTI	% Unrealized Loss and OTTI
ABS	$ 731	6.5%	$ 1,001	8.1%	$ 270	25.1%
CMOs	1,092	9.7%	1,292	10.4%	200	18.6%
Banking	1,202	10.6%	1,358	11.0%	156	14.5%
CMBS	269	2.4%	371	3.0%	102	9.5%
Local authorities	835	7.4%	863	7.0%	28	2.6%
Electric	1,064	9.4%	1,113	9.0%	49	4.6%
Property and casualty insurers	352	3.1%	397	3.2%	45	4.2%
Media - non-cable	290	2.6%	311	2.5%	21	2.0%
Life	305	2.7%	326	2.6%	21	2.0%
Diversified Manufacturing	451	4.0%	470	3.8%	19	1.8%
Retailers	157	1.4%	173	1.4%	16	1.5%
Gaming	167	1.5%	179	1.4%	12	1.1%
Entertainment	184	1.6%	195	1.6%	11	1.0%
Industries with unrealized losses less than $10 million	4,192	37.1%	4,316	35.0%	124	11.5%
Total by industry	$ 11,291	100.0%	$ 12,365	100.0%	$ 1,074	100.0%
Total AFS securities	$ 71,657		$ 68,066		$ 1,074	
Total by industry as a percentage of total AFS securities	15.8%		18.2%		100.0%	

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	As of December 31, 2010					
	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss and OTTI	% Unrealized Loss and OTTI
ABS	$ 843	7.0%	$ 1,142	8.5%	$ 299	21.1%
CMOs	1,164	9.7%	1,419	10.6%	255	18.1%
Banking	1,495	12.4%	1,693	12.6%	198	14.1%
CMBS	379	3.2%	565	4.2%	186	13.2%
Local authorities	1,933	16.1%	2,028	15.1%	95	6.7%
Property and casualty insurers	360	3.0%	409	3.0%	49	3.5%
Electric	760	6.3%	806	6.0%	46	3.3%
Diversified manufacturing	267	2.2%	301	2.2%	34	2.4%
Media - non-cable	238	2.0%	263	2.0%	25	1.8%
Life	287	2.4%	304	2.3%	17	1.2%
Retailers	172	1.4%	187	1.4%	15	1.1%
Gaming	153	1.3%	165	1.2%	12	0.9%
Paper	130	1.1%	142	1.1%	12	0.9%
Entertainment	193	1.6%	204	1.5%	11	0.8%
Industries with unrealized losses less than $10 million	3,641	30.3%	3,795	28.3%	154	10.9%
Total by industry	$ 12,015	100.0%	$ 13,423	100.0%	$ 1,408	100.0%
Total AFS securities	$ 68,811		$ 65,924		$ 1,408	
Total by industry as a percentage of total AFS securities	17.5%		20.4%		100.0%	

Unrealized Loss on Below Investment Grade AFS Fixed Maturity Securities

Gross unrealized losses on below investment grade AFS fixed maturity securities represented 47.9% and 47.4% of total gross unrealized losses on all AFS securities as of June 30, 2011, and December 31, 2010, respectively. Generally, below investment grade fixed maturity securities are more likely than investment grade fixed maturity securities to develop credit concerns. The remaining 52.1% and 52.6% of the gross unrealized losses as of June 30, 2011, and December 31, 2010, respectively, related to investment grade AFS securities. The ratios of estimated fair value to amortized cost reflected in the table below were not necessarily indicative of the market value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of these ratios subsequent to June 30, 2011.

Details underlying fixed maturity securities below investment grade and in an unrealized loss position (in millions) were as follows:

	Ratio of	As of June 30, 2011		
	Amortized Cost to Fair	Fair	Amortized	Unrealized Loss
Aging Category	Value	Value	Cost	and OTTI
90 days or less	Above 70%	$ 554	$ 603	$ 49
	40% to 70%	100	153	53
	Below 40%	1	4	3
Total 90 days or less		655	760	105
91 days to 180 days	Above 70%	21	23	2
Total 91 to 180 days		21	23	2
181 days to 270 days	Above 70%	104	117	13
Total 181 days to 270 days		104	117	13
271 days to 1 year	Above 70%	7	9	2
	40% to 70%	17	25	8
Total 271 days to 1 year		24	34	10
Greater than 1 year	Above 70%	1,079	1,236	157
	40% to 70%	226	390	164
	Below 40%	21	84	63
Total greater than 1 year		1,326	1,710	384
Total below investment grade and in an unrealized loss position		$ 2,130	$ 2,644	$ 514
Total AFS securities		$ 71,657	$ 68,066	$ 1,074
Total below investment grade and in an unrealized loss position as a percentage of total AFS securities		3.0%	3.9%	47.9%

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Aging Category	Ratio of Amortized Cost to Fair Value	As of December 31, 2010 Fair Value	Amortized Cost	Unrealized Loss and OTTI
90 days or less	Above 70%	$ 388	$ 422	$ 34
	40% to 70%	78	128	50
	Below 40%	2	11	9
Total 90 days or less		468	561	93
91 days to 180 days	Above 70%	62	77	15
	40% to 70%	26	42	16
Total 91 to 180 days		88	119	31
181 days to 270 days	Above 70%	57	62	5
	40% to 70%	1	3	2
Total 181 days to 270 days		58	65	7
271 days to 1 year	Above 70%	129	160	31
	40% to 70%	43	72	29
Total 271 days to 1 year		172	232	60
Greater than 1 year	Above 70%	1,307	1,496	189
	40% to 70%	258	441	183
	Below 40%	21	125	104
Total greater than 1 year		1,586	2,062	476
Total below investment grade and in an unrealized loss position		$ 2,372	$ 3,039	$ 667
Total AFS securities		$ 68,811	$ 65,924	$ 1,408
Total below investment grade and in an unrealized loss position as a percentage of total AFS securities		3.4%	4.6%	47.4%

Mortgage Loans on Real Estate

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

	As of June 30, 2011		As of December 31, 2010	
	Carrying Value	%	Carrying Value	%
Credit Quality Indicator				
Current	$ 6,804	99.0%	$ 6,699	99.2%
Delinquent and in foreclosure (1)	67	1.0%	53	0.8%
Total mortgage loans on real estate	$ 6,871	100.0%	$ 6,752	100.0%

(1) As of June 30, 2011, and December 31, 2010, there were 12 and 10 mortgage loans that were delinquent and in foreclosure, respectively.

