

LINCOLN NATIONAL CORP

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May 25, 2018

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File No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Lincoln National Corporation

(Exact Name of Registrant as Specified in Its Charter)

Indiana

(State or Other Jurisdiction of Incorporation or Organization)

35-1140070

(I.R.S. Employer Identification No.)

150 N. Radnor Chester Road

Radnor, PA 19087

(484) 583-1400

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Lincoln National Corporation

2009 Amended and Restated Incentive Compensation Plan

(Full Title of Plan)

Kirkland L. Hicks

Executive Vice President, General Counsel

Lincoln National Corporation

150 N. Radnor Chester Road

Radnor, PA 19087

(484) 583-1400

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. [X]

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer []
 Non-accelerated filer [] (Do not check if a smaller reporting company). Smaller reporting company []
 Emerging growth company []

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. []

CALCULATION OF REGISTRATION FEE

| Title of Securities to be registered | Amount to be registered | Proposed Maximum offering price per share | Proposed maximum aggregate offering price | Amount of registration fee |
|--------------------------------------|-------------------------|---|---|----------------------------|
| Common Stock (no par value) | 1,563,829 (1) | \$68.81 (2) | \$107,613,954 | \$13,398 |

(1) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the "Securities Act"), there are being registered such additional shares as may be issuable pursuant to the anti-dilution provisions of the Lincoln National Corporation 2009 Amended and Restated Incentive Compensation Plan (the "Plan"), by reason of stock splits, stock dividends, recapitalizations or similar transactions. The shares of common stock to which this registration statement relates are to be issued upon exercise of options and in connection with certain other stock-related awards, all of which will be granted or awarded under the Plan for no consideration.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rules 457(c) and 457(h)(1) under the Securities Act based upon the average of the high and low sale prices of Lincoln National Corporation's common stock, no par value (the "Common Stock") on May 18, 2018 as reported on the New York Stock Exchange composite transactions tape.

PROSPECTUS

1,563,829 Shares

LINCOLN NATIONAL CORPORATION
COMMON STOCK
(No Par Value)

Offered as set forth in this prospectus pursuant to the

LINCOLN NATIONAL CORPORATION
2009 AMENDED AND RESTATED
INCENTIVE COMPENSATION PLAN

This prospectus (the "Prospectus") relates to shares of the common stock (the "Common Stock") of Lincoln National Corporation ("LNC") remaining to be issued under the Lincoln National Corporation 2009 Amended and Restated Incentive Compensation Plan (the "Plan"), to executives, employees and other persons who provide services to LNC or LNC's subsidiaries or to eligible persons holding either agents' or brokers' contracts with one of LNC's subsidiaries.

Unless otherwise indicated, all references in this Prospectus to "we," "our," "us," or similar terms refer to LNC together with its subsidiaries.

Our Common Stock is listed on The New York Stock Exchange under the symbol "LNC," and the last reported price on May 18, 2018 was \$68.81 per share.

Investing in our Common Stock involves risks. See "Risk Factors" beginning on page 3 of this Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

You should rely only on the information contained in or incorporated by reference in this Prospectus. We have not authorized anyone to provide you with information that is different. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted. The information contained or incorporated by reference in this Prospectus is accurate only as of the respective dates of such information. Our business, financial condition, results of operations and prospects may have changed since those dates.

The date of this Prospectus is May 25, 2018.

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It is important for you to read and consider all information contained in this prospectus in making your investment decision. You should also read and consider the additional information under the caption "Where You Can Find More Information."

REQUIRED DISCLOSURE FOR NORTH CAROLINA RESIDENTS

THE COMMISSIONER OF INSURANCE OF THE STATE OF NORTH CAROLINA HAS NOT APPROVED OR DISAPPROVED OF THIS OFFERING NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

The Company

Lincoln National Corporation ("LNC," "Company," "we," "us" or "our") is a holding company that operates multiple insurance and retirement businesses through subsidiary companies. Through our business segments, we sell a wide range of wealth protection, accumulation and retirement income products and solutions. These products primarily include fixed and indexed annuities, variable annuities, universal life insurance ("UL"), variable universal life insurance ("VUL"), linked-benefit UL, indexed universal life insurance ("IUL"), term life insurance, employer-sponsored retirement plans and services, and group life, disability and dental. LNC was organized under the laws of the state of Indiana in 1968. We currently maintain our principal executive offices at 150 N. Radnor Chester Road, Radnor, Pennsylvania 19087, and our telephone number is (484) 583-1400. "Lincoln Financial Group" is the marketing name for LNC and its subsidiary companies. As of December 31, 2017, LNC had consolidated assets of \$281.8 billion and consolidated stockholders' equity of \$17.3 billion. At March 31, 2018, LNC had consolidated assets of \$279.2 billion and consolidated stockholders' equity of \$16.0 billion. For the year ended December 31, 2017, LNC had total revenue of \$14.3 billion and net income of \$2.1 billion.

We provide products and services and report results through the following four business segments:

Annuities, Retirement Plan Services, Life Insurance and Group Protection.

We also have Other Operations, which includes the financial data for operations that are not directly related to these business segments.

FORWARD-LOOKING STATEMENTS – CAUTIONARY LANGUAGE

Certain statements made in this report and in other written or oral statements made by us or on our behalf are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). A forward-looking statement is a statement that is not a historical fact and, without limitation, includes any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like: "believe," "anticipate," "expect," "estimate," "project," "will," "shall" and other words or phrases with similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, trends in our businesses, prospective services or products, future performance or financial results and the outcome of contingencies, such as legal proceedings. We claim the protection afforded by the safe harbor for forward-looking statements provided by the PSLRA.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements. Risks and uncertainties that may cause actual results to vary materially, some of which are described within the forward-looking statements, include, among others:

Deterioration in general economic and business conditions that may affect account values, investment results, guaranteed benefit liabilities, premium levels, claims experience and the level of pension benefit costs, funding and investment results;

Adverse global capital and credit market conditions could affect our ability to raise capital, if necessary, and may cause us to realize impairments on investments and certain intangible assets, including goodwill and the valuation allowance against deferred tax assets, which may reduce future earnings and/or affect our financial condition and ability to raise additional capital or refinance existing debt as it matures;

Because of our holding company structure, the inability of our subsidiaries to pay dividends to the holding company in sufficient amounts could harm the holding company's ability to meet its obligations;

