

## **A.M. Best Assigns Rating to Lincoln National Corporation's New Senior Notes; Revises Outlook for Existing Ratings to Stable**

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OLDWICK, N.J.--(BUSINESS WIRE)-- **A.M. Best Co.** has assigned a debt rating of 'aa-' to \$750 million of senior unsecured notes recently issued by **Lincoln National Corporation** (Lincoln) (headquartered in Philadelphia, PA) [NYSE: LNC]. The assigned outlook is stable. The notes were issued in two tranches and were drawn down from Lincoln's universal shelf registration.

Concurrently, A.M. Best has revised the outlook to stable from negative and affirmed the financial strength, issuer credit and long-term debt ratings of Lincoln. (See link below for a detailed list of the companies and ratings.)

The proceeds from a \$250 million issuance are being used in conjunction with Lincoln's recent \$335 million common stock offering and additional cash resources at the holding company for the repayment of the \$950 million of preferred shares, which had been issued to the U.S. Treasury under its Capital Purchase Program in July 2009. Together with the equity offering and repayment of the preferred shares, the new debt securities are expected to have a modest impact on Lincoln's financial leverage and fixed charge coverage. Proceeds from a \$500 million issuance will be used to term out existing funding for Regulation AXXX reserves for no-lapse universal life policies. Holding company liquidity remains strong, and near-term debt maturities over the next 2-3 years remain manageable at roughly \$550 million in aggregate. Lincoln's current ratings and revised outlook reflect the improvement in its operating profile and consolidated flows, manageable investment risk and improved capital and liquidity position through first quarter 2010. A.M. Best notes that the company has successfully completed significant capital raises over the past 12 months, refinanced its maturing bank credit facility and completed the term out of funding requirements for reserves related to Regulation XXX and AXXX. Moreover, Lincoln is now maintaining liquidity at the holding company to cover 12-18 months of cash outflow needs while having reduced its reliance on short-term funding. However, A.M. Best notes the potential risk exposure in the liability profile and asset portfolio if there is a significant market correction. Ongoing risks remain with respect to Lincoln's sizeable block of variable annuities with living benefit guarantees, significant exposure to commercial mortgages and unrealized loss positions within certain asset classes, such as structured securities (although the total portfolio was in an unrealized gain position as of March 31, 2010). Nevertheless, A.M. Best expects that even under extreme stress scenarios, Lincoln will maintain more than sufficient absolute and risk-adjusted capital levels and notes that Lincoln's financial leverage and interest coverage are adequate and should improve by year end.

For a complete list of Lincoln National Corporation's FSRs, ICRs and debt ratings please visit [www.ambest.com/press/062203lincoln.pdf](http://www.ambest.com/press/062203lincoln.pdf).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

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