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	As of June 30, 2011	As of December 31, 2010
By Segment		
Retirement Solutions:		
Annuities	$ 1,251	$ 1,172
Defined Contribution	1,016	920
Insurance Solutions:		
Life Insurance	3,786	3,856
Group Protection	292	285
Other Operations	526	519
Total mortgage loans on real estate	$ 6,871	$ 6,752

	As of June 30, 2011	
	Carrying Value	%
Property Type		
Office building	$ 2,217	32.2%
Industrial	1,789	26.0%
Retail	1,577	23.0%
Apartment	908	13.2%
Hotel/Motel	155	2.3%
Mixed use	129	1.9%
Other commercial	96	1.4%
Total	$ 6,871	100.0%

	As of June 30, 2011	
	Carrying Value	%
Geographic Region		
Pacific	$ 1,959	28.5%
South Atlantic	1,660	24.2%
West South Central	680	9.9%
East North Central	628	9.1%
Mountain	594	8.6%
Middle Atlantic	425	6.2%
East South Central	418	6.1%
West North Central	372	5.4%
New England	135	2.0%
Total	$ 6,871	100.0%

	As of June 30, 2011	
	Carrying Value	%
State Exposure		
CA	$ 1,591	23.2%
TX	648	9.4%
MD	419	6.1%
VA	335	4.9%
TN	298	4.3%
FL	295	4.3%
WA	277	4.0%
NC	245	3.6%
AZ	242	3.5%
GA	238	3.5%
IL	201	2.9%
PA	195	2.8%
NV	186	2.7%
OH	180	2.6%
IN	166	2.4%
MN	155	2.3%
Other states under 2%	1,200	17.5%
Total	$ 6,871	100.0%

	As of June 30, 2011			
	Principal			
	Amount		%	
Origination Year				
2004 and prior	$	2,781		40.4%
2005		803		11.7%
2006		657		9.6%
2007		935		13.6%
2008		804		11.7%
2009		150		2.2%
2010		283		4.1%
2011		461		6.7%
Total	$	6,874		100.0%

	As of June 30, 2011			
	Principal			
	Amount		%	
Future Principal Payments				
Remainder of 2011	$	173		2.5%
2012		323		4.7%
2013		392		5.7%
2014		417		6.1%
2015		642		9.3%
2016 and thereafter		4,927		71.7%
Total	$	6,874		100.0%

As discussed in "Current Market Conditions" in our 2010 Form 10-K, the global financial markets and credit market conditions experienced a period of extreme volatility and disruption that began in the second half of 2007 and continued and substantially increased throughout 2008 that led to a decrease in the overall liquidity and availability of capital in the mortgage loan market, and in particular a decrease in activity by securitization lenders. These conditions and the overall economic downturn put pressure on the fundamentals of mortgage loans on real estate through rising vacancies, falling rents and falling property values.

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

There were ten and nine impaired mortgage loans on real estate, or less than 1% of the total dollar amount of mortgage loans on real estate as of June 30, 2011, and December 31, 2010, respectively. The carrying value on the mortgage loans on real estate that were two or more payments delinquent as of June 30, 2011, was $62 million, or 1% of total mortgage loans on real estate. The total principal and interest past due on the mortgage loans on real estate that were two or more payments delinquent as of June 30, 2011, was $43 million. The carrying value on the mortgage loans on real estate that were two or more payments delinquent as of December 31, 2010, was $48 million, or 1% of total mortgage loans on real estate. The total principal and interest past due on the mortgage loans on real estate that were two or more payments delinquent as of December 31, 2010, was $5 million. See Note 1 in our 2010 Form 10-K for more information regarding our accounting policy relating to the impairment of mortgage loans on real estate.

Alternative Investments

The carrying value of our consolidated alternative investments by business segment (in millions), which consisted primarily of investments in limited partnerships, was as follows:

	As of June 30, 2011		As of December 31, 2010	
Retirement Solutions:				
Annuities	$	121	$	95
Defined Contribution		75		71
Insurance Solutions:				
Life Insurance		585		546
Group Protection		35		30
Other Operations		(16)		8

Total alternative investments	$	800	$	750

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Income (loss) derived from our consolidated alternative investments by business segment (in millions) was as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Retirement Solutions:						
Annuities	$ 4	$ 3	33%	$ 9	$ 6	50%
Defined Contribution	2	2	0%	6	4	50%
Insurance Solutions:						
Life Insurance	27	18	50%	57	32	78%
Group Protection	1	1	0%	3	2	50%
Other Operations	(1)	-	NM	-	-	NM
Total alternative investments (1)	$ 33	$ 24	38%	$ 75	$ 44	70%

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

The increase in our investment income on alternative investments presented in the table above when comparing the first six months of 2011 to the same period in 2010 was due primarily to the overall improvement in the economic environment specifically benefiting our hedge fund and energy limited partnership holdings, as well as increased commodity prices specifically benefiting our energy limited partnership holdings.

As of June 30, 2011, and December 31, 2010, alternative investments included investments in approximately 97 and 95 different partnerships, respectively, and the portfolio represented less than 1% of our overall invested assets. 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.

As discussed in “Critical Accounting Policies and Estimates – Investments – Valuation of Alternative Investments” in our 2010 Form 10-K, we update the carrying value of our alternative investment portfolio whenever audited financial statements of the investees for the preceding year become available. Net investment income (loss) derived from our consolidated alternative investments by segment (in millions) related to the effect of preceding year audit adjustments recorded during the indicated year at the investee was as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Retirement Solutions:						
Annuities	$ 1	$ 1	0%	$ 4	$ 3	33%
Defined Contribution	-	1	-100%	2	1	100%
Insurance Solutions:						
Life Insurance	9	4	125%	30	14	114%
Group Protection	-	1	-100%	2	1	100%
Total	$ 10	$ 7	43%	$ 38	$ 19	100%

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Income (loss), after-tax, derived from our consolidated alternative investments by class (in millions) related to the effect of preceding year audit adjustments recorded during the indicated year at the investee was as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Venture capital	$ 10	$ 8	25%	$ 20	$ 14	43%
Real estate	(1)	(1)	0%	(1)	(2)	50%
Oil and gas	1	-	NM	19	7	171%
Associated amortization of DAC, VOBA, DSI, and DFEL	(4)	(2)	-100%	(13)	(6)	NM
Federal income tax expense (benefit)	(2)	(2)	0%	(9)	(5)	-80%
Total	$ 4	$ 3	33%	$ 16	$ 8	100%

Non-Income Producing Investments

As of June 30, 2011, and December 31, 2010, the carrying amount of fixed maturity securities, mortgage loans on real estate and real estate that were non-income producing was $15 million and $17 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,		
	2011	2010	Change	2011	2010	Change
Net Investment Income						
Fixed maturity AFS securities	$ 961	$ 913	5%	$ 1,914	$ 1,815	5%
VIEs' fixed maturity AFS securities	3	4	-25%	6	8	-25%
Equity AFS securities	1	1	0%	3	3	0%
Trading securities	39	39	0%	77	79	-3%
Mortgage loans on real estate	101	106	-5%	204	216	-6%
Real estate	6	5	20%	13	11	18%
Standby real estate equity commitments	-	-	NM	1	1	0%
Policy loans	43	43	0%	84	85	-1%
Invested cash	1	2	-50%	2	3	-33%
Commercial mortgage loan prepayment and bond makewhole premiums (1)	25	12	108%	59	17	247%
Alternative investments (2)	33	24	38%	75	44	70%
Consent fees	2	1	100%	2	1	100%
Other investments	(7)	1	NM	(12)	3	NM
Investment income	1,208	1,151	5%	2,428	2,286	6%
Investment expense	(27)	(31)	13%	(56)	(60)	7%
Net investment income	$ 1,181	$ 1,120	5%	$ 2,372	$ 2,226	7%

(1) See “Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums” below for additional information.
(2) See “Alternative Investments” above for additional information.

