

## Analyst Report: Lincoln National Corporation (LNC)

**Industries:** Financial, Insurance, Life Insurance

LNC is pursuing strategic transactions to strengthen its financial position amidst interest rate and regulatory headwinds.

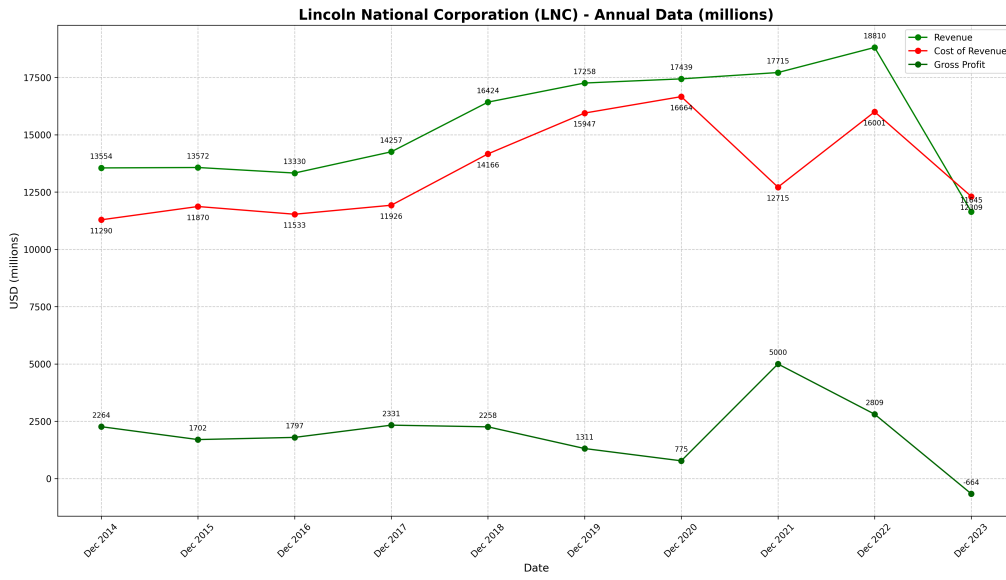
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$35.00 - \$42.00	\$28.00 - \$33.00
Sum of the Parts	\$45.00 - \$55.00	\$30.00 - \$40.00
Relative Multiples	\$38.00 - \$42.00	\$22.00 - \$28.00
Discounted Cash Flow	\$40.00 - \$45.00	\$25.00 - \$30.00

### SUMMARY DATA (ANNUAL)

<b>52-Week High</b>	<b>\$36.98</b>
52-Week Low	\$25.09
Shares	169.66
EPS	-4.92
Dividend	1.80
Revenue	11,645
Cost of Revenue	12,309
Gross Profit	-664
EBIT	-817

### OUTLOOK

LNC's outlook for the next two quarters is cautiously optimistic. The planned sale of the wealth management business and the recent reinsurance transactions are anticipated to improve statutory capital and free up cash flow, positioning LNC for strategic reinvestment and debt reduction. However, challenges persist. The interest rate environment, potential regulatory changes, and ongoing legal proceedings may continue to impact the company's financial performance. Successfully navigating these challenges and executing on its strategic priorities, particularly in distribution growth and product innovation, is key for LNC to achieve its growth and profitability goals over the next two quarters.



## 1. Business Description

Lincoln National Corporation (LNC), also known as Lincoln Financial Group, is a holding company for various insurance and retirement businesses. LNC offers a diverse range of products and solutions across four segments: Annuities, Life Insurance, Group Protection, and Retirement Plan Services. The company's offerings cater to wealth accumulation, wealth protection, group protection, and retirement income needs. LNC was established in Indiana in 1968 and now has its headquarters in Radnor, Pennsylvania. LNC distributes its products through Lincoln Financial Distributors (LFD) and Lincoln Financial Network (LFN). LFD distributes individual products, retirement plans, and corporate and bank-owned life insurance products through various intermediaries. Group Protection products are primarily distributed through employee benefit brokers and other related firms. As of December 31, 2023, LFD had around 520 wholesalers, while LFN comprised approximately 13,000 active producers. LNC plans to divest its wealth management business operated through LFN to Osaic Holdings, Inc. in the first half of 2024. The divestiture awaits regulatory approval and is subject to customary closing conditions. The sale proceeds will likely be used to enhance the company's statutory capital position and lower its leverage ratio. This divestiture is part of LNC's strategic shift towards strengthening its balance sheet, improving free cash flow, and concentrating on profitable growth. Other key initiatives include growing the company's wholesale distribution through LFD, enhancing products, shifting to a more capital-efficient business mix, and enhancing profitability, especially in the Group Protection segment. The company also places significant emphasis on expense discipline, demonstrated by a recent 5% workforce reduction.