Legislative, regulatory or tax changes, both domestic and foreign, that affect: the cost of, or demand for, our subsidiaries' products; the required amount of reserves and/or surplus; our ability to conduct business and our captive reinsurance arrangements as well as restrictions on revenue sharing and 12b-1 payments; the impact of recently

enacted U.S. federal tax reform legislation on our business, earnings and capital; and the effect of the Fifth Circuit Court of Appeal's decision vacating the Department of Labor's fiduciary regulation as well as any "best interest" standards of care adopted by the Securities and Exchange Commission ("SEC") or other state regulators;

- Actions taken by reinsurers to raise rates on in-force business;

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Declines in or sustained low interest rates causing a reduction in investment income, the interest margins of our businesses, estimated gross profits ("EGPs") and demand for our products;

Rapidly increasing interest rates causing contract holders to surrender life insurance and annuity policies, thereby causing realized investment losses, and reduced hedge performance related to variable annuities;

Uncertainty about the effect of continuing promulgation and implementation of rules and regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act on us, the economy and the financial services sector in particular;

The initiation of legal or regulatory proceedings against us, and the outcome of any legal or regulatory proceedings, such as: adverse actions related to present or past business practices common in businesses in which we compete; adverse decisions in significant actions including, but not limited to, actions brought by federal and state authorities and class action cases; new decisions that result in changes in law; and unexpected trial court rulings;

A decline in the equity markets causing a reduction in the sales of our subsidiaries' products; a reduction of asset-based fees that our subsidiaries charge on various investment and insurance products; an acceleration of the net amortization of deferred acquisition costs ("DAC"), value of business acquired ("VOBA"), deferred sales inducements ("DSI") and deferred front-end loads ("DFEL"); and an increase in liabilities related to guaranteed benefit features of our subsidiaries' variable annuity products;

Ineffectiveness of our risk management policies and procedures, including various hedging strategies used to offset the effect of changes in the value of liabilities due to changes in the level and volatility of the equity markets and interest rates;

A deviation in actual experience regarding future persistency, mortality, morbidity, interest rates or equity market returns from the assumptions used in pricing our subsidiaries' products, in establishing related insurance reserves and in the net amortization of DAC, VOBA, DSI and DFEL, which may reduce future earnings;

Changes in generally accepted accounting principles ("GAAP") that may result in unanticipated changes to our net income;

Lowering of one or more of our debt ratings issued by nationally recognized statistical rating organizations and the adverse effect such action may have on our ability to raise capital and on our liquidity and financial condition;

Lowering of one or more of the insurer financial strength ratings of our insurance subsidiaries and the adverse effect such action may have on the premium writings, policy retention, profitability of our insurance subsidiaries and liquidity;

Significant credit, accounting, fraud, corporate governance or other issues that may adversely affect the value of certain investments in our portfolios, as well as counterparties to which we are exposed to credit risk, requiring that we realize losses on investments;

Inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others;

Interruption in telecommunication, information technology or other operational systems or failure to safeguard the confidentiality or privacy of sensitive data on such systems from cyberattacks or other breaches of our data security systems;

The effect of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including the successful implementation of integration strategies or the achievement of anticipated synergies and operational efficiencies related to an acquisition;

The adequacy and collectability of reinsurance that we have purchased;

Acts of terrorism, a pandemic, war or other man-made and natural catastrophes that may adversely affect our businesses and the cost and availability of reinsurance;

Competitive conditions, including pricing pressures, new product offerings and the emergence of new competitors, that may affect the level of premiums and fees that our subsidiaries can charge for their products;

The unknown effect on our subsidiaries' businesses resulting from evolving market preferences and the changing demographics of our client base; and

The unanticipated loss of key management, financial planners or wholesalers.

The risks included here are not exhaustive. Other sections of this Prospectus, including "Risk Factors" beginning on page 3, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other

documents filed with the SEC include additional factors that could affect our businesses and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

Further, it is not possible to assess the effect of all risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this Prospectus.

RISK FACTORS

You should carefully consider the risks described below and those incorporated by reference into this Prospectus before making an investment decision regarding your benefits under the Plan. The risks and uncertainties described below and incorporated by reference into this Prospectus are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business, financial condition and results of operations could be materially affected. In that case, the value of our Common Stock could decline substantially. In addition, there are risks in investing your money in the investment choices offering under the Plan. These risks are discussed with the description of each investment option.

You should carefully consider the risks described below before investing in our securities. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business, financial condition and results of operations could be materially affected. In that case, the value of our securities could decline substantially.

Legislative, Regulatory and Tax

Our businesses are heavily regulated and changes in regulation may affect our insurance subsidiary capital requirements or reduce our profitability.

State Regulation

Our insurance subsidiaries are subject to extensive supervision and regulation in the states in which we do business. The supervision and regulation relate to numerous aspects of our business and financial condition. The primary purpose of the supervision and regulation is the protection of our insurance contract holders, and not our investors. The extent of regulation varies, but generally is governed by state statutes. These statutes delegate regulatory, supervisory and administrative authority to state insurance departments. This system of supervision and regulation covers, among other things:

- Standards of minimum capital requirements and solvency, including RBC measurements;
- Restrictions on certain transactions, including, but not limited to, reinsurance between our insurance subsidiaries and their affiliates;
- Restrictions on the nature, quality and concentration of investments;
- Restrictions on the receipt of reinsurance credit;
- Restrictions on the types of terms and conditions that we can include in the insurance policies offered by our primary insurance operations;
- Limitations on the amount of dividends that insurance subsidiaries can pay;
- Licensing status of the company;
- Certain required methods of accounting pursuant to statutory accounting principles ("SAP");
- Reserves for unearned premiums, losses and other purposes;
- Payment of policy benefits (claims); and
- Assignment of residual market business and potential assessments for the provision of funds necessary for the settlement of covered claims under certain policies provided by impaired, insolvent or failed insurance companies.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, sometimes lead to additional expense, statutory reserves and/or risk-based capital ("RBC") requirements for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations. For example, the NAIC is currently considering changes to the accounting and reserve

regulations related to variable annuity business: however, this effort is still ongoing and has not yet reached a point where we can determine what impact it could have on our financial condition or results of operations. The NAIC is also addressing modifications to the C-1 capital charges used in the NAIC RBC formula, which may impact the level of the C-1 related RBC we are required to hold.