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Explanation of Responses:

	For the Three Months Ended June 30,		Basis Point	For the Six Months Ended June 30,		Basis Point
	2011	2010	Change	2011	2010	Change
Interest Rate Yield						
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	5.53%	5.63%	(10)	5.55%	5.68%	(13)
Commercial mortgage loan prepayment and bond makewhole premiums	0.12%	0.06%	6	0.15%	0.04%	11
Alternative investments	0.16%	0.12%	4	0.19%	0.12%	7
Consent fees	0.01%	0.01%	-	0.00%	0.00%	-
Net investment income yield on invested assets	5.82%	5.82%	-	5.89%	5.84%	5

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Average invested assets at amortized cost	$ 81,102	$ 76,978	5%	$ 80,549	$ 76,219	6%

We earn investment income on our general account assets supporting fixed annuity, term life, whole life, UL, interest-sensitive whole life and fixed portion of defined contribution 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 makewhole 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.

The increase in net investment income when comparing six months ended June 30, 2011, to the same period of 2010 was attributable to more favorable investment income on surplus and alternative investments, higher prepayment and bond makewhole premiums (see "Alternative Investments" above and "Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums" below for more information) and higher invested assets driven primarily by favorable net flows on fixed account values, including the fixed portion of variable and to a lesser extent issuances of common stock and debt.

Standby Real Estate Equity Commitments

Historically, we have entered into standby commitments, which obligated us to purchase real estate at a specified cost if a third-party sale does not occur within approximately one year after construction is completed. These commitments were used by a developer to obtain a construction loan from an outside lender on favorable terms. In return for issuing the commitment, we received an annual fee and a percentage of the profit when the property is sold. During 2009, we suspended the practice of entering into new standby real estate commitments.

As of June 30, 2011, we did not have any standby real estate equity commitments. During the first six months of 2011, we funded commitments of $19 million and recorded a gain of $6 million due to our funding being less than our estimated allowance for loss related to these commitments.

Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums

Prepayment and makewhole premiums are collected when borrowers elect to call or prepay their debt prior to the stated maturity. A prepayment or makewhole 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.

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The increase in prepayment and makewhole premiums when comparing 2011 to 2010 was attributable primarily to a decline in interest rates coupled with improvements in the capital markets and real estate financing environment, which resulted in more refinancing activity and more prepayment income.

Realized Gain (Loss) Related to Certain Investments

The detail of the realized gain (loss) related to certain investments (in millions) was as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Fixed maturity AFS securities:						
Gross gains	$ 31	$ 35	-11%	$ 67	$ 84	-20%
Gross losses	(51)	(29)	-76%	(114)	(113)	-1%
Equity AFS securities:						
Gross gains	1	5	-80%	9	6	50%
Gross losses	-	-	NM	-	(4)	100%
Gain (loss) on other investments	(8)	(8)	0%	5	(29)	117%
Associated amortization of DAC, VOBA, DSI, and DFEL and changes in other contract holder funds	(7)	(8)	13%	(18)	(4)	NM
Total realized gain (loss) related to certain investments	$ (34)	$ (5)	NM	$ (51)	$ (60)	15%

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

Realized gains and losses generally originate from asset sales to reposition the portfolio or to respond to product experience. During the first six months of 2011 and 2010, we sold securities for gains and losses. In the process of evaluating whether a security with an unrealized loss reflects declines that are other-than-temporary, we consider our ability and intent to sell the security prior to a recovery of value. However, subsequent decisions on securities sales are made within the context of overall risk monitoring, assessing value relative to other comparable securities and overall portfolio maintenance. Although our portfolio managers may, at a given point in time, believe that the preferred course of action is to hold securities with unrealized losses that are considered temporary until such losses are recovered, the dynamic nature of portfolio management may result in a subsequent decision to sell. These subsequent decisions are consistent with the classification of our investment portfolio as AFS. We expect to continue to manage all non-trading invested assets within our portfolios in a manner that is consistent with the AFS classification.

We consider economic factors and circumstances within countries and industries where recent write-downs have occurred in our assessment of the status of securities we own of similarly situated issuers. While it is possible for realized or unrealized losses on a particular investment to affect other investments, our risk management has been designed to identify correlation risks and other risks inherent in managing an investment portfolio. Once identified,

strategies and procedures are developed to effectively monitor and manage these risks. The areas of risk correlation that we pay particular attention to are risks that may be correlated within specific financial and business markets, risks within specific industries and risks associated with related parties.

When the detailed analysis by our credit analysts and investment portfolio managers leads us to the conclusion that a security's decline in fair value is other-than-temporary, the security is written down to estimated recovery value. In instances where declines are considered temporary, the security will continue to be carefully monitored. See "Critical Accounting Policies and Estimates" in our 2010 Form 10-K for additional information on our portfolio management strategy.

Details underlying write-downs taken as a result of OTTI (in millions) were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Fixed Maturity Securities						
Corporate bonds	$ (2)	$ (5)	60%	$ (6)	$ (46)	87%
MBS:						
CMOs	(23)	(12)	-92%	(43)	(36)	-19%
CMBS	(15)	-	NM	(39)	-	NM
ABS CDOs	-	-	NM	(1)	(1)	0%
Hybrid and redeemable preferred securities	-	-	NM	(2)	(5)	60%
Total fixed maturity securities	(40)	(17)	NM	(91)	(88)	-3%
Equity Securities						
Other financial services securities	-	-	NM	-	(3)	100%
Total equity securities	-	-	NM	-	(3)	100%
Gross OTTI recognized in net income (loss)	(40)	(17)	NM	(91)	(91)	0%
Associated amortization of DAC, VOBA, DSI and DFEL	10	6	67%	22	27	-19%
Net OTTI recognized in net income (loss), pre-tax	$ (30)	$ (11)	NM	$ (69)	$ (64)	-8%
Portion of OTTI Recognized in OCI						
Gross OTTI recognized in OCI	$ 18	$ -	NM	$ 27	$ 22	23%
Change in DAC, VOBA, DSI and DFEL	(3)	-	NM	(6)	2	NM
Net portion of OTTI recognized in OCI, pre-tax	$ 15	$ -	NM	$ 21	$ 24	-13%

During the three months ended June 30, 2011, we experienced an increase in write-downs for OTTI on our AFS MBS attributable primarily to continued weakness within the commercial and residential real estate market that affected select RMBS and CMBS holdings. For the remaining AFS securities, when comparing the first six months of 2011 to the same period in 2010, the decrease in write-downs for OTTI was attributable primarily to overall improvement in the credit markets as compared to the same period in the prior year.