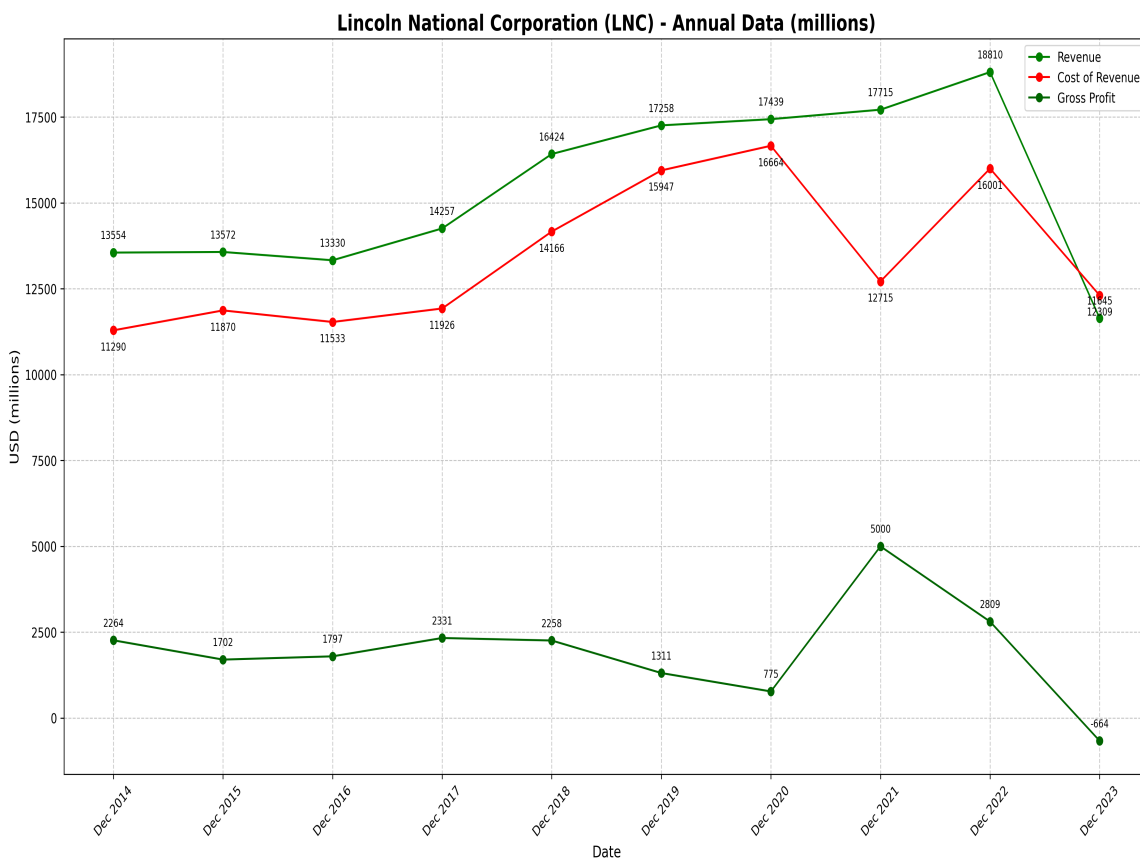
The Annuities segment offers variable, fixed (including indexed), and indexed variable annuities (RILA). Revenue sources are premiums, fees, net investment income, and other revenues. Product features such as lifetime income options and guarantee features aim to provide long-term financial security for clients. LNC aims to balance growth with risk management, as seen in the design and active management of its guaranteed benefit riders. The Life Insurance segment focuses on wealth creation and protection through various life insurance products. These include term insurance, UL, IUL, VUL, linked-benefit products, and critical illness riders. The segment aims to earn revenue from premiums, assessments, charges, and investment income, while managing expenses associated with claims, interest credits, and reserves. The company emphasizes its competitive distribution network, automated underwriting processes, and streamlined issue process as key strengths. The Group Protection segment serves the employer market with non-medical insurance products. These cover areas like disability, life, dental, vision, and accident insurance. The segment's competition is based on product features, pricing, customer service, technology, distribution network, and financial strength. A key aspect of the segment is its underwriting process, which evaluates various risk factors of employer groups to determine appropriate coverage and pricing. The Retirement Plan Services segment caters predominantly to the defined contribution retirement plan market. The segment offers varied plan investment options and services like recordkeeping and participant education through Lincoln Financial Group Trust Company. The segment offers LINCOLN DIRECTOR, LINCOLN ALLIANCE, and Multi-Fund variable annuities, each targeting different segments of the employer market, focusing primarily on 403(b), 401(k), and 457 plans. Key features are YourPath portfolios and a GWB income solution. LNC's Other Operations encompass activities not directly tied to its business segments. These include managing excess capital from insurance subsidiaries, corporate investments, benefit plan net liability, and select disability income business. This segment also accounts for the run-off institutional pension business and the costs associated with the Spark Initiative, an expense savings and process improvement program. Reinsurance plays a vital role in LNC's risk management strategy, protecting against severe losses on individual claims and catastrophic events. While reinsurers assume a portion of the risk, LNC continues to bear the risk of reinsurers' non-payment. LNC primarily uses well-capitalized, highly rated unaffiliated reinsurers, and also utilizes inter-company reinsurance. LNC manages its investment portfolio with a balanced approach, focusing on both current income and risk management. This strategy allows LNC to meet its obligations while considering the economic and investment income impact on its assets and liabilities. Derivatives are used primarily for hedging purposes to manage various risks, including interest rate, credit, foreign exchange, and equity risks. The company employs a multi-faceted approach to risk management. It aims to mitigate risks through diversification of its investment portfolio, reinsurance arrangements, hedging strategies, and active monitoring of market conditions. The company conducts regular risk assessments and scenario planning to anticipate potential challenges and adapt its strategies accordingly. The company also provides detailed disclosures regarding its risk management framework and the potential impact of various risks on its business and financial condition. Finally, LNC operates under a comprehensive regulatory framework governed by state insurance departments and federal agencies. The company is subject to various laws and regulations covering solvency standards, reserve adequacy, reinsurance, capital adequacy, licensing, policy forms, premium rates, financial reporting, permitted investments, and business conduct. The company emphasizes its commitment