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Although we endeavor to maintain all required licenses and approvals our businesses may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations, which may change from time to time. Also, regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or impose substantial fines. Further, insurance regulatory authorities have relatively broad discretion to issue orders of supervision, which permit such authorities to supervise the business and operations of an insurance company. As of December 31, 2017, no state insurance regulatory authority had imposed on us any material fines or revoked or suspended any of our licenses to conduct insurance business in any state or issued an order of supervision with respect to our insurance subsidiaries, which would have a material adverse effect on our results of operations or financial condition.

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.

The Valuation of Life Insurance Policies Model Regulation ("XXX") requires insurers to establish additional statutory reserves for term life insurance policies with long-term premium guarantees and UL policies with secondary guarantees. In addition, Actuarial Guideline 38 ("AG38") clarifies the application of XXX with respect to certain UL insurance policies with secondary guarantees. Virtually all of our newly issued term and a portion of our newly issued UL insurance products are affected by XXX and AG38. The application of both AG38 and XXX involve numerous interpretations. If state insurance departments do not agree with our interpretations, we may have to increase reserves related to such policies. The New York State Department of Financial Services does not recognize the NAIC revisions to AG38 in applying the New York law governing the reserves to be held for UL and VUL products containing secondary guarantees. The change, which was effective as of December 31, 2013, impacted our New York-domiciled insurance subsidiary, LLANY. Although LLANY discontinued the sale of these products in early 2013, the change affected those policies previously sold. As of December 31, 2017, we completed the phased in increase in reserves over five years, for a total of \$450 million.

We have implemented, and plan to continue to implement, reinsurance and capital management transactions to mitigate the capital impact of XXX and AG38, including the use of captive reinsurance subsidiaries. The NAIC adopted Actuarial Guideline 48 ("AG48") regulating the terms of these arrangements that are entered into or amended in certain ways after December 31, 2014. This guideline imposed restrictions on the types of assets that can be used to support the reinsurance in these kinds of transactions. While we have executed AG48 compliant reserve financing transactions, we cannot provide assurance that in light of AG48 and/or future rules and regulations that we will be able to continue to efficiently implement transactions or take other actions to mitigate the impact of XXX or AG38 on future sales of term and UL insurance products. If we are unable to continue to efficiently implement such solutions for any reason, we may realize lower than anticipated returns and/or reduced sales on such products.

Federal Regulation

In addition, our broker-dealer and investment advisor subsidiaries as well as our variable annuities and variable life insurance products, are subject to regulation and supervision by the SEC and Financial Industry Regulatory Authority ("FINRA"). These laws and regulations generally grant supervisory agencies and self-regulatory organizations broad administrative powers, including the power to limit or restrict the subsidiaries from carrying on their businesses in the event that they fail to comply with such laws and regulations. The foregoing regulatory or governmental bodies, as well as the DOL and others, have the authority to review our products and business practices and those of our agents, advisors, registered representatives, associated persons and employees. In recent years, there has been increased scrutiny of the insurance industry by these bodies, which has included more extensive examinations, regular sweep inquiries and more detailed review of disclosure documents. These regulatory or governmental bodies may bring regulatory or other legal actions against us if, in their view, our practices, or those of our agents or employees, are improper. These actions can result in substantial fines, penalties or prohibitions or restrictions on our business

activities and could have a material adverse effect on our business, results of operations or financial condition.

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Standard of Conduct regulations could cause changes to the manner in which we deliver products and services as well as changes in nature and amount of compensation and fees.

In 2016, the Department of Labor ("DOL") released the DOL Fiduciary Rule, which became effective on June 9, 2017, and substantially expanded the range of activities that are considered to be fiduciary investment advice under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code. The DOL Fiduciary Rule provided for a phased implementation of the provisions of the regulation, with the first part effective on June 9, 2017, and full implementation on January 1, 2018. The DOL Fiduciary Rule limited the investment-related information and support that our advisors and employees may provide to plan sponsors, participants and IRA holders on a non-fiduciary basis compared to what was previously allowed by regulation. As a result, we implemented changes to the methods that we use to (i) deliver products and services, and (ii) pay and receive compensation for our investment-related products and services, which may impact future sales or margins. In addition, to the extent that advisors with our affiliated retail broker-dealers (LFN) provide fiduciary investment advice as defined in the DOL Fiduciary Rule, it could expose those broker-dealers and their advisors to additional risk of legal liability in connection with that advice, which ultimately impacts us.

In early 2017, President Trump directed the DOL to prepare an updated economic and legal analysis on whether the DOL Fiduciary Rule (i) has harmed or is likely to harm investors due to a reduction of Americans' access to certain retirement savings offerings, retirement product structures, retirement savings information or related advice, (ii) has resulted in dislocations or disruptions within the retirement services industry that may adversely affect investors or retirees and (iii) is likely to cause an increase in litigation and an increase in prices that investors or retirees must pay to gain access to retirement services. Subsequently, the DOL issued final rules delaying: (i) the applicability date of the DOL Fiduciary Rule and related exemptions from April 10, 2017, to June 9, 2017; and (ii) full implementation from January 1, 2018, to July 1, 2019. The DOL also changed some requirements of the original rule release, including (i) extending the transition period from June 9, 2017, to July 1, 2019, for advisors relying on the Best Interest Contract Exemption to adhere to the Impartial Conduct Standards and (ii) extending the transition period to July 1, 2019, for advisors who seek to rely on Prohibited Transaction Exemption 84-24 for the sale of all annuities and insurance, provided they adhere to that exemption's Impartial Conduct Standards.

On March 15, 2018, the U.S. Court of Appeals for the Fifth Circuit (the "Fifth Circuit") issued an opinion in the case *Chamber of Commerce v. the U.S. Department of Labor* vacating the DOL Fiduciary Rule and related applicable exemptions. The DOL and the Department of Justice did not seek an en banc rehearing of the case, but may still decide to appeal the Fifth Circuit's decision to the U.S. Supreme Court. It is expected that the Fifth Circuit will issue a mandate stating that the original definition of "fiduciary," including the original five-part test, will apply going forward.