The $118 million of impairments taken during the first six months of 2011 were split between $91 million of credit related impairments and $27 million of non-credit related impairments. The credit related impairments were largely attributable to our RMBS and CMBS holdings primarily as a result of continued weakness within the commercial and residential real estate market that affected select RMBS and CMBS holdings. The non-credit related impairments were incurred due to declines in values of securities for which we do not have an intent to sell or it is not more likely than not that we will be required to sell the securities before recovery.

REVIEW OF CONSOLIDATED FINANCIAL CONDITION

Liquidity and Capital Resources

Sources of Liquidity and Cash Flow

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations to meet cash requirements with a prudent margin of safety. Our principal sources of cash flow from operating activities are insurance premiums and fees and investment income, while sources of cash flows from investing activities result from maturities and sales of invested assets. Our operating activities provided cash of $878 million and $873 million for the first six months of 2011 and 2010,

respectively. When considering our liquidity and cash flow, it is important to distinguish between the needs of our insurance subsidiaries and the needs of the holding company, LNC. As a holding company with no operations of its own, LNC derives its cash primarily from its operating subsidiaries.

The sources of liquidity of the holding company are principally comprised of dividends and interest payments from subsidiaries, augmented by holding company short-term investments, bank lines of credit and the ongoing availability of long-term public financing under an SEC-filed shelf registration statement. These sources of liquidity and cash flow support the general corporate needs of the holding company, including its common and preferred stock dividends, interest and debt service, funding of callable securities, securities repurchases, acquisitions and investment in core businesses. Our cash flows associated with collateral received from and posted with counterparties change as the market value of the underlying derivative contract changes. As the value of a derivative asset declines (or increases), the collateral required to be posted by our counterparties would also decline (or increase). Likewise, when the value of a derivative liability declines (or increases), the collateral we are required to post for our counterparties' benefit would also decline (or increase). During the first six months of 2011, our payables for collateral on derivative investments increased by $224 million, which was attributable primarily to increased notional amounts. For additional information, see "Credit Risk" in Note 6.

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Dividends from Subsidiaries						
The Lincoln National Life Insurance Company ("LNL")	$ 150	$ 275	-45%	$ 300	$ 275	9%
Delaware Investments (1)	-	-	NM	-	390	-100%
Other	7	7	0%	12	22	-45%
Loan Repayments and Interest from Subsidiary						
Interest on inter-company notes (2)	19	19	0%	41	41	0%
	$ 176	$ 301	-42%	$ 353	$ 728	-52%
Other Cash Flow and Liquidity Items						
Net proceeds on common stock issuance	$ -	$ 368	-100%	$ -	$ 368	-100%
Lincoln UK sale proceeds	-	18	-100%	-	18	-100%
Increase (decrease) in commercial paper, net	(100)	-	NM	(100)	-	NM
Net capital received from (paid for taxes on) stock option exercises and restricted stock	-	-	NM	(1)	1	NM
	$ (100)	$ 386	NM	$ (101)	$ 387	NM

(1) For 2010, amount includes proceeds on the sale of Delaware. For more information, see Note 3.
(2) Primarily represents interest on the holding company's $1.3 billion in surplus note investments in LNL.

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

company. Also excluded from this analysis is the modest amount of investment income on short-term investments of the holding company.

Subsidiaries' Statutory Reserving and Surplus

For discussion of our strategies to lessen the burden of increased AG38 and XXX statutory reserves associated with certain UL products and other products with secondary guarantees subject to these statutory reserving requirements on our insurance subsidiaries, see "Results of Insurance Solutions – Insurance Solutions – Life Insurance – Income (Loss) from Operations – Strategies to Address Statutory Reserve Strain."

Financing Activities

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

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

Details underlying debt and financing activities (in millions) were as follows:

	For the Six Months Ended June 30, 2011					
	Beginning Balance	Issuance	Maturities and Repayments	Change in Fair Value Hedges	Other Changes (1)	Ending Balance
Short-Term Debt						
Commercial paper (2)	$ 100	$ -	$ -	$ -	$ (100)	$ -
Current maturities of long-term debt (3)	250	-	-	-	-	250
Other short-term debt (4)	1	-	-	-	-	1
Total short-term debt	$ 351	$ -	$ -	$ -	$ (100)	$ 251
Long-Term Debt						
Senior notes	$ 3,464	$ 300	$ -	$ 28	$ 1	$ 3,793
Bank borrowing	200	-	-	-	-	200
Federal Home Loan Bank of Indianapolis ("FHLBI") advance	250	-	-	-	-	250
Capital securities	1,485	-	-	-	1	1,486
Total long-term debt	$ 5,399	$ 300	$ -	$ 28	$ 2	$ 5,729

(1) Includes the net increase (decrease) in commercial paper, non-cash reclassification of long-term debt to current maturities of long-term debt, accretion of discounts and (amortization) of premiums, as applicable.
(2) During the six months ended June 30, 2011, we had an average of $70 million outstanding, a maximum amount outstanding of $103 million at any time and a weighted average interest rate of 0.39%.
(3) Consisted of a 6.20% fixed rate senior note that matures in less than one year.
(4) Consisted of advances from the FHLBI with a maturity of less than one year when made. During the six months ended June 30, 2011, we had an average and maximum amount outstanding of $1 million and a weighted average interest rate of 0.53%.

On June 24, 2011, we completed the issuance and sale of $300 million aggregate principal amount of our 4.85% senior notes due 2021. We used the net proceeds from this offering to redeem $275 million aggregate principal amount of our 6.75% capital securities due 2066 on July 7, 2011, and we expect the remaining net proceeds from this offering will be used for general corporate purposes.

Within the next two years, we have a $250 million 6.20% fixed rate senior note maturing on December 15, 2011, and a $300 million 5.65% fixed rate senior note maturing on August 27, 2012. The specific resources or combination of

resources that we will use to meet these maturities will depend upon, among other things, the financial market conditions present at the time of maturity. As of June 30, 2011, the holding company had $1.0 billion in cash and cash equivalents and $25 million invested in fixed maturity corporate bonds; however, as mentioned above, it used $275 million of cash to redeem certain capital securities in July 2011, and as discussed below, it had an $89 million payable under the inter-company cash management program.