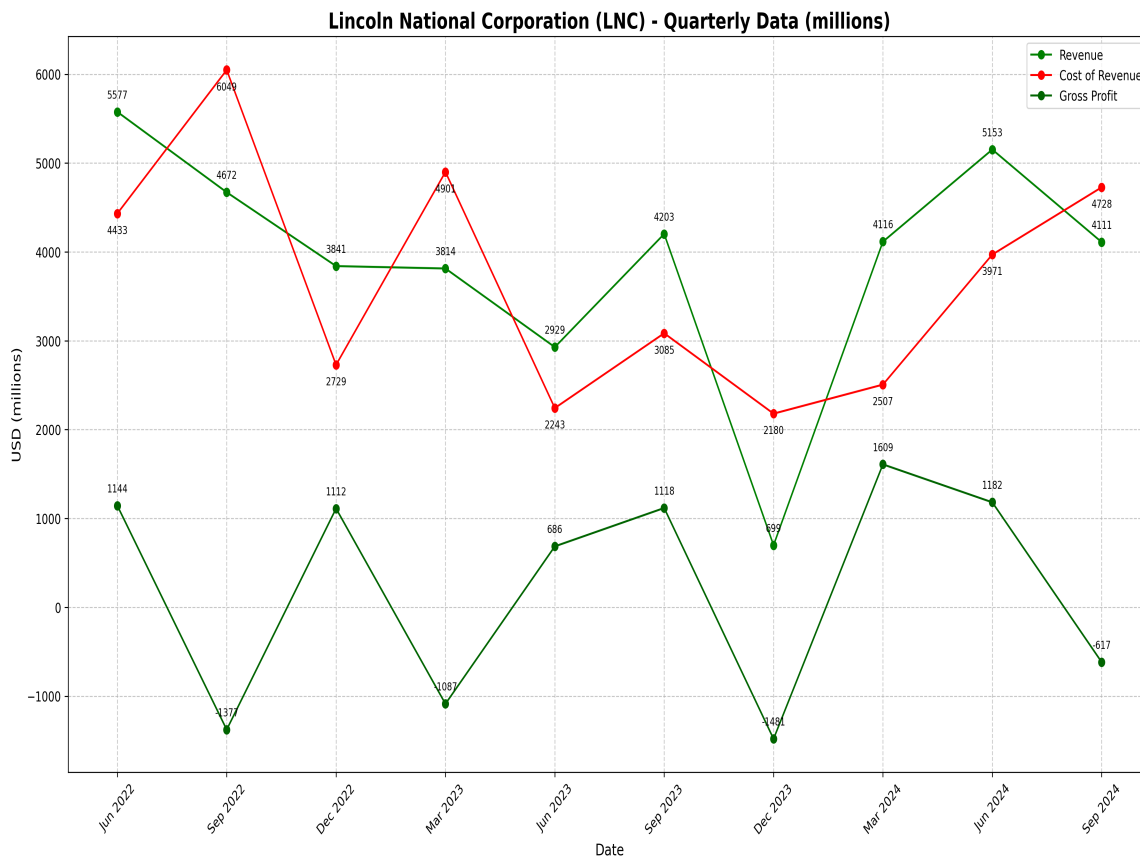
to regulatory compliance and regularly monitors regulatory developments to ensure adherence to changing requirements. The financial strength ratings of LNC's insurance subsidiaries are also crucial, as they influence customer perceptions and the company's competitive standing.

## 2. Financial Analysis

Over the past 10 years, Lincoln National Corporation (LNC) has shown a mixed financial performance. While revenue initially declined in 2014 and 2015, it rebounded in 2016-2018. However, revenue dipped again in 2019-2020, before showing some recovery in 2021-2023. Net income followed a similar trend. There were net losses in 2014, 2015, and 2020. While net income did improve in 2016-2018, it decreased significantly in 2019 and 2023, falling further below its initial level. The years 2021 and 2022 yielded substantial positive net income, but a significant portion of that was offset by 2023's sharp downturn. This volatility in net income highlights potential sensitivity to market conditions.

Analyzing the balance sheet over the same period shows that total assets declined between 2014 and 2016, then increased in 2017 and 2018. Total assets continued to fluctuate but generally remained under their 2014 level. Liabilities have generally decreased from 2014 to 2018 and further during 2019-2020. Equity experienced a decline in 2014 and 2015, followed by growth over 2016 and 2017. Equity increased in 2018, which was above its prior level, but decreased during 2019-2020 and grew in 2021-2023. Analyzing quarterly data over the past 10 quarters further underscores LNC's recent financial volatility. Revenue has shown an upward trend during most recent periods. Net income, however, remains highly volatile, swinging between profits and losses even within a single year. This pattern suggests the company's profitability is affected by external market factors. The last 10 quarters' balance sheet data reveals that assets have generally remained below their earlier level and that liabilities and equity follow a similar trend. These financial trends, along with information from the 10K filing, suggest that LNC is in a state of transition, aiming to improve its capital position and profitability after a period of financial volatility.





## BALANCE SHEET, LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	372,413	334,331	386,945	365,948	334,761	298,147	281,763	261,627	251,908	253,377
Total Debt	5,949	6,455	6,625	6,682	6,367	5,839	5,344	5,345	5,553	5,520
Shares	169.66	169.22	180.71	193.27	198.33	213.60	218.83	228.56	247.47	259.79
EPS	-4.92	7.93	20.17	2.58	4.41	7.60	9.36	5.09	4.60	5.81
Dividend	1.80	1.80	1.68	1.60	1.48	1.32	1.16	1	0.80	0.64
Revenue	11,645	18,810	17,715	17,439	17,258	16,424	14,257	13,330	13,572	13,554
Cost of Revenue	12,309	16,001	12,715	16,664	15,947	14,166	11,926	11,533	11,870	11,290
Gross Profit	-664	2,809	5,000	775	1,311	2,258	2,331	1,797	1,702	2,264
EBIT	-817	2,008	4,913	707	1,245	2,182	1,383	1,789	1,702	2,265

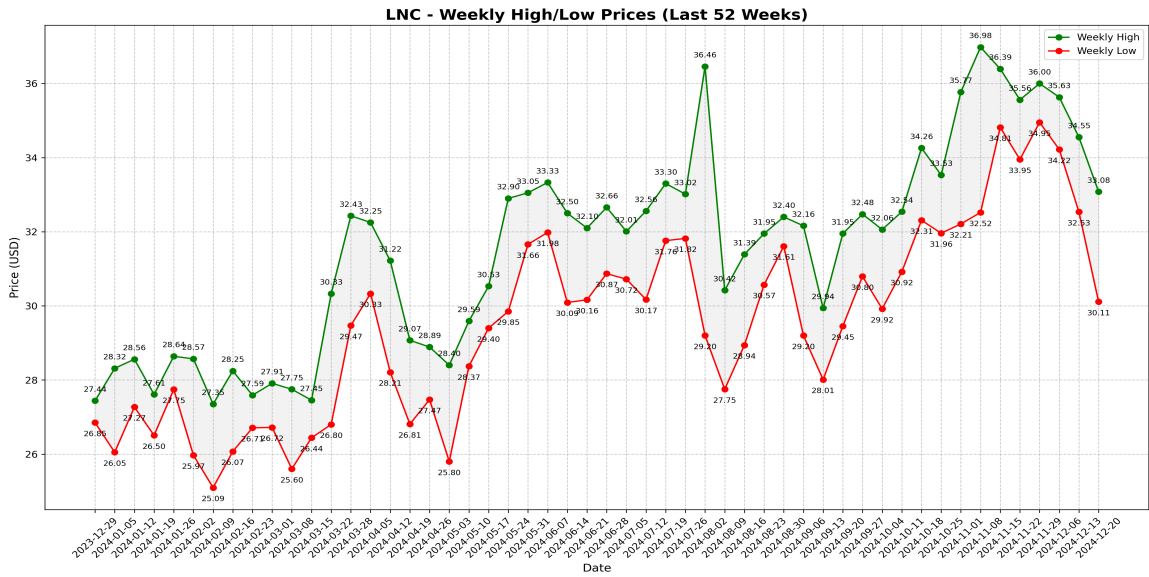
(\* millions, except EPS and dividend)