On April 18, 2018, the SEC proposed "Regulation Best Interest", a new standard of conduct for broker-dealers under the Securities Exchange Act of 1934, which would require a broker-dealer to act in the best interest of a retail customer when making a recommendation of any securities transaction, without putting its financial interests ahead of the interests of a retail customer. The proposed rule includes guidance on what constitutes a "recommendation" and a definition of who would be a "retail customer" in addition to provisions setting forth certain required disclosures, policies and procedures to identify conflicts of interest, and customer-specific best interest obligations. In addition, the SEC proposed the use of a new disclosure document, the customer or client relationship summary, or Form CRS. Form CRS is intended to provide retail investors with information about the nature of their relationship with their investment professional, and would supplement other more detailed disclosures, including existing Form ADV for advisors and the new disclosures under Regulation Best Interest for broker dealers.

Finally, the SEC proposed interpretative guidance providing clarity on an investment adviser's fiduciary obligation under the Advisers Act. The guidance indicates that investment advisers have a fiduciary duty to their clients that includes both duty of care and a duty of loyalty and provides additional clarification of an investment adviser's responsibilities under these fiduciary duties. Investment advisers and broker-dealers would also need to disclose their

registration status with the SEC in certain retail investor communications. The comment period on the proposals will extend for 90 days after the proposal is published in the Federal Register.

In addition to the SEC proposed rules, the NAIC and several states, including Connecticut, Nevada, New Jersey and New York have passed laws or proposed regulations requiring investment advisers, broker-dealers and/or agents to disclose

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conflicts of interest to clients or to meet standards that their advice be in the customer's best interest. These recent developments could result in additional requirements related to the sale of our products.

It is uncertain at this point, as to whether the DOL or Department of Justice will seek to appeal the decision of the Fifth Circuit, particularly in light of the SEC's recent regulatory proposals and interpretative guidance that address the fiduciary duties of investment advisers and broker dealers. It is also uncertain how the original DOL definition of "fiduciary" will work in conjunction with any final rules adopted by the SEC. While we continue to monitor and evaluate the various proposals, we cannot predict what other proposals may be made, what legislation or regulation may be introduced or become law. Therefore, until such time as final rules or laws are in place, the potential impact on our business is uncertain.

Changes in U.S. federal income tax law could impact our tax costs and the products that we sell.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes tax rate reductions for both individuals and businesses (corporations and unincorporated entities) with the reduction in the U.S. marginal tax rate for corporations from 35% to 21% being one of the central provisions of the Tax Act. The Tax Act expands the tax base through the elimination or reduction of specified deductions and credits and provides incentives related to growth and development. Specific provisions that affect corporations generally relate to changes to the deductibility of interest expense, limitations on deductions for executive compensation and business entertainment and the repeal of the corporate Alternative Minimum Tax.

The changes made by the Tax Act will have a number of impacts on our business. Notably, the change to the new 21% marginal corporate income tax rate is expected to lower our overall effective tax rate in future periods. In addition, with the corporate rate reduction, we are required to remeasure our GAAP net deferred tax liability and statutory net admitted deferred tax asset in the period in which the law is enacted. Accordingly, we revalued our deferred tax balances in the fourth quarter of 2017 to give effect to the law change. In addition, there are several tax law changes that are specific to insurance companies, namely changes to the proration formula used to determine the amount of dividends eligible for the dividends-received deduction, changes to the calculation of tax reserves associated with policyholder liabilities and modifications to the computations of capitalized expenses for tax purposes of amounts incurred to originate or acquire insurance contracts (commonly referred to as the DAC tax). These provisions will result in changes to our overall cash tax obligations following the effective date of the legislation, so for periods beginning after January 1, 2018.

In general, life insurance companies are allowed a dividends-received deduction that reduces the amount of dividend income subject to tax based on the 'company share' of net investment income. The determination of the dividends-received deduction, and specifically the proration formula previously used to compute the company share, has changed. Under the Tax Act, the company share is set at 70% of all qualifying dividends received. This change to the company share percentage, coupled with a reduction in the general corporate dividend exclusion percentage, will reduce the amount of the deduction, which is a significant component of the difference between our actual tax expense and expected amount determined using the federal statutory tax rate. Our income tax provision for the year ended December 31, 2017, included a tax benefit for the separate account dividends-received deduction of \$210 million relating to the 2017 tax year, excluding one-time adjustments. We expect that the changes made by the Tax Act will significantly decrease the amount of this tax benefit in 2018.

The Tax Act changed the computation of life insurance tax reserves for purposes of determining taxable income. The method for computing reserves has changed such that the amount of the reserve for non-variable contracts will be the greater of (i) the net surrender value of the contracts or (ii) 92.81% of the tax reserve method applicable to such contracts. The tax reserve method is generally defined as reserves established under statutory reserving principles, excluding reserves that are generally not deductible for federal income tax purposes. For variable contracts, the tax reserve will be the greater of (i) the net surrender value of the contract or, (ii) the portion of the reserve that is separately accounted for under Section 817 plus 92.81% of the excess, if any, over the net surrender value. Notably,

the changes to the computation of tax reserves applies not only to new business (contracts to be issued in the future) but also to in-force policies and related reserves; the impact of the reduction in the tax reserves on in-force contracts is brought into taxable income ratably over an eight-year period beginning in 2018.

The Tax Act also changed the rules for determining the amount of DAC tax that we capitalize as an item of taxable income. Specifically, the Tax Act increases the capitalization rates that are applied to net premiums received and also extends the amortization period for recovering and deducting such costs from 10 years to 15 years.

We continue to review and analyze the provisions of the Tax Act, including the actual and potential impact of the Tax Act on our GAAP equity and statutory RBC, future earnings, free cash flows and the sales and pricing of our products. The impact of the Tax Act may differ from these estimates due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued and actions we may take as a result of the Tax Act.

Legal and regulatory actions are inherent in our businesses and could result in financial losses or harm our businesses.

We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our insurance and retirement operations. Pending legal actions include proceedings relating to aspects of our businesses and operations that are specific to us and proceedings that are typical of the businesses in which we operate. Some of these proceedings have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages. Substantial legal liability in these or future legal or regulatory actions could have a material financial effect or cause significant harm to our reputation, which in turn could materially harm our business prospects. See Note 13 of our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K") for a description of legal and regulatory proceedings and actions.

Implementation of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act may subject us to substantial additional federal regulation, and we cannot predict the effect on our business, results of operations, cash flows or financial condition.

Since it was enacted in 2010, the Dodd-Frank Act has brought wide-ranging changes to the financial services industry, including changes to the rules governing derivatives; a study by the SEC of the rules governing broker-dealers and investment advisers with respect to individual investors and investment advice, followed potentially by rulemaking; the creation of a new Federal Insurance Office within the U.S. Treasury to gather information and make recommendations regarding regulation of the insurance industry; the creation of a resolution authority to unwind failing institutions; the creation of a new Consumer Financial Protection Bureau to protect consumers of certain financial products; and changes to executive compensation and certain corporate governance rules, among other things.