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

Details underlying our credit facilities with a group of domestic and foreign banks (in millions) were as follows:

	As of June 30, 2011			
	Expiration Date	Maximum Available	Borrowings Outstanding	LOCs Issued
Credit Facilities				
Credit facility with the FHLBI (1)	N/A	$ 645	$ 350	N/A
Four-year revolving credit facility	Jun-2015	2,000	-	693
LOC facility	Mar-2023	828	-	828
Total		$ 3,473	$ 350	$ 1,521

(1) We are allowed to borrow up to 20 times the amount of our common stock investment in the FHLBI. All borrowings from the FHLBI are required to be secured by certain investments owned by LNL. Our borrowing capacity under this credit facility does not have an expiration date and continues while our investment in the FHLBI common stock remains outstanding as long as LNL maintains a satisfactory level of creditworthiness and does not incur a material adverse change in its financial, business, regulatory or other areas that would materially affect its operations and viability. As of June 30, 2011, we had a $250 million floating-rate term loan outstanding under the facility (classified within long-term debt on our Consolidated Balance Sheets) due June 20, 2017, which may be prepaid on four specified reset dates. We also borrowed $100 million under the facility (classified within payables for collateral on investments on our Consolidated Balance Sheets) at a rate of 0.25% that is due August 31, 2011.

Effective as of June 10, 2011, we entered into a credit agreement with a syndicate of banks. This agreement (the "credit facility") allows for any combination of issuance of LOCs and borrowing of up to $2.0 billion; however, only $1.0 billion of the borrowing is available to reimburse the banks for drawn LOCs. The credit facility is unsecured and has a commitment termination date of June 10, 2015. LOCs issued under the credit facility may remain outstanding for one year following the applicable commitment termination date of the agreement. The LOCs support inter-company reinsurance transactions and specific treaties associated with our business sold through reinsurance. LOCs are used primarily to satisfy the U.S. regulatory requirements of our domestic insurance companies for which reserve credit is provided by our affiliated reinsurance companies, as discussed above in "Insurance Solutions – Life Insurance – Strategies to Address Statutory Reserve Strain," and our domestic clients of the business sold through reinsurance.

The credit facility contains customary terms and conditions, including covenants restricting our ability to incur liens, merge or consolidate with another entity where we are not the surviving entity and dispose of all or substantially all of our assets. The credit facility also includes financial covenants including: maintenance of a minimum consolidated net worth (as defined in the facility) equal to the sum of $9.2 billion plus fifty percent (50%) of the aggregate net proceeds of equity issuances received by us in accordance with the terms of the credit facility; and a debt-to-capital ratio as defined in accordance with the credit facility not to exceed 0.35 to 1.00. Further, the credit facility contains customary events of default, subject to certain materiality thresholds and grace periods for certain of those events of default. The events of default include payment defaults, covenant defaults, material inaccuracies in representations and warranties, certain cross-defaults, bankruptcy and liquidation proceedings and other customary defaults. Upon an event of default, the credit facility provides that, among other things, the commitments may be terminated and the loans then outstanding may be declared due and payable. As of June 30, 2011, we were in compliance with all such covenants.

This credit facility replaced our existing four-year credit facility dated as of June 9, 2010, and set to expire June 9, 2014, and the commitments under the existing credit facility have been terminated. Our 364-day credit facility expired June 8, 2011, prior to entering into the new credit agreement.

On April 28, 2011, certain of our wholly-owned subsidiaries amended and restated the reimbursement agreement (the "reimbursement agreement") entered into on December 31, 2009, with a third-party lender. Under the amended agreement, the lender issued an irrevocable LOC effective April 1, 2011, with a maximum scheduled LOC amount of up to approximately $925 million. The LOC supports an inter-company reinsurance agreement and expires March 31, 2023. The reimbursement agreement contains customary terms and conditions, including covenants restricting the ability of those subsidiaries to incur liens, merge or consolidate with another entity and dispose of all or substantially all of their assets. Further, the reimbursement agreement contains customary events of default, subject to certain materiality thresholds and grace periods for certain of those events of default. The events of default include payment defaults, covenant defaults, material inaccuracies in representations and warranties, bankruptcy and liquidation proceedings and other customary defaults. Upon an event of default, the reimbursement agreement provides that, among other things, obligations to issue, amend or increase the amount of any LOC shall be terminated and any obligations shall become immediately due and payable. As of June 30, 2011, we were in compliance with all such covenants.

See “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Review of Consolidated Financial Condition – Liquidity and Capital Resources – Financing Activities” in our 2010 Form 10-K for additional information on our credit facilities.

If current debt ratings and claims-paying ratings were downgraded in the future, terms in our derivative agreements may be triggered, which could negatively affect overall liquidity. For the majority of our counterparties, there is a termination event should the long-term senior debt ratings of LNC drop below BBB-/Baa3 (S&P/Moody’s). Our long-term senior debt held a rating of A-/Baa2 (S&P/Moody’s) as of June 30, 2011. 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 – A decrease in the capital and surplus of our insurance subsidiaries may result in a downgrade to our credit and insurer financial strength ratings” and “Part I – Item 1A. Risk Factors – 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 2010 Form 10-K for more information. See “Part I – Item 1. Business – Ratings” in our 2010 Form 10-K for additional information on our current bond ratings.

Alternative Sources of Liquidity

In order to manage our capital more efficiently, we have an inter-company cash management program where certain subsidiaries can lend to or borrow from the holding company to meet short-term borrowing needs. The cash management program is essentially a series of demand loans, which are permitted under applicable insurance laws, among LNC and its affiliates that reduces overall borrowing costs by allowing LNC and its subsidiaries to access internal resources instead of incurring third-party transaction costs. For our Indiana-domiciled insurance subsidiaries, the borrowing and lending limit is currently the lesser of 3% of the insurance company’s admitted assets and 25% of its surplus, in both cases, as of its most recent year end.

The holding company did not borrow from the cash management program during the second quarter of 2011. There was no balance as of June 30, 2011. In addition, the holding company had an outstanding payable of $89 million to certain subsidiaries resulting from amounts placed by the subsidiaries in the inter-company cash management account in excess of funds borrowed by those subsidiaries as of June 30, 2011. Any increase (decrease) in either of these holding company cash management program payable balances results in an immediate and equal increase (decrease) to holding company cash and cash equivalents.

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, 2011, our insurance subsidiaries had securities with a carrying value of $200 million out on loan under the securities lending program and $280 million carrying value subject to reverse-repurchase agreements. The cash received in our securities lending program is typically invested in cash equivalents, short-term investments or fixed maturity securities.