## BALANCE SHEET, LAST 10 QUARTERS

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Total Assets	396,840	384,533	383,381	372,413	338,411	348,612	343,142	334,331	324,683	335,769
Total Debt	6,197	6,166	6,229	5,949	5,905	6,454	6,474	6,455	6,459	6,498
Shares	170.20	170.03	169.67	169.66	169.64	169.56	169.22	169.22	170.23	171.95
EPS	-3.29	5.18	6.98	-7.35	4.82	2.95	-5.35	4.75	-10.46	4.91
Dividend	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Revenue	4,111	5,153	4,116	699	4,203	2,929	3,814	3,841	4,672	5,577
Cost of Revenue	4,728	3,971	2,507	2,180	3,085	2,243	4,901	2,729	6,049	4,433
Gross Profit	-617	1,182	1,609	-1,481	1,118	686	-1,087	1,112	-1,377	1,144
EBIT	1,101.75	1,744.50	3,327.75	-5,068.94	2,836.75	1,248.50	167.69	1,063	-2,055	1,100

(\* millions, except EPS and dividend)

### 3. Stock Technical Analysis



No stock price information provided.



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## 4. Current Media Coverage & Stories

Lincoln National Corporation (LNC) has been featured in recent news primarily due to financial performance, corporate actions, and legal proceedings. Several headlines focus on analyst ratings and target prices, indicating market scrutiny of the company's financial health and growth prospects. News related to insider stock sales suggests potential concerns about the company's near-term outlook among some of its leaders. Several articles discuss LNC's sale of its wealth management business, highlighting the company's efforts to streamline operations and strengthen its financial position. The news also discusses the company's efforts to expand into new partnerships and training programs, particularly in the building trades and automotive sectors. This indicates a continued emphasis on growth and innovation.

Numerous headlines focus on LNC's reinsurance transactions. The company's agreements with Fortitude Reinsurance Company Ltd., designed to improve capital position and free cash flow, have garnered significant attention. These transactions involve the transfer of liabilities and associated assets and reflect LNC's proactive approach to capital and risk management. The news also highlights specific product updates and launches, particularly in the annuity and life insurance segments, showing the company's ongoing efforts to enhance its product offerings and cater to changing customer needs. Finally, LNC has been in the news due to legal proceedings related to cost of insurance charges on certain life insurance policies. Several class-action lawsuits and settlements have been reported, indicating potential financial and reputational risks for the company. News reports about LNC frequently mention its financial strength ratings. Several headlines track the upgrade or downgrade of these ratings, emphasizing their significance for the company's market perception and ability to attract and retain customers. Some headlines also mention LNC's participation in industry conferences and executive commentary on market trends and the company's strategic direction.

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## 5. Financial vs. Stock vs. Media Coverage Situations

The media coverage of Lincoln National (LNC) largely aligns with the company's financial data and stock price movement (where available). The headlines about financial performance, analyst ratings, and corporate actions echo the underlying volatility observed in LNC's financial data. The sale of the wealth management business, a major corporate action, seeks to improve LNC's capital position and free cash flow, which would positively impact its financial health and investor sentiment. The technical analysis of the stock, if available, would likely reflect investor reactions to these developments, potentially showing periods of volatility or sustained trends depending on the overall market sentiment toward the company's strategic moves and financial outlook.

The media narrative around LNC's reinsurance transactions further complements the financial story. These deals aim to reduce risk and boost capital, directly addressing concerns highlighted in the financial data. Similarly, the news about legal issues and their financial implications fits with the narrative of volatility and the need for strategic action reflected in the financials. The lack of stock price information hinders a direct comparison between market reaction and news events; however, the company's financial performance, corporate actions, and the ongoing legal proceedings can be reasonably expected to impact stock price and investor sentiment (where available) significantly. For instance, news regarding financial strength ratings would likely cause immediate stock fluctuations depending on the direction of the rating change. Similarly, announcements about settlements and reinsurance agreements can be expected to have a short-term influence on investor confidence and, consequently, on stock price.