Significant rulemaking across numerous agencies within the federal government has been implemented since the enactment of the Dodd-Frank Act. Complete implementation has yet to take place, given shifting priorities following the U.S. 2016 election; therefore, the ultimate impact of these provisions on our businesses (including product offerings), results of operations and liquidity and capital resources remains uncertain.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are prepared in accordance with GAAP as identified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC"). From time to time, we are required to adopt new or revised accounting standards or guidance that are incorporated into the FASB ASC. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

Specifically, the FASB is working on a project that could result in significant changes to how we account for and report our insurance contracts, including contract riders and embedded derivatives, and DAC. Depending on the magnitude of the changes ultimately adopted by the FASB, the proposed changes to GAAP may impose special demands on issuers in the areas of employee training, internal controls, contract fulfillment and disclosure and may affect how we manage our business, as it may affect other business processes such as design of compensation plans, product design, etc. The effective dates and transition methods are not known; however, issuers may be required to or

may choose to adopt the new standards retrospectively. In this case, the issuer will report results under the new accounting method as of the effective date, as well as for all periods presented.

Our domestic insurance subsidiaries are subject to SAP. Any changes in the method of calculating reserves for our life insurance and annuity products under SAP may result in increased reserve requirements.

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The NAIC continues to review the statutory accounting and capital requirements for variable annuities for potential changes with assistance from Oliver Wyman. Additional testing of potential changes occurred during 2017, and Oliver Wyman presented their recommendations to the NAIC working group on December 1, 2017. The NAIC working group opened these recommendations for comment until March 2, 2018. Once any changes are finalized by the NAIC, the resulting new variable annuity framework could result in changes in reserve and/or capital requirements and statutory surplus and could impact the volatility of those item(s). The NAIC is also addressing modifications to the C-1 capital charges used in the NAIC RBC formula, which may impact the level of the C-1 related RBC we are required to hold.

Anti-takeover provisions could delay, deter or prevent our change in control, even if the change in control would be beneficial to LNC shareholders.

We are an Indiana corporation subject to Indiana state law. Certain provisions of Indiana law could interfere with or restrict takeover bids or other change in control events affecting us. Under Indiana law, directors may, in considering the best interests of a corporation, consider the effects of any action on shareholders, employees, suppliers and customers of the corporation and the communities in which offices and other facilities are located, and other factors the directors consider pertinent. One statutory provision prohibits, except under specified circumstances, LNC from engaging in any business combination with any shareholder who owns 10% or more of our common stock (which shareholder, under the statute, would be considered an "interested shareholder") for a period of five years following the time that such shareholder became an interested shareholder, unless such business combination is approved by the Board of Directors prior to such person becoming an interested shareholder.

In addition to the anti-takeover provisions of Indiana law, there are other factors that may delay, deter or prevent our change in control. As an insurance holding company, we are regulated as an insurance holding company and are subject to the insurance holding company acts of the states in which our insurance company subsidiaries are domiciled. The insurance holding company acts and regulations restrict the ability of any person to obtain control of an insurance company without prior regulatory approval. Under those statutes and regulations, without such approval (or an exemption), no person may acquire any voting security of a domestic insurance company, or an insurance holding company which controls an insurance company, or merge with such a holding company, if as a result of such transaction such person would "control" the insurance holding company or insurance company. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

Market Conditions

Weak conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Continued unconventional easing from the major central banks, slowing of global growth, continued impact of falling global energy and other commodity prices, and the ability of the U.S. government to proactively address the fiscal imbalance remain key challenges for markets and our business. These macro-economic conditions may have an adverse effect on us given our credit and equity market exposure. In the event of extreme prolonged market events, such as the global credit crisis and recession that occurred during 2008 and 2009, we could incur significant losses. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

Factors such as consumer spending, business investment, domestic and foreign government spending, the volatility and strength of the capital markets, the potential for inflation or deflation and uncertainty over domestic and foreign government actions all affect the business and economic environment and, ultimately, the amount and profitability of

our business. In an economic downturn characterized by higher unemployment, lower disposable income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our contract holders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on our business, results of operations and financial condition.

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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.

Interest rate fluctuations and/or a sustained period of low interest rates could negatively affect our profitability. Some of our products, principally fixed annuities and UL, including IUL and linked-benefit UL, have interest rate guarantees that expose us to the risk that changes in interest rates will reduce our spread, or the difference between the amounts that we are required to pay under the contracts and the amounts we are able to earn on our general account investments intended to support our obligations under the contracts. Spreads are an important component of our net income. Declines in our spread or instances where the returns on our general account investments are not enough to support the interest rate guarantees on these products could have a material adverse effect on our businesses or results of operations. In addition, low rates increase the cost of providing variable annuity living benefit guarantees, which could negatively affect our variable annuity profitability.

In periods when interest rates are declining or remain at low levels, we may have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments reducing our spread. Moreover, borrowers may prepay fixed-income securities, commercial mortgages and mortgage-backed securities in our general account in order to borrow at lower market rates, which exacerbates this risk. Lowering interest crediting rates helps to mitigate the effect of spread compression on some of our products. However, because we are entitled to reset the interest rates on our fixed-rate annuities only at limited, pre-established intervals, and since many of our contracts have guaranteed minimum interest or crediting rates, our spreads could still decrease. As of December 31, 2017, 43% of our annuities business, 86% of our retirement plan services business and 99% of our life insurance business with guaranteed minimum interest or crediting rates are at their guaranteed minimums.

Our expectation for future spreads is an important component in the amortization of DAC and value of business acquired ("VOBA") as it affects the future profitability of the business. Currently, new money rates continue to be at historically low levels. The Federal Reserve Board forecasts point toward short-term rates likely moving above 2% at the end of 2018. For additional information on interest rate risks, see "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" of the 2017 Form 10-K.

A decline in market interest rates could also reduce our return on investments that do not support particular policy obligations. During periods of sustained lower interest rates, our recorded policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened, thereby reducing net income in the affected reporting period. Accordingly, declining interest rates may materially affect our results of operations, financial condition and cash flows and significantly reduce our profitability.