For factors that could cause actual results to differ materially from those set forth in this section, see “Part I – Item 1A. Risk Factors” in our 2010 Form 10-K and “Forward-Looking Statements – Cautionary Language” above.

Divestitures

For a discussion of our divestitures, see Note 3.

Uses of Capital

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

Return of Capital to Common Stockholders

One of the Company's primary goals is to provide a return to our common stockholders through share price accretion, dividends and stock repurchases. We expect to repurchase additional shares of common stock over the remainder of 2011 depending on market conditions and alternative uses of capital. The amount and timing of share repurchase depends on key capital ratios, rating agency expectations, the generation of free cash flow and an evaluation of the costs and benefits associated with alternative uses of capital. In determining dividends, the Board takes into consideration items such as current and expected earnings, capital needs, rating agency considerations and requirements for financial flexibility.

Details underlying this activity (in millions, except per share data), were as follows:

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Common dividends to stockholders	$ 16	$ 3	NM	$ 31	$ 6	NM
Repurchase of common stock	151	-	NM	226	-	NM
Total cash returned to stockholders	$ 167	$ 3	NM	$ 257	$ 6	NM
Number of shares issued	-	14.138	-100%	-	14.138	-100%
Average price per share	$ -	$ 26.09	-100%	$ -	$ 26.09	-100%
Number of shares repurchased	5.149	-	NM	7.563	-	NM
Average price per share	$ 29.15	$ -	NM	$ 29.77	$ -	NM

Note: Average price per share is calculated using whole dollars instead of dollars rounded to millions.

Other Uses of Capital

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Debt service (interest paid)	$ 80	$ 72	11%	$ 142	$ 130	9%
Capital contribution to subsidiaries	8	-	NM	16	18	-11%
Total	$ 88	$ 72	22%	$ 158	$ 148	7%

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

Significant Trends in Sources and Uses of Cash Flow

As stated above, LNC’s cash flow, as a holding company, is largely dependent upon the dividend capacity of its insurance company subsidiaries as well as their ability to advance funds to it through inter-company borrowing arrangements, which may be affected by factors influencing the insurance subsidiaries’ RBC and statutory earnings performance. We currently expect to be able to meet the holding company’s ongoing cash needs and to have sufficient capital to offer downside protection in the event that the capital and credit markets experience another period of extreme volatility and disruption. A decline in capital market conditions, which reduces our insurance subsidiaries’ statutory surplus and RBC, may require them to retain more capital and may pressure our subsidiaries’ dividends to the holding company, which may lead us to take steps to preserve or raise additional capital. For factors that could affect our expectations for liquidity and capital, see “Part I – Item 1A. Risk Factors” in our 2010 Form 10-K.

OTHER MATTERS

Other Factors Affecting Our Business

In general, our businesses are subject to a changing social, economic, legal, legislative and regulatory environment. Some of the changes include initiatives to require more reserves to be carried by our insurance subsidiaries. Although the eventual effect on us of the changing environment in which we operate remains uncertain, these factors and others could have a material effect on our results of operations, liquidity and capital resources. For factors that could cause actual results to differ materially from those set forth in this section, see "Part I – Item 1A. Risk Factors" in our 2010 Form 10-K and "Forward-Looking Statements – Cautionary Language" above.

Recent Accounting Pronouncements

See Note 2 for a discussion of recent accounting pronouncements that have been implemented during the periods presented or that have been issued and are to be implemented in the future.

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 takes diversification into account. By aggregating the potential effect of market and other risks on the entire enterprise, we estimate, review and in some cases manage the risk to our earnings and shareholder value. We have exposures to several market risks including interest rate risk, foreign currency exchange risk, equity market risk, default risk, basis risk and credit risk. The exposures of financial instruments to market risks, and the related risk management process, are most important to our Retirement Solutions and Insurance Solutions businesses, where most of the invested assets support accumulation and investment-oriented insurance products. As an important element of our integrated asset-liability management process, we use derivatives to minimize the effects of changes in interest levels, the shape of the yield curve, currency movements and volatility. In this context, derivatives are designated as a hedge and serve to minimize interest rate risk by mitigating the effect of significant increases in interest rates on our earnings. Additional market exposures exist in our other general account insurance products and in our debt structure and derivatives positions. Our primary sources of market risk are: substantial, relatively rapid and sustained increases or decreases in interest rates; fluctuations in currency exchange rates; or a sharp drop in equity market values. These market risks are discussed in detail in the following pages and should be read in conjunction with, our consolidated financial statements and the accompanying notes to the consolidated financial statements (“Notes”) presented in “Item 1. Financial Statements,” as well as “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”).”

Interest Rate Risk

Interest Rate Risk on Fixed Insurance Businesses – Falling Rates

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

Prolonged historically low rates are not healthy for our business fundamentals. However, we have recognized this threat and have been proactive in our investment strategies, product designs, crediting rate strategies and overall asset-liability practices to mitigate the risk of unfavorable consequences in this type of environment. For some time now, new products have been sold with low minimum crediting floors, and we apply disciplined asset-liability management standards, such as locking in spreads on these products at the time of issue.

The following summarizes solely a hypothetical significant unfavorable stress scenario to earnings if new money rates, currently averaging approximately 75 to 100 basis points below our portfolio yields, remain in place through 2013 as opposed to a scenario that we would expect to occur. This scenario is simply an illustration of the sensitivity to our earnings if such a stress scenario were to happen:

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Insurance Solutions – Life Insurance – The stress on earnings has been mitigated by proactive strategies to lock-in long-dated and high-yielding assets to manage this risk. We executed on strategies which allowed us to effectively pre-buy assets in anticipation of future flows and maturing securities. We have also taken actions on crediting rates. We estimate that this scenario would have an approximate unfavorable earnings effect in a range of $0 to $5 million during 2011, $10 million to $15 million during 2012 and $20 million to $25 million during 2013. Our deferred acquisition costs ("DAC"), value of business acquired ("VOBA"), and deferred front-end loads ("DFEL") methodology assumes that new money rates grade from current levels to a long-term yield assumption over time. During the third quarter of 2010, we lowered our new money investment yield assumption to reflect the then current new money rates and to approximate the forward curve for interest rates relevant at such time. The result was a drop in the current new money investment rate followed by a gradual annual recovery over eight years to a rate of 6.31%, 54 basis points below our previous ultimate long-term assumption of 6.85%. As a result, we recorded a prospective unlocking, as discussed in "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL" and "Results of Insurance Solutions – Life Insurance" in the MD&A.