## 6. Industry Analysis

The life insurance and annuity industry, in which LNC operates, faces a complex and evolving landscape. The industry is influenced by several key drivers, including demographic trends, interest rate fluctuations, regulatory changes, and technological advancements. An aging population, combined with increased awareness of retirement planning, supports long-term growth in the demand for life insurance and annuity products. However, low interest rates have put pressure on insurers' profitability and prompted changes in product design and investment strategies. Rising interest rates create the potential for disintermediation and other pressures on profitability. The regulatory environment is becoming increasingly stringent, with new standards of conduct and disclosure requirements. These add to compliance costs and may require insurers to adapt their business practices and distribution models. Technology is changing the industry, with digital platforms and automated processes enabling greater efficiency and customer reach. LNC faces competition from numerous established players, including other large life insurers, annuity providers, and financial services companies. The competitive landscape is characterized by pricing pressures, product innovation, and a focus on distribution channels.

Companies like MetLife, Prudential Financial, and New York Life compete with LNC for market share in various product segments. These companies often have larger balance sheets, more established brands, and broader product offerings. LNC competes by emphasizing its distribution network, product features such as managed risk strategies, and its technology-driven solutions. Regulation plays a significant role in shaping the industry landscape. The NAIC and state insurance departments enforce regulations concerning solvency, reserves, reinsurance, and market conduct. Recent regulatory developments, including principles-based reserving and updates to actuarial guidelines, impact the industry's capital requirements and product development strategies. The industry is responding to these changes by modifying products, enhancing risk management practices, and exploring new capital solutions. Overall, the life insurance and annuity industry is navigating a period of transformation. Companies are adapting to low interest rates, heightened regulatory scrutiny, and rapid technological change. Competition is intense, and success depends on product innovation, effective distribution, and sound risk management. LNC's strategic positioning within this industry is characterized by its focus on specific market segments, its investment in technology, and its efforts to manage risk through reinsurance and other strategies. The industry is also increasingly focused on ESG matters, with growing investor and regulatory pressure to incorporate climate change risks into investment strategies and disclose ESG-related performance. This adds another layer of complexity to the industry's operating environment and may require LNC and its competitors to further adapt their business models and practices. Finally, the industry is grappling with changing consumer preferences and the rise of digital distribution channels. This trend necessitates a rethinking of traditional sales models and an investment in digital capabilities to remain competitive. LNC's efforts to enhance its digital platform and online customer experience reflect this ongoing industry shift.

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## 7. Drivers & Challenges

LNC faces several key drivers and challenges in its current operating environment. One of its primary drivers is the growing demand for retirement solutions. With an aging population and increasing awareness of retirement planning, the market for annuities and retirement products is expanding, offering LNC growth opportunities. Another driver is the rise of technology in the financial services industry. LNC's investment in digital platforms, automated processes, and technology-enabled services positions the company to enhance efficiency, improve customer experience, and expand its reach. The company's focus on technology also aligns with the ongoing shift in consumer preferences toward digital interactions and online financial management.

However, LNC also faces several challenges. The persistent low interest rate environment continues to be a major headwind, compressing interest rate spreads and impacting the profitability of certain product lines. LNC's strategic actions, such as product modifications and crediting rate strategies, seek to mitigate these effects, but the challenge remains significant. Another key challenge is the evolving regulatory landscape. Increased scrutiny, new standards of conduct, and evolving disclosure requirements pose ongoing compliance burdens and may require adjustments in business practices. LNC's comprehensive compliance programs and monitoring efforts are designed to address these challenges, but the potential for future regulatory changes and their impact on the company's operations remains a concern. LNC also faces heightened competition from other established and emerging players in the industry. Pricing pressures, product innovation, and competition for distribution channels are significant challenges. LNC leverages its distribution network, product features, and technology-driven solutions to differentiate itself in the market and maintain its competitive edge.

The company's ongoing legal proceedings represent another major challenge. Resolving class-action lawsuits related to cost of insurance charges consumes resources and poses reputational and financial risks. LNC's vigorous defense of these matters and its efforts to reach settlements show a commitment to mitigating these risks, but the outcome of ongoing and future litigation could have a material impact on the company's business and financial results. LNC also faces the challenge of attracting and retaining talent in a competitive labor market. Competition for skilled employees, particularly in areas like technology and financial services, is intensifying, requiring LNC to maintain attractive compensation and benefits packages and foster a positive work environment to recruit and retain essential personnel. Finally, LNC faces the challenge of adapting to evolving customer preferences and demographics. Changing customer needs, preferences for digital interaction, and a shift in the demographics of its client base require LNC to adjust its product offerings, distribution strategies, and customer engagement models to maintain relevance and appeal in the marketplace.

## 8. Bull Case

The bull case for LNC rests on several factors. The company's strategic initiatives, including the sale of its wealth management business and the recent reinsurance transactions, are designed to significantly improve its capital position, free cash flow, and financial flexibility. These actions address key concerns about the company's balance sheet strength and position LNC for future growth. The company's focus on growing its industry-leading wholesale distribution through LFD is another positive factor. Expanding reach and enhancing wholesaler productivity, combined with the introduction of innovative products and services, should drive revenue growth and market share gains. The company's shift toward a more capital-efficient business mix and higher risk-adjusted returns indicates a commitment to improving profitability and generating value for shareholders.

The current interest rate environment, while presenting challenges, could also be a tailwind for LNC. Rising interest rates, if managed effectively, have the potential to improve investment income and expand interest rate spreads on certain product lines. LNC's proactive approach to interest rate risk management, including hedging strategies and adjustments to crediting rates, positions the company to benefit from these trends and minimize potential negative impacts. LNC's focus on expense discipline and efforts to streamline operations through workforce reductions demonstrate a commitment to cost control and margin expansion. Reducing operating expenses and improving efficiency can bolster profitability and support future earnings growth. The company's commitment to human capital management and its investment in employee development, diversity, equity, and inclusion initiatives also contribute to the bull case. Attracting and retaining talent, fostering a positive work environment, and promoting diversity can drive innovation and create a more agile and responsive organization.

LNC's focus on ESG matters is aligned with growing investor demand and may attract ESG-focused investors. Incorporating climate change risks into investment strategies and demonstrating a commitment to sustainability and social responsibility could enhance LNC's reputation and appeal to a broader investor base. Finally, the successful resolution of legal challenges and settlements related to cost of insurance charges would remove a significant overhang and improve investor sentiment. If LNC can demonstrate improved financial performance, deliver on its strategic initiatives, and navigate the challenging interest rate and regulatory environment, the company's stock price could experience significant upward momentum. A successful resolution of legal challenges would reduce uncertainty and remove potential liabilities, adding to the positive investor sentiment. Finally, the ongoing digital transformation and shift in consumer preferences toward online and automated financial services create opportunities for LNC. The company's investment in digital platforms, enhanced customer portals, and automated processes can position LNC to better serve existing customers and expand its market reach by attracting new customers who prefer digital channels and automated investment and insurance options.

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## 9. Bear Case

The bear case for LNC stems from several potential risks and challenges. The company's financial performance has been volatile, with periods of net losses and declining profitability, highlighting the company's sensitivity to market conditions and operational challenges. The sale of the wealth management business, while designed to improve the balance sheet, might not realize the anticipated capital benefits or may lead to unforeseen challenges during the transition and integration process. This could further weigh on LNC's financial performance. The company's exposure to the low interest rate environment continues to be a major threat. Compressed interest rate spreads can hinder profitability, particularly in the annuity and life insurance segments, requiring LNC to take further strategic actions, such as lowering crediting rates, which may impact sales and contract renewals. If interest rates rise rapidly, other risks related to profitability may occur.

The evolving regulatory environment, with increasing complexity and new standards of conduct and disclosure requirements, poses significant compliance burdens and potential legal and financial risks. While LNC has robust compliance programs, the ongoing adjustments to new regulations and potential future changes in the regulatory landscape could negatively affect LNC's operations and profitability. Intensifying competition in the life insurance and annuity industry also presents headwinds for LNC. Larger, more established competitors with broader product portfolios and more extensive distribution networks pose a challenge to LNC's ability to grow market share and maintain profitability. The recent workforce reductions, while intended to reduce costs, could disrupt operations, lower morale, and negatively impact productivity in the near term. The success of LNC's expense management efforts and the long-term benefits from streamlining operations remain uncertain.

The ongoing legal proceedings related to cost of insurance charges could lead to substantial financial losses or reputational damage if judgments are unfavorable or settlements exceed expectations. The uncertain outcome and timing of these legal matters weigh on investor confidence and create a cloud of uncertainty over the company's future. LNC's dependence on its subsidiaries for dividends creates financial vulnerability for the holding company. Restrictions on dividend payments due to regulatory requirements or declining profitability at the subsidiary level could constrain LNC's ability to meet its debt obligations and fund growth initiatives. LNC's exposure to market risk, particularly through its investments, could lead to significant losses if market conditions deteriorate. Volatility in equity markets, interest rate fluctuations, or widening credit spreads can reduce the value of the company's investment portfolio and impact its financial condition and dividend-paying capacity. Finally, LNC's ability to attract and retain talent in the competitive financial services job market is crucial. If LNC fails to compete effectively for skilled employees, it may struggle to execute its strategic priorities and navigate the evolving industry landscape, ultimately impacting innovation and business performance.