Increases in market interest rates may also negatively affect our profitability. In periods of rapidly increasing interest rates, we may not be able to replace the assets in our general account with higher yielding assets needed to fund the higher crediting rates necessary to keep our interest-sensitive products competitive. We, therefore, may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts and related assets. Increases in interest rates may cause increased surrenders and withdrawals of insurance products. In periods of increasing interest rates, policy loans and surrenders and withdrawals of life insurance policies and annuity contracts may increase as contract holders seek to buy products with perceived higher returns. This process may lead to a flow of cash out of our businesses. These outflows may require investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. A sudden demand among consumers to change product types or withdraw funds could lead us to sell assets at a loss to meet the demand for funds. Furthermore, unanticipated increases in withdrawals and termination may cause us to unlock our DAC and VOBA assets, which would reduce net income. An increase in market interest rates could also have a material adverse effect on the value of our investment portfolio, for example, by decreasing the estimated fair values of the fixed-income securities that comprise a substantial portion of our investment portfolio. An increase in interest rates could also result in decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed-income funds.

Because the equity markets and other factors impact the profitability and expected profitability of many of our products, changes in equity markets and other factors may significantly affect our business and profitability.

The fee income that we earn on variable annuities is based primarily upon account values and partially based upon account values for VUL insurance policies. Because strong equity markets result in higher account values, strong equity markets

positively affect our net income through increased fee income. Conversely, a weakening of the equity markets results in lower fee income and may have a material adverse effect on our results of operations and capital resources.

The increased fee income resulting from strong equity markets increases the EGPs from variable insurance products as do better than expected lapses, mortality rates and expenses. As a result, higher EGPs may result in lower net amortized costs related to DAC, deferred sales inducements ("DSI"), VOBA, deferred front-end loads ("DFEL") and changes in future contract benefits. However, a decrease in the equity markets, as well as worse than expected increases in lapses, mortality rates and expenses, depending upon their significance, may result in higher net amortized costs associated with DAC, DSI, VOBA, DFEL and changes in future contract benefits and may have a material adverse effect on our results of operations and capital resources. If we had unlocked our reversion to the mean ("RTM") assumption in the corridor as of December 31, 2017, we would have recorded favorable unlocking of approximately \$240 million, pre-tax, for our Annuities segment, approximately \$45 million, pre-tax, for our Life Insurance segment and approximately \$30 million, pre-tax, for our Retirement Plan Services segment. For further information about our RTM process, see "Critical Accounting Policies and Estimates – DAC, VOBA, DSI and DFEL – Reversion to the Mean" in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") section of the 2017 Form 10-K.

Changes in the equity markets, interest rates and/or volatility affect the profitability of our products with guaranteed benefits; therefore, such changes may have a material adverse effect on our business and profitability.

Certain of our variable annuity products include optional guaranteed benefit riders. These include guaranteed death benefit ("GDB"), guaranteed withdrawal benefit ("GWB") and guaranteed income benefit ("GIB") riders. Our GWB, GIB and 4LATER® (a form of GIB rider) features have elements of both insurance benefits accounted for under the Financial Services – Insurance – Claim Costs and Liabilities for Future Policy Benefits Subtopic of the FASB ASC ("benefit reserves") and embedded derivatives accounted for under the Derivatives and Hedging and the Fair Value Measurements and Disclosures Topics of the FASB ASC ("embedded derivative reserves"). We calculate the value of the embedded derivative reserve and the benefit reserves based on the specific characteristics of each GLB feature. The amount of reserves related to GDB for variable annuities is related to the difference between the value of the underlying accounts and the GDB, calculated using a benefit ratio approach. The GDB reserves take into account the present value of total expected GDB payments, the present value of total expected GDB assessments over the life of the contract, claims paid to date and assessments to date. Reserves for our GIB and certain GWB with lifetime benefits are based on a combination of fair value of the underlying benefit and a benefit ratio approach. The benefit ratio approach takes into account, among other things, the present value of expected GIB payments, the present value of total expected GIB assessments over the life of the contract, claims paid to date and assessments to date. The amount of reserves related to those GWB that do not have lifetime benefits is based on the fair value of the underlying benefit.

Both the level of expected payments and expected total assessments used in calculating the benefit reserves are affected by the equity markets. The liabilities related to fair value are impacted by changes in equity markets, interest rates, volatility, foreign exchange rates and credit spreads. Accordingly, strong equity markets, increases in interest rates and decreases in volatility will generally decrease the reserves calculated using fair value. Conversely, a decrease in the equity markets along with a decrease in interest rates and an increase in volatility will generally result in an increase in the reserves calculated using fair value.

Increases in reserves would result in a charge to our earnings in the quarter in which the increase occurs. Therefore, we maintain a customized dynamic hedge program that is designed to mitigate the risks associated with income volatility around the change in reserves on guaranteed benefits. However, the hedge positions may not be effective to exactly offset the changes in the carrying value of the guarantees due to, among other things, the time lag between changes in their values and corresponding changes in the hedge positions, high levels of volatility in the equity markets and derivatives markets, extreme swings in interest rates, contract holder behavior different than expected, a strategic decision to adjust the hedging strategy in reaction to extreme market conditions or inconsistencies between

economic and statutory reserving guidelines and divergence between the performance of the underlying funds and hedging indices.

In addition, we remain liable for the guaranteed benefits in the event that derivative or reinsurance counterparties are unable or unwilling to pay, and we are also subject to the risk that the cost of hedging these guaranteed benefits increases, resulting in a reduction to net income. These, individually or collectively, may have a material adverse effect on net income, financial condition or liquidity.

Liquidity and Capital Position

Adverse capital and credit market conditions may affect our ability to meet liquidity needs, access to capital and cost of capital.

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40.9

%

Other 5% Stockholders

Zions Bancorporation

2,363,636

32.3

%

* Less than 1%.

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- (1) Includes 1,067,990 shares owned by Mr. Bland as a tenant in common with his wife, Maureen A. Bland, and 1,219,055 shares owned by Southcote Partners, L.P., a limited partnership whose sole general partners are Mr. and Mrs. Bland. Also includes options to purchase 3,333 shares of common stock that are exercisable within 60 days of March 9, 2006.
- (2) Includes options to purchase 11,666 shares of common stock that are exercisable within 60 days of March 9, 2006.
- (3) Includes options to purchase 138,333 shares of common stock that are exercisable within 60 days of March 9, 2006.
- (4) Includes options to purchase 14,166 shares of common stock that are exercisable within 60 days of March 9, 2006.
- (5) Includes options to purchase 2,594 shares of common stock that are exercisable within 60 days of March 9, 2006.

