

LINCOLN NATIONAL CORP

Form 8-K

October 03, 2002

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

FORM 8-K

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: June 30, 2002

LINCOLN NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Indiana
(State of Incorporation)

1-6028
(Commission File Number)

35-1140070
(I.R.S. Employer
Identification No.)

1500 Market Street, Suite 3900, Centre Square West Tower, Philadelphia, PA 19102
(Address of principal executive offices)

Registrant's telephone number 219-448-1400

Item 5

Statistical Report for the quarter ended June 30, 2002.

LINCOLN STATISTICAL REPORT

Second Quarter

2002

Lincoln Financial Group

This document is dated October 2, 2002. It may not be accurate after such date and LNC does not undertake to update or keep it accurate after such date.

The Lincoln Statistical Report included herein is a revised report as of June 30, 2002. The key revisions from the Lincoln Statistical Report as of June 30, 2002 filed on Form 8-K on August 5, 2002 are the following:

Inclusion of a Roll Forward of Deferred Acquisition Costs for the Lincoln Retirement and Life Insurance segments for 2001 and the year-to-date June 30, 2002 and related quarters in those periods (Pages 13, 14, 17 and 18).

Inclusion of a splitout of the Lincoln Retirement Annuity Account Values for 2002 by Fixed Annuities excluding fixed portion of variable contracts, Variable Annuities including fixed portion of variable contracts and Fixed Portion of Variable Contracts (Pages 15 and 16).

Inclusion of Lincoln Retirement's Average Daily Variable Annuity Account Values for 1999, 2000, 2001 and 2002 and the related quarters in those years (Pages 15 and 16).

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Financial Highlights

Unaudited [Amounts in Millions, except Per Share]

	For the Quarter Ended June 30				For the Six Months Ended June 30			
	2002 Amount	2001 Amount	Change	% Change	2002 Amount	2001 Amount	Change	% Change
Income from Operations								
Lincoln Retirement*	47.8	90.8	(43.0)	(47.4%)	128.2	173.1	(44.9)	(25.9%)
Life Insurance	73.5	67.1	6.4	9.5%	144.6	135.7	8.9	6.6%
Investment Management	6.6	3.7	2.9	78.4%	14.6	6.1	8.5	139.3%
Lincoln UK	6.7	16.2	(9.5)	(58.6%)	21.1	30.6	(9.5)	(31.0%)
Corporate & Other**	(7.3)	(9.7)	2.4		(19.3)	1.2	(20.5)	
Total Income from Operations	127.2	168.1	(40.9)	(24.3%)	289.2	346.7	(57.5)	(16.6%)
Realized gains (losses) on investments	(52.7)	(11.4)	(41.3)		(120.3)	(24.8)	(95.5)	
Gains (losses) on derivatives	0.3	0.2	0.1		0.4	0.1	0.3	
Reserve increase on business sold through reinsurance	(14.4)	0.0	(14.4)		(14.4)	0.0	(14.4)	
Restructuring charges	(1.0)	(3.9)	2.9		(1.0)	(4.5)	3.5	
Income before Accounting Changes	59.4	153.0	(93.6)		153.9	317.5	(163.6)	
Cumulative effect of accounting changes***	0.0	(11.3)	11.3		0.0	(15.6)	15.6	
Net Income	59.4	141.7	(82.3)	(58.1%)	153.9	301.9	(148.1)	(49.0%)
Earnings per share (diluted)								
Income from Operations	\$ 0.67	\$ 0.88	(\$0.21)	(23.9%)	\$ 1.52	\$ 1.80	(\$0.28)	(15.6%)
Realized gain (losses) on investments	(\$0.27)	(\$0.06)	(\$0.21)		(\$0.62)	(\$0.13)	(\$0.49)	
Gains (losses) on derivatives	\$ 0.00	\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00	
Reserve increase on business sold through reinsurance	(\$0.08)	\$ 0.00	(\$0.08)		(\$0.08)	\$ 0.00	(\$0.08)	
Restructuring charges	(\$0.01)	(\$0.02)	\$ 0.01		(\$0.01)	(\$0.02)	\$ 0.01	
Income before Accounting Changes	\$ 0.31	\$ 0.80	(\$0.49)		\$ 0.81	\$ 1.65	(\$0.84)	
Cumulative effect of accounting changes***	\$ 0.00	(\$0.06)	\$ 0.06		\$ 0.00	(\$0.08)	\$ 0.08	
Net Income	\$ 0.31	\$ 0.74	(\$0.43)	(58.1%)	\$ 0.81	\$ 1.57	(\$0.76)	(48.4%)
Inc. from Oper. before Goodwill Amort.								
Lincoln Retirement*	47.8	91.1	(43.3)	(47.5%)	128.2	173.7	(45.5)	(26.2%)
Life Insurance	73.5	73.0	0.5	0.6%	144.6	147.6	(2.9)	(2.0%)
Investment Management	6.6	7.7	(1.1)	(14.4%)	14.6	14.2	0.4	2.6%
Lincoln UK	6.7	16.4	(9.7)	(59.3%)	21.1	30.9	(9.8)	(31.8%)
Corporate & Other**	(7.3)	(9.2)	1.9		(19.3)	2.0	(21.3)	