- Retirement Solutions – The earnings drag from spread compression is modest and largely concentrated in our Defined Contribution segment, which is a function of this segment having higher guaranteed crediting rates and recurring premiums. We estimate that this scenario would have an approximate unfavorable earnings effect in a range of $0 to $5 million during the remainder of 2011, $5 million to $10 million during 2012 and $10 million to $15 million during 2013. Since we currently have the ability to manage spread compression through credit rate actions, our Annuities business is not currently sensitive to spread compression so there is very little effect estimated. The risk for our Annuities business is sensitivity to sharp rising rates and we manage this risk by selling market value adjusted product and through purchase of derivative protection.

- Insurance Solutions – Group Protection – We reviewed the discount rate assumptions associated with our long-term disability claim reserves and life waiver claim incurrals during the second quarter of 2011, which resulted in lowering the discount rate by 50 basis points and decreasing income from operations by $3 million. Spread compression would unfavorably affect annualized earnings by up to $5 million during 2012.
- Other Operations – We may also be affected by sensitivity to our exposures in our institutional pension and disability run-off blocks of business that are sensitive to interest rates and could contribute to an effect.

The estimates above are based upon a hypothetical stressed scenario and are only representative of the effects of new money rates remaining in place through 2013 keeping all else equal and does not give consideration to the aggregate effect of other factors, including but not limited to: contract holder activity; hedge positions; changing equity markets; shifts in implied volatilities; and changes in other capital markets. In addition, the scenario only illustrated the effect to spreads and certain unlocking and reserve changes. Minimum guaranteed rates on annuity and universal life ("UL") policies generally range from 0.6% to 5.0%. Other potential effects of the scenario were not considered in the analysis. See "Part I – Item 1A. Risk Factors – Changes in interest rates and sustained low interest rates may cause interest rate spreads to decrease and changes in interest rates may also result in increased contract withdrawals" in our 2010 Form 10-K for additional information on interest rates.

The following provides detail on the percentage differences between the June 30, 2011, interest rates being credited to contract holders based on second quarter of 2011 declared rates and the respective minimum guaranteed policy rate (dollars in millions), broken out by contract holder account values reported within the Retirement Solutions and Insurance Solutions businesses:

	Account Values				
	Retirement Solutions		Insurance Solutions - Life Insurance		% Account
	Annuities	Defined Contribution	(1)	Total	Values
Excess of Crediting Rates over Contract Minimums					
Discretionary rate setting products (2)(3)					
No difference	$ 5,444	$ 8,917	$ 24,050	$ 38,411	61.0%
up to 0.10%	25	-	555	580	0.9%
0.11% to 0.20%	26	11	154	191	0.3%
0.21% to 0.30%	70	2	186	258	0.4%
0.31% to 0.40%	33	193	393	619	1.0%
0.41% to 0.50%	58	-	695	753	1.2%
0.51% to 0.60%	117	-	730	847	1.3%
0.61% to 0.70%	128	65	491	684	1.1%
0.71% to 0.80%	117	-	307	424	0.7%
0.81% to 0.90%	85	-	276	361	0.6%
0.91% to 1.00%	66	133	154	353	0.6%
1.01% to 1.50%	417	85	444	946	1.5%
1.51% to 2.00%	110	7	50	167	0.3%
2.01% to 2.50%	59	173	-	232	0.4%
2.51% to 3.00%	10	15	88	113	0.2%
3.01% and above	4	1	-	5	0.0%
Total discretionary rate setting products	6,769	9,602	28,573	44,944	71.5%
Other contracts (4)	14,455	3,423	-	17,878	28.5%
Total account values	$ 21,224	$ 13,025	$ 28,573	$ 62,822	100.0%
Percentage of discretionary rate setting product account values at minimum guaranteed rates	80.4%	92.9%	84.2%	85.5%	

(1) Excludes policy loans.

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

(3) The average crediting rates in excess of average minimum guaranteed rates for our Annuities, Defined Contribution and Life Insurance segments were 19 basis points, 9 basis points and 11 basis points, respectively.

(4) Includes multi-year guarantee annuities, indexed annuities, modified guarantee annuities, single premium immediate annuities, dollar cost averaging contracts and indexed-based rate setting products for our Defined Contribution segment. The average crediting rates in excess of average minimum guaranteed rates for indexed-based rate setting products within our Defined Contribution segment was 20 basis points, and 63% of account values were already at their minimum guaranteed rates.

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

Derivatives

We have entered into derivative transactions to hedge our exposure to rapid changes in interest rates. The derivative programs are used to help us achieve somewhat stable margins while providing competitive crediting rates to contract holders during periods when interest rates are changing. Such derivatives include interest rate swap agreements, interest rate futures, interest rate cap

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agreements, forward-starting interest rate swaps, consumer price index swaps, interest rate cap corridors and treasury locks. See Note 6 for additional information on our derivatives used to hedge our exposure to changes in interest rates.

In addition to continuing existing programs, we may use derivative instruments in other strategies to limit risk and enhance returns, particularly in the management of investment spread businesses. We have established policies, guidelines and internal control procedures for the use of derivatives as tools to enhance management of the overall portfolio of risks assumed in our operations. Annually, our Board of Directors reviews our derivatives policy.

Equity Market Risk

Effect of Equity Market Sensitivity

Due to the use of our reversion to the mean ("RTM") process and our hedging strategies as described in "Critical Accounting Policies and Estimates" in the MD&A, we expect that, in general, short-term fluctuations in the equity markets should not have a significant effect on our quarterly earnings from unlocking of assumptions for DAC, VOBA, deferred sales inducements ("DSI") and DFEL, as we do not unlock our long-term equity market assumptions based upon short-term fluctuations in the equity markets. However, there is an effect to earnings from the effects of equity market movements on account values and assets under management and the related asset-based fees we earn on those assets net of related expenses we incur based upon the level of assets.

The following presents our estimate of the effect on income (loss) from operations (in millions), from the change in asset-based fees and related expenses, if the level of the Standard & Poor's ("S&P") 500 Index® ("S&P 500"), which ended at 1321 as of June 30, 2011, were to decrease to 1060 over six months after June 30, 2011, and remain at that level through the next six months or increase to 1585 over six months after June 30, 2011, and remain at that level through the next six months, excluding any effect related to sales, prospective unlocking, persistency, hedge program performance or customer behavior caused by the equity market change:

	S&P 500 at 1060 (1)	S&P 500 at 1585 (1)
Segment		
Retirement Solutions - Annuities	$ (66)	$ 28
Retirement Solutions - Defined Contribution	(6)	10

(1) The baseline for these effects assumes 9% annual separate account growth beginning on July 1, 2011. The baseline is then compared to scenarios of S&P 500 at the 1060 and 1585 levels, which assume the index moves to those levels over six months, remains at those levels through the next six months and grows at 9% annually thereafter. The difference between the baseline and S&P 500 at the 1060 and 1585 level scenarios is presented in the table.

Refer to "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL" in the MD&A for discussion on the effects of equity markets on our RTM.

The effect on earnings summarized above is an expected effect for the next twelve months. The effect of quarterly equity market changes upon fee revenues and asset-based expenses will not be fully recognized in the current quarter because fee revenues are earned and related expenses are incurred based upon daily variable account values. The difference between the current period average daily variable account values compared to the end of period variable account values affects fee revenues in subsequent periods. Additionally, the effect on earnings may not necessarily be symmetrical with comparable increases in the equity markets. This discussion concerning the estimated effects of

ongoing equity market volatility on the fees we earn from account values and assets under management is intended to be illustrative. Actual effects may vary depending on a variety of factors, many of which are outside of our control, such as changing customer behaviors that might result in changes in the mix of our business between variable and fixed annuity contracts, switching among investment alternatives available within variable products, changes in sales production levels or changes in policy persistency. For purposes of this guidance, the change in account values is assumed to correlate with the change in the relevant index.

Credit-Related Derivatives

We use credit-related derivatives to minimize our exposure to credit-related events and we also sell credit default swaps to offer credit protection to our contract holders and investors. See Note 6 for additional information.

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Credit Risk

Through the use of derivative instruments, we are exposed to both credit risk (our counterparty fails to make payment) and market risk (the value of the instrument falls). When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes us and, therefore, creates a credit risk for us equal to the extent of the fair value gain in the derivative. When the fair value of a derivative contract is negative, this generally indicates we owe the counterparty and therefore we have no credit risk, but have been affected by market risk. We minimize the credit risk in derivative instruments by entering into transactions with high quality counterparties with minimum credit ratings that are reviewed regularly by us, by limiting the amount of credit exposure to any one counterparty and by requiring certain counterparties to post collateral if our credit risk exceeds certain limits. We also maintain a policy of requiring all derivative contracts to be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement. We do not believe that the credit or market risks associated with derivative instruments are material to any insurance subsidiary or to us. See Note 6 for additional information on our credit risk.

We have derivative positions with counterparties. Assuming zero recovery value, our exposure is the positive market value of the derivative positions with a counterparty, less collateral, that would be lost if the counterparty were to default. As of June 30, 2011, and December 31, 2010, our counterparty risk exposure, net of collateral, was $139 million and $184 million, respectively. As of June 30, 2011, we had exposure to 17 counterparties, with a maximum exposure of $44 million, net of collateral, to a single counterparty. The credit risk associated with such agreements is minimized by purchasing such agreements from financial institutions with long-standing, superior performance records. For the majority of our counterparties, there is a termination event should the long-term senior debt ratings of Lincoln National Corporation drop below BBB-/Baa3 (S&P/Moody's Investors Service). Additionally, we maintain a policy of requiring all derivative contracts to be governed by an ISDA Master Agreement.

Our fair value of counterparty exposure (in millions) was as follows:

	As of June 30, 2011	As of December 31, 2010
Rating		
AAA	$ 2	$ 7
AA	26	26
A	107	146
BBB	4	5
Total	$ 139	$ 184

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 Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period required by this report, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls

and procedures are effective in timely alerting them to material information relating to us and our consolidated subsidiaries required to be disclosed in our periodic reports under the Exchange Act.

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, 2011, 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

Information regarding reportable legal proceedings is contained in Note 9 to the consolidated financial statements in "Part I – Item 1."

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

(c) The following table summarizes purchases of equity securities by the issuer during the quarter ended June 30, 2011 (dollars in millions, except per share data):

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (3)
4/1/11 - 4/30/11	2,165	$ 30.05	-	$ 1,040
5/1/11 - 5/31/11	2,995,013	30.09	2,993,266	950
6/1/11 - 6/30/11	2,156,922	27.85	2,156,136	890

(1) Of the total number of shares purchased, no shares were received in connection with the exercise of stock options and related taxes and 4,698 shares were withheld for taxes on the vesting of restricted stock. For the quarter ended June 30, 2011, there were 5,149,402 shares purchased as part of publicly announced plans or programs.

(2) On February 23, 2007, our Board approved a $2.0 billion increase to our securities repurchase authorization, bringing the total authorization at that time to $2.6 billion. As of June 30, 2011, our remaining security repurchase authorization was $890 million. The security repurchase authorization does not have an expiration date. The amount and timing of share repurchase depends on key capital ratios, rating agency expectations, the generation of free cash flow and an evaluation of the costs and benefits associated with alternative uses of capital. The shares repurchased in connection with the awards described in Note 20 to the consolidated financial statements of our 2010 Form 10-K are not included in our security repurchase.

(3) As of the last day of the applicable month.

Item 6. Exhibits

The Exhibits included in this report are listed in the Exhibit Index beginning on page E-1, which is incorporated herein by reference.

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/ DOUGLAS N. MILLER
Douglas N. Miller
Senior Vice President and Chief Accounting Officer

Dated: August 3, 2011

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LINCOLN NATIONAL CORPORATION
Exhibit Index for the Report on Form 10-Q
For the Quarter Ended June 30, 2011

3.1	LNC Restated Articles of Incorporation are incorporated by reference to Exhibit 3.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on August 17, 2010.
3.2	Articles of Amendment dated May 26, 2011 to LNC's Restated Articles of Incorporation are incorporated by reference to Exhibit 3.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on May 31, 2011.
3.3	Amended and Restated Bylaws of LNC (effective May 31, 2011) are filed herewith.
4.1	Senior Indenture, dated as of March 10, 2009, between LNC and the Bank of New York Mellon, is incorporated by reference to LNC's Form S-3ASR (File No. 333-157822) filed with the SEC on March 10, 2009.
4.2	Form of 4.85% Senior Notes due 2021 incorporated by reference to Exhibit 4.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on June 24, 2011.
10.1	Credit Agreement, dated as of June 10, 2011, among Lincoln National Corporation, as an Account Party and Guarantor, the Subsidiary Account Parties, as additional Account Parties, JPMorgan Chase Bank, N.A. as administrative agent, and the other lenders named therein, incorporated by reference to Exhibit 10.1 to LNC's Form 8-K (File No. 1-6028) filed with the SEC on June 15, 2011.
12	Historical Ratio of Earnings to Fixed Charges.
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	Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of June 30, 2011, and December 31, 2010; (ii) Consolidated Statements of Income for the three and six months ended June 30, 2011 and 2010; (iii) Consolidated Statements of Stockholders' Equity for the six months ended June 30, 2011 and 2010; (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010; and (v) Notes to the Consolidated Financial Statements. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of Lincoln National Corporation.

In accordance with Rule 402 of Regulation S-T, the XBRL related information in this report shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under

the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

E-1