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(6) Mr. Hopkins is a Vice President of Zions. Includes options to purchase 2,500 shares of common stock that are exercisable within 60 days of March 9, 2006.

(7) Includes options to purchase 215,090 shares of common stock that are exercisable within 60 days of March 9, 2006.

Investor Rights Agreement

The following is a discussion of the material terms of the investor rights agreement between the Company and Zions Bancorporation (Zions). The full text of the investor rights agreement was attached as **Annex A-5** to the proxy statement for our 2004 Annual Meeting.

The holders of 50% or more of the stock we are issuing to Zions (including any shares issued as a dividend or distribution thereon), or the registrable securities, may make up to three requests for us to register such stock under the Securities Act of 1933, or the Securities Act. Upon the making of such a request, we will notify the other holders of registrable securities and will use our commercially reasonable efforts to effect as soon as practicable thereafter the registration of the shares initially requested to be so registered and such additional shares as other holders may request within 30 days of our notice. Such registrations are subject to customary limitations on the number of shares to be included in an underwritten offering pursuant to such registrations and on the timing of such registrations. The holders of 50% or more of the registrable securities may also request that we effect up to three additional registrations on Form S-3. Upon such requests, we will also notify other holders of registrable securities, and we will effect as soon as practicable thereafter the registration of the shares initially requested to be so registered and such additional shares as other holders may request within 30 days of our notice, again subject to customary limitations. In addition to such demand registrations, the holders of the stock we are issuing to Zions will be able to include their shares in certain registrations we may propose to make. We will pay the expenses (other than underwriting discounts and commissions) incurred in connection with all such registrations. These registration rights will expire when Zions and other holders of registrable securities are eligible to sell all of such registrable securities pursuant to Rule 144(k) under the Securities Act.

We also agreed that, for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement:

- We will deliver certain financial statements to Zions, permit Zions to visit and conduct a reasonable inspection of our properties and book and records, and permit Zions access to our officers, employees and accountants to discuss our affairs, finances, and accounts;
- Zions will have preemptive rights to subscribe for future issuances of our securities, other than issuances under certain authorized or issued options, under our employee stock purchase plan, or in a registered offering;
- We will comply with certain covenants regarding the operation of our business;
- The number of directors on our board of directors will be fixed at seven, and Zions will be entitled to nominate or appoint one of such directors;
- The consent of the majority of our board of directors will be required for us to:
 - make capital expenditures in excess of \$500,000 in any single transaction or 115% of the amount approved in our budget for such fiscal year;
 - make any loan or advance, other than travel advances;
 - adopt any new or amend any employee benefit plan;

- engage in any transaction with any affiliate, officer, director, or stockholder (or members of their immediate families);
- enter into material contracts;
- approve the annual operating and capital budget, or any amendments or deviations;
- establish board committees;
- waive any material rights or consent to settle any material litigation;
- institute litigation or similar proceedings outside the ordinary course of business; and
- make decisions to employ or terminate the Company's senior executives and fix their compensation; and
- The consent of 75% of the members of our board of directors will be required for us to:
 - authorize, issue or sell any equity security (including options), other than certain specified options or pursuant to our employee stock purchase plan;
 - increase the authorized number of shares of our stock;
 - enter into any registration rights agreement;
 - repurchase or redeem any of our securities other than on a pro rata basis;
 - engage in or agree to certain transactions, such as mergers and combinations, purchases of all or substantially all the assets of another person or of assets for consideration in excess of \$5,000,000 in a fiscal year, sales of all or substantially all our assets or sales of our business or assets in excess of \$1,000,000 in a fiscal year;
 - alter or change materially and adversely the rights of holders of our common stock;
 - incur indebtedness or guarantees in excess of \$2,500,000 individually or \$5,000,000 in the aggregate;
 - amend or propose to amend our charter or bylaws;
 - liquidate, dissolve, recapitalize, or effect a stock split or reverse stock split, or obligate ourselves to do so;
 - engage in any other business other than the business we are currently engaged in; or
 - declare any dividends or distributions.

We agreed to maintain certain directors' and officers' liability insurance for the director nominated or appointed by Zions, and to indemnify and hold harmless such director to the same extent as all of our other directors.

Zions has agreed that, without the consent of a majority of our board of directors, it and its affiliates will not, prior to the first anniversary of the closing date:

- Acquire any additional shares of our common stock;

- Initiate a special meeting of our stockholders to elect directors;
- Make any agreement with respect to voting of our common stock or deposit our common stock in a voting trust;

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- Seek the election of any member of our board of directors except as nominated by our nominating committee, or seek the removal of any director;
- Request us to amend or waive these restrictions;
- Participate in any solicitation of proxies to vote, or seek to advise or influence any person with respect to the voting of, our securities;
- publicly announce or submit a proposal for any extraordinary transaction involving us or our securities or assets; or
- form or join in a group (as defined in the rules promulgated by the SEC).

In addition, Robert S. Bland and William V. Thoms agreed that, for so long as Zions holds 40% of the shares of stock it purchases under the stock purchase agreement, if either proposes to sell any of their Quotesmith.com common stock, subject to certain exceptions, they will afford Zions the right to participate proportionately in such sale.

Mr. Bland and Mr. Thoms also granted to Zions, and Zions granted to us, Mr. Bland and Mr. Thoms, a right of first refusal with respect to certain transfers of their shares of our common stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors, executive officers and beneficial owners of more than ten percent of our common stock to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission and to provide us with copies of such reports. Based solely on a review of the copies provided to us and written representations from such reporting persons, we believe that all applicable Section 16(a) filing requirements have been met for such reporting persons.

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table sets forth all compensation paid for services rendered to Quotesmith.com during our last three years in all capacities by (i) our Chief Executive Officer, and (ii) our other highest paid executive officers during 2005 with cash compensation in excess of \$100,000, who we refer to as the named executive officers.