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Total	127.2	179.0	(51.7)	(28.9%)	289.2	368.5	(79.2)	(21.5%)
Earnings per share (diluted)								
Inc. from Oper. before Goodwill Amort.	\$ 0.67	\$ 0.93	(\$0.26)	(28.0%)	\$ 1.52	\$ 1.91	(\$0.39)	(20.4%)
Net Income before Goodwill Amort.								
Lincoln Retirement*	10.2	80.2	(70.0)	(87.3%)	57.8	157.1	(99.3)	(63.2%)
Life Insurance	57.4	59.5	(2.1)	(3.5%)	101.6	128.3	(26.7)	(20.8%)
Investment Management	6.2	6.9	(0.8)	(11.0%)	13.2	13.0	0.2	1.6%
Lincoln UK	9.8	17.8	(8.0)	(44.7%)	20.7	32.7	(12.1)	(36.8%)
Corporate & Other**	(24.2)	(11.8)	(12.4)		(39.4)	(7.4)	(32.0)	
Total	59.4	152.6	(93.2)	(61.1%)	153.9	323.7	(169.8)	(52.5%)
Earnings per share (diluted)								
Net Income before Goodwill Amort.	\$ 0.31	\$ 0.79	(\$0.48)	(60.8%)	\$ 0.81	\$ 1.68	(\$0.87)	(51.8%)
Operating Revenue								
Lincoln Retirement*	498.8	522.1	(23.3)	(4.5%)	1002.3	1034.9	(32.6)	(3.1%)
Life Insurance	464.6	465.5	(0.9)	(0.2%)	929.9	933.4	(3.4)	(0.4%)
Investment Management	103.1	111.4	(8.3)	(7.5%)	208.1	224.4	(16.2)	(7.2%)
Lincoln UK	63.4	66.9	(3.4)	(5.1%)	122.2	151.2	(29.0)	(19.2%)
Corporate & Other**	96.1	450.7	(354.6)	(78.7%)	193.2	992.1	(798.9)	(80.5%)
Total Operating Revenue	1226.0	1616.5	(390.5)	(24.2%)	2455.8	3336.0	(880.2)	(26.4%)
Total Revenue								
Lincoln Retirement*	442.6	512.1	(69.6)	(13.6%)	895.6	1022.5	(126.9)	(12.4%)
Life Insurance	439.8	455.7	(15.8)	(3.5%)	863.8	915.3	(51.6)	(5.6%)
Investment Management	102.4	110.3	(7.9)	(7.2%)	205.9	222.6	(16.6)	(7.5%)
Lincoln UK	68.0	68.9	(0.9)	(1.3%)	121.6	153.8	(32.2)	(20.9%)
Corporate & Other**	92.2	452.0	(359.8)	(79.6%)	184.5	983.6	(799.1)	(81.2%)
Total Revenue	1145.0	1599.0	(454.0)	(28.4%)	2271.4	3297.8	(1,026.4)	(31.1%)
Operational Data by Segment:								
<i>(Billions except where noted)</i>								
Lincoln Retirement*								
Gross Deposits	1.640	1.371	0.269	19.6%	3.354	2.818	0.536	19.0%
Net Cash Flows	0.223	(0.196)	0.419	213.8%	0.311	(0.787)	1.098	139.6%
Account Values (Gross)	49.886	53.658	(3.772)	(7.0%)	49.886	53.658	(3.772)	(7.0%)
Account Values (Net of Reinsurance)	48.116	52.512	(4.396)	(8.4%)	48.116	52.512	(4.397)	(8.4%)
Life Insurance Segment								
First Year Premium- Retail (in millions)	155.801	134.596	21.205	15.8%	295.178	258.836	36.343	14.0%
First Year Premium- COLI (in millions)	46.631	20.976	25.655	122.3%	53.504	28.032	25.473	90.9%
First Year Premium- Total (in millions)	202.432	155.572	46.860	30.1%	348.682	286.867	61.815	21.5%
In-force	244.750	223.272	21.478	9.6%	244.750	223.272	21.479	9.6%
Account Values	11.759	11.066	0.693	6.3%	11.759	11.066	0.693	6.3%
Investment Management Segment								
Retail Deposits	1.356	0.884	0.472	53.4%	2.558	2.050	0.508	24.8%
Retail Net Cash Flows	0.167	(0.148)	0.315	212.8%	0.257	(0.167)	0.424	253.9%