## 10. Forward Valuation

LNC's forward valuation involves four methods: discounted cash flow (DCF), relative valuation, sum-of-the-parts (SOTP), and implied option valuation. For DCF, both a bullish and bearish scenario were developed. The bullish scenario assumes a higher growth rate and lower discount rate reflecting positive expectations about the company's strategic initiatives, market growth, and financial performance. The bearish scenario, conversely, utilizes a lower growth rate and higher discount rate due to concerns about market volatility, competition, and regulatory challenges. Relative valuation employs a similar two-pronged approach. Under the bullish case, a higher multiple range, compared to industry averages and peers, was applied to LNC's key financial metrics, such as earnings per share or book value, due to expected growth and profitability improvements. The bearish case applies a lower multiple range reflecting potential headwinds and uncertainty. SOTP analysis values LNC's four business segments separately based on their specific financial performance, growth prospects, and market conditions.

The bullish case assigns higher values to each segment, reflecting growth opportunities, margin expansion, and successful execution of strategic plans. The bearish case reduces segment values based on potential challenges and vulnerabilities. Finally, implied option valuation utilizes option pricing models to estimate the value of the embedded options within LNC's variable annuity and other similar product guarantees. The bullish case assumes a lower volatility for underlying assets and a lower risk-free rate, resulting in lower option values and therefore higher equity value. The bearish case uses higher volatility and higher risk-free rates to calculate higher option values, decreasing the equity value. For each valuation method, the range of the final valuation depends upon management's assumptions regarding future developments. For instance, estimates of fair value may vary based upon factors like future sales volume, interest rate spreads, market conditions, and other estimates or assumptions. In summary, the forward valuation of LNC's stock is subject to inherent uncertainties, reflecting the complex interplay of market conditions, the company's financial performance, and its ability to execute its strategic initiatives. The bullish and bearish valuations for each method capture these uncertainties and provide a range of potential outcomes for the company's stock price.

## 11. Executive Summary

LNC's future hinges on its ability to leverage its strengths and overcome challenges in a dynamic industry. A key driver is the demand for retirement solutions and wealth protection, providing growth opportunities. LNC's strong distribution network, especially LFD's wholesale distribution, offers a competitive advantage in reaching and serving its target markets. Investing in technology, particularly the development of digital platforms and automated solutions, is another driver, enhancing efficiency, expanding reach, and appealing to a growing segment of tech-savvy customers.

However, significant threats loom. The low interest rate environment continues to exert pressure on profitability, requiring ongoing efforts to adjust crediting rates, modify product designs, and implement cost-saving measures. The complex and evolving regulatory landscape demands vigilance and adaptation. New conduct standards, disclosure rules, and evolving ESG considerations add to compliance burdens and pose potential risks if not properly managed. Intense competition from larger, established companies with broader product lines challenges LNC's growth and requires differentiation through innovation and efficient operations. Ongoing legal proceedings related to cost of insurance charges pose reputational and financial risks. The uncertain outcome of these litigations may lead to liabilities and impact investor sentiment. LNC's reliance on subsidiary dividends makes it vulnerable to any constraints on dividend payouts due to regulatory restrictions or poor subsidiary performance.

Despite these threats, significant opportunities exist. LNC's strategic initiatives, including the sale of its wealth management business and reinsurance transactions, aim to reduce risk, improve statutory capital, and free cash flow, positioning LNC for reinvestment and growth. The company's focus on human capital management can create a more motivated, engaged, and productive workforce and enhance LNC's organizational agility and competitiveness. The growing demand for retirement solutions and financial wellness services offers long-term growth prospects if LNC can effectively adapt its offerings and distribution strategies to meet evolving customer needs. Implied option valuation offers potential upside if LNC can successfully manage risks associated with variable annuity and other product guarantees. If LNC can deftly navigate these drivers, threats, and opportunities, the company can position itself for sustainable growth and enhance value for shareholders. The successful execution of its growth strategies, particularly expanding its distribution network, developing innovative products, and enhancing its technology platform, is essential for gaining market share and improving profitability. Effective risk management, particularly through the optimization of reinsurance and hedging strategies, is vital for mitigating market risks and maintaining financial strength. Successful resolution of legal proceedings related to cost-of-insurance rates is key to avoiding material financial liabilities and restoring investor confidence. These are all essential pieces for LNC to secure a promising future.