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation Awards Securities Underlying |
|---|------|---------------------|--------|---------------------------|---|
| | | Salary | Bonus | Other Annual Compensation | Options |
| Robert S. Bland President, Chief Executive Officer | 2005 | \$ 305,200 | \$ | \$ 29,915 (1) | |
| | 2004 | 305,192 | | 27,713 (1) | |
| | 2003 | 300,000 | | 31,854 (1) | |
| William V. Thoms Executive Vice President, Chief Operating Officer | 2005 | 300,000 | | | |
| | 2004 | 298,460 | | | |
| | 2003 | 250,000 | | | |
| Phillip A. Perillo Senior Vice President and Chief Financial Officer | 2005 | 263,462 | | | |
| | 2004 | 202,885 | 50,000 | | 50,000 |
| | 2003 | 173,654 | 25,000 | | |

(1) Other compensation paid to Mr. Bland in 2003 consisted of a transportation allowance of \$22,536 and reimbursement of certain club dues of \$9,318. Other compensation paid to Mr. Bland in 2004 consisted of a transportation allowance of \$20,759 and reimbursement of certain club dues of \$6,954. Other compensation paid to Mr. Bland in 2005 consisted of a transportation allowance of \$20,887 and reimbursement of certain club dues of \$9,028.

Option Grants in 2005

There were no grants of stock options or freestanding stock appreciation rights to the named executives in 2005.

2005 Aggregated Options/Stock Appreciation Rights Exercises and Year End Option Values

The following table sets forth certain information regarding the number and value of unexercised options held by the named executive officers as of December 31, 2005. No stock options or stock appreciation rights were exercised during 2005 by the named executive officers.

| Name | Number of Securities Underlying Unexercised Options/SARs at December 31, 2005 | | Value of Unexercised In-the-Money Options/SARs at December 31, 2005 | |
|--------------------|---|---------------|---|---------------|
| | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Robert S. Bland | 3,333 | | \$ | \$ |
| William V. Thoms | 11,666 | | | |
| Phillip A. Perillo | 121,667 | 33,333 | 800 | |

Employment Agreements and Change of Control Arrangements

We have entered into employment agreements with Messrs. Bland, Thoms and Perillo. These agreements set forth each executive's base annual compensation level, eligibility for salary increases, bonuses and options and level of benefits.

In addition, the agreements for Messrs. Bland and Thoms provide for separation benefits if one of these executives is terminated without cause or if the executive terminates his employment for good reason, including a change of control of Quotesmith.com. In the event of a termination without cause or for good reason, each of Messrs. Bland and Thoms is entitled to receive a lump sum payment equal to two times his base annual salary. In the event of a separation payment, Messrs. Bland and Thoms are entitled to gross up payments for any excise tax incurred. Messrs. Bland and Thoms have waived these change of control provisions in connection with the sale of common shares to Zions. In the event of a termination without cause or for good reason during the three months prior to or twelve months after a change of control, Mr. Perillo is entitled to receive two years of base pay and bonus at the targeted amount.

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Stock Performance Graph

The graph below compares the annual percentage changes in Quotesmith.com's cumulative total stockholder return from August 3, 1999 (the date of our initial public offering) through December 31, 2005, with the cumulative total return of the CRSP Total Return Index for the Nasdaq Stock Market and the CRSP Total Return Index for Nasdaq Insurance Stocks for the same period. The Insurance Stock Index includes insurance companies, brokers, agents, and related services. The graph assumes the investment of \$100 and the reinvestment of all dividends. The stock price performance shown on the graph below is not necessarily indicative of future stock price performance.

| | 8/3/99 | 12/31/99 | 12/31/00 | 12/31/01 | 12/31/02 | 12/31/03 | 12/31/04 | 12/31/05 |
|---------------------------------------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|
| Quotesmith.com, Inc | \$ 100.00 | \$ 103.39 | \$ 6.55 | \$ 6.45 | \$ 12.82 | \$ 14.91 | \$ 15.30 | \$ 9.09 |
| Nasdaq Stock Market (US Companies) | \$ 100.00 | \$ 157.24 | \$ 95.46 | \$ 75.36 | \$ 51.60 | \$ 77.41 | \$ 84.06 | \$ 85.21 |
| Nasdaq (Insurance Index) | \$ 100.00 | \$ 84.43 | \$ 97.65 | \$ 104.58 | \$ 102.66 | \$ 124.67 | \$ 149.33 | \$ 163.15 |

COMPENSATION COMMITTEE REPORT

The compensation committee of the Board of Directors determined the compensation of our Chief Executive Officer and our other executives in 2005. To ensure that our executive compensation program is administered in an objective manner, the compensation committee is composed entirely of directors who are neither executive officers nor employees of the Company. In addition to determining the salary and bonus compensation for all of our executive officers, the compensation committee determines the nature, timing and amount of awards and grants under Quotesmith.com's stock option plans and makes recommendations as to the administration of other compensation plans and programs as they relate to executive officers.

This report is intended to describe the philosophy that underlies the cash and equity-based components of our intended executive pay program in 2005. It also describes the details of each element of the program, as well as the rationale for compensation paid to our Chief Executive Officer and executive officers in general in 2005.

Compensation of Executive Officers Generally

The compensation philosophy of the Company is to (i) provide a competitive total compensation package that enables the Company to attract and retain key executive and employee talent needed to accomplish the Company's goals and (ii) directly link compensation to improvements in Company financial and operational performance.

The Company's compensation program for all executive officers emphasizes variable compensation, primarily through performance-based grants of equity-based incentives in the form of stock options. Salaries of all executive officers are generally targeted at median market levels.

The compensation committee will continue to monitor the Company's compensation program in order to maintain the proper balance between cash compensation and equity-based incentives and may consider further revisions in the future.

Components of Compensation

Salary. The compensation committee will review each executive officer's salary annually. Objective and subjective performance goals are set each year for each executive officer, which will vary depending upon the specific position or role of the executive within the Company. The compensation committee's review will take into consideration both the Company's performance with respect to revenue growth and operating margins, together with the duties and performance of each executive. The compensation committee also considers provisions relating to salary set forth in employment agreements with certain of our executive officers.

Bonus. Certain employees of the Company who perform significant management and decision-making functions are eligible to receive a performance bonus. Messrs. Bland and Thoms did not receive a bonus in 2005. Awards to executives may be made by the compensation committee after considering the recommendation of our Chief Executive Officer (except for awards granted to the Chief Executive Officer) and the financial performance of Quotesmith.com as measured by revenue growth and operating margins, or any other factors that the compensation committee deems relevant. Bonuses for fiscal 2005 were awarded based on Quotesmith.com's financial performance, as measured by the factors listed above. The bonus component of the executive compensation package is designed to be less than industry average.