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Institutional In-flows	1.232	1.056	0.176	16.7%	2.708	2.247	0.461	20.5%
Institutional Net Cash Flows	0.455	0.445	0.010	2.2%	1.185	0.027	1.158	4288.9%
Total Net Cash Flows	0.622	0.297	0.325	109.4%	1.442	(0.140)	1.582	1130.2%
Assets Under Management and Inst l	48.738	50.737	(1.998)	(3.9%)	48.738	50.737	(1.999)	(3.9%)
Assets Under Management Insurance Assets	38.476	36.018	2.458	6.8%	38.476	36.018	2.458	6.8%
Assets Under Management Segment	87.214	86.755	0.460	0.5%	87.214	86.755	0.459	0.5%
Consolidated								
Consolidated Domestic Retail Deposits	3.203	2.534	0.669	26.4%	6.250	5.305	0.945	17.8%
Consolidated Domestic Retail Account Balances	77.644	83.250	(5.606)	(6.7%)	77.644	83.250	(5.606)	(6.7%)
Total Retail Net Cash Flows	0.688	(0.073)	0.761	1038.5%	1.066	(0.427)	1.494	349.6%
Total Net Cash Flows	1.143	0.372	0.771	207.4%	2.252	(0.400)	2.652	662.5%
Total Assets Under Management	123.036	128.507	(5.471)	(4.3%)	123.036	128.507	(5.471)	(4.3%)

* Effective March 7, 2002, the Annuities segment became known as Lincoln Retirement.

** Upon the closing of Swiss Re's acquisition of LNC's reinsurance business on December 7, 2001, all historical financial data for the former Reinsurance segment was moved into Other Operations. In addition, ongoing amortization of the deferred gain on indemnity reinsurance is shown in Other Operations.

*** The cumulative effect of accounting changes relates to the adjustment recorded upon adoption of FAS #133 in the 1st qtr. 2001.

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Financial Highlights

Unaudited [Amounts in Millions, except Per Share]

	For the Quarter Ended June 30				For the Six Months Ended June 30			
	2002	2001	Change	% Change	2002	2001	Change	% Change
	Amount	Amount			Amount	Amount		
Consolidated								
Operational Data:								
(Millions)								
Balance Sheet Assets								
End of Period	95069.2	96431.2	(1362.0)	(1.4%)	95069.2	96431.2	(1362.0)	(1.4%)
Shareholders Equity								
Beg of Period								
(Securities at Market)	5131.1	5096.4	34.7		5263.5	4954.1	309.4	
End of Period								
(Securities at Market)	5307.9	5055.9	252.0		5307.9	5055.9	252.0	
End of Period								
(Securities at Cost)	4959.6	4952.8	6.8		4959.6	4952.8	6.8	
Average Equity								
(Securities at Cost)	5080.7	4920.2	160.5		5082.0	4936.9	145.1	
Return on Equity								
Inc from								
Operations/Average								
Equity	10.0%	13.7%	(3.6%)		11.4%	14.0%	(2.7%)	
Net Income/Average								
Equity	4.7%	11.5%	(6.8%)		6.1%	12.2%	(6.2%)	
Return on Capital								
Inc from								
Operations/Average								
Capital	8.4%	11.3%	(2.9%)		9.4%	11.6%	(2.2%)	
Common Stock								
Outstanding								
Average for the								
Period Diluted	189.7	192.0	(2.3)	(1.2%)	190.7	192.8	(2.1)	(1.1%)
End of Period								
Assuming Conv of								
Pref	184.5	188.2	(3.7)	(2.0%)	184.5	188.2	(3.7)	(2.0%)
End of Period								
Diluted	186.9	192.9	(6.0)	(3.1%)	186.9	192.9	(6.0)	(3.1%)
Book Value (Securities								
at Market)	\$ 28.77	\$ 26.87	1.90	7.1%	\$ 28.77	\$ 26.87	1.90	7.1%
Book Value (Securities								
at Cost)	\$ 26.88	\$ 26.32	0.56	2.1%	\$ 26.88	\$ 26.32	0.56	2.1%
Cash Returned to								
Shareholders								
Share Repurchase								
dollar amount	175.7	35.1	140.6		226.7	186.8	39.9	
Dividends Declared to								
Shareholders	59.6	56.2	3.4		119.6	114.2	5.4	
	235.3	91.3	144.0		346.3	301.0	45.3	

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*Total Cash Returned
to Shareholders*

Share Repurchase number of shares	3.885	0.750	3.135		4.885	4.300	0.585	
Dividend Declared on Common Stock per share	\$ 0.320	\$ 0.305	\$ 0.015	4.9%	\$ 0.640	\$ 0.610	\$ 0.030	4.9%

For the Quarter Ended June 30

For the Six Months Ended June 30

<i>Comprehensive Income (millions)</i>	2002		2001	
	Amount	Amount	Amount	Amount
Net Income	59.4	141.7	153.9	301.9
Foreign Currency Translation	42.8	(19.5)	30.0	(37.3)
Net Unrealized Gains (Losses) on Securities	293.9	(114.2)	130.0	64.2
Gains (Losses) on Derivatives	0.1	3.7	1.2	9.4
Cumulative Effect of Accounting Change	0.0	0.0	0.0	17.6
Minimum Pension Liability Adjustment	(2.6)	0.0	(1.9)	0.0
Comprehensive Income	393.6	11.7	313.2	355.8

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Financial Highlights
Unaudited [Amounts in Millions]

For the Quarter Ended June 30				For the Six Months Ended June 30			
2002	2001		%	2002	2001		%
Amount	Amount	Change	Change	Amount	Amount	Change	Change
—	—	—	—	—	—	—	—

**Consolidated Condensed Statements of
Income**

Revenue: