Callahan Dawn
Form 4
March 25, 2019

FORM 4

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

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Callahan Dawn

(Last) (First) (Middle)

C/O BOINGO WIRELESS INC., 10960 WILSHIRE BLVD. 23RD FLOOR

(Street)

LOS ANGELES, CA 90024

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BOINGO WIRELESS INC [WIFI]

3. Date of Earliest Transaction (Month/Day/Year)
03/21/2019

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Marketing Officer

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

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

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/21/2019		M		11,092 (1)	A	$ 0	19,027	D	
Common Stock	03/21/2019		F		5,744 (2)	D	$ 24.42	13,283	D	

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

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SEC 1474 (9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Performance Restricted Stock Units	(3)	03/21/2019		A		16,639		(4)	(4)	Common Stock	16,6
Performance Restricted Stock Units	(3)	03/21/2019		M			11,092	(5)	(5)	Common Stock	11,0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Callahan Dawn C/O BOINGO WIRELESS INC. 10960 WILSHIRE BLVD. 23RD FLOOR LOS ANGELES, CA 90024			Chief Marketing Officer	

Signatures

/s/ Efren Medina as Attorney-in-Fact for Dawn Callahan	03/25/2019
**Signature of Reporting Person	Date

Explanation of Responses:

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

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

(1) The shares acquired represent the settlement of 11,092 of the Reporting Person's restricted stock units on March 21, 2019, which vested on February 1, 2019.

(2) Represents shares withheld in connection with the payment of withholding taxes due upon the vesting and settlement of the performance restricted stock units.

(3) Each restricted stock unit represents a contingent right to receive one share of Boingo Wireless, Inc. common stock.

(4) Reflects certification of the achievement of 2017 performance goals and the award of 16,639 performance restricted stock units, vesting with respect to 66 2/3 % of such units on or about February 1, 2019 and settled on March 21, 2019, and with respect to the balance in a series of four successive equal quarterly installments thereafter, so that the performance restricted stock units will become fully vested by February 1, 2020.

(5) Following certification of the achievement of 2017 performance goals, the Reporting Person received 16,639 performance restricted stock units, and has vested with respect to 66 2/3% of such units on February 1, 2019, which shares were settled on March 21, 2019.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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As of March 31, 2011

Unrealized

%

Amortized

Unrealized

Losses

Fair

Fair

Cost

Gains

and OTTI

Value

Value

Fixed Maturity AFS Securities

Industry corporate bonds:

Financial services

$

8,546

$

438

$

136

$

8,848

12.7%

Basic industry

2,612

	196
	16
	2,792
	4.0%
Capital goods	
	3,690
	232
	38
	3,884
	5.6%
Communications	
	3,068
	236
	33
	3,271
	4.7%
Consumer cyclical	
	2,989
	171
	55

	3,105
	4.4%
Consumer non-cyclical	
	7,647
	556
	27
	8,176
	11.7%
Energy	
	4,697
	377
	22
	5,052
	7.2%
Technology	
	1,536
	96
	10
	1,622
	2.3%

Transportation	
	1,371
	103
	5
	1,469
	2.1%
Industrial other	
	927
	51
	8
	970
	1.4%
Utilities	
	10,058
	640
	78
	10,620
	15.2%
Corporate asset-backed securities ("ABS"):	

Collateralized debt obligations ("CDOs")

106

5

5

106

0.2%

Commercial real estate ("CRE") CDOs

43

-

13

30

0.0%

Credit card

832

32

4

860

1.2%

Home equity

980

6

243

743

1.1%

Manufactured housing

106

3

2

107

0.2%

Auto loan

122

2

-

124

0.2%

Other

203

23

-

226

0.3%

Commercial mortgage-backed securities ("CMBS"):

Non-agency backed

1,966

89

123

1,932

2.8%

Collateralized mortgage and other obligations ("CMOs"):

Agency backed

3,784

284

1

4,067

5.8%

Non-agency backed

1,654

19

192

1,481

2.1%

Mortgage pass through securities ("MPTS"):

Agency backed

2,984

83

7

3,060

4.4%

Non-agency backed

2

-

-

2

0.0%

Municipals:

Taxable

3,320

38

81

3,277

4.7%

Tax-exempt

3

-

-

3

0.0%

Government and government agencies:

United States

907

112

3

1,016

1.5%

Foreign

1,482

82

8

1,556

2.2%

Hybrid and redeemable preferred securities

1,457

74

112

1,419

2.0%

Total fixed maturity AFS securities

67,092

3,948

1,222

69,818

100.0%

Equity AFS Securities

120

25

-

		145
Total AFS securities		
		67,212
		3,973
		1,222
		69,963
Trading Securities (1)		
		2,347
		285
		34
		2,598
Total AFS and trading securities	$	69,559
	$	4,258
	$	1,256
	$	72,561

Explanation of Responses:

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

(1)

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

AFS Securities

The general intent of the AFS accounting guidance is to reflect stockholders' equity as if unrealized gains and losses were actually recognized, and it is necessary that we consider all related accounting adjustments that would occur upon such a hypothetical recognition of unrealized gains and losses. Such related balance sheet effects include adjustments to the balances of DAC, VOBA, DFEL, other contract holder funds and deferred income taxes. Adjustments to each of these balances are charged or credited to accumulated OCI. For instance, DAC is adjusted upon the recognition of unrealized gains or losses because the amortization of DAC is based upon an assumed emergence of gross profits on certain insurance business. Deferred income tax balances are also adjusted because unrealized gains or losses do not affect actual taxes currently paid.

The quality of our AFS fixed maturity securities portfolio, as measured at estimated fair value and by the percentage of fixed maturity securities invested in various ratings categories, relative to the entire fixed maturity AFS security portfolio (in millions) was as follows:

NAIC Designation	Rating Agency Equivalent Designation	As of March 31, 2011 Amortized Cost	Fair Value	% of Total	As of December 31, 2010 Amortized Cost	Fair Value	% of Total
Investment Grade Securities							
1	Aaa / Aa / A	$ 41,326	$ 43,279	62.0%	$ 40,573	$ 42,769	62.3%
2	Baa	21,817	23,017	33.0%	21,032	22,286	32.5%
Total investment grade securities		63,143	66,296	95.0%	61,605	65,055	94.8%
Below Investment Grade Securities							
3	Ba	2,593	2,443	3.5%	2,620	2,403	3.5%
4	B	749	641	0.9%	796	665	1.0%
5	Caa and lower	350	250	0.3%	476	325	0.5%
6	In or near default	257	188	0.3%	248	166	0.2%
Total below investment grade securities		3,949	3,522	5.0%	4,140	3,559	5.2%
Total fixed maturity AFS securities		$ 67,092	$ 69,818	100.0%	$ 65,745	$ 68,614	100.0%
Total securities below investment grade as a percentage of total fixed maturity AFS securities		5.9%	5.0%		6.3%	5.2%	

Comparisons between the National Association of Insurance Commissioners ("NAIC") ratings and rating agency designations are published by the NAIC. The NAIC assigns securities quality ratings and uniform valuations, which are used by insurers when preparing their annual statements. The NAIC ratings are similar to the rating agency designations of the Nationally Recognized Statistical Rating Organizations for marketable bonds. NAIC ratings 1 and 2 include bonds generally considered investment grade (rated Baa3 or higher by Moody's Investors Service ("Moody's"), or rated BBB- or higher by S&P and Fitch Ratings ("Fitch")), by such ratings organizations. However, securities rated NAIC 1 and NAIC 2 could be below investment grade by the rating agencies, which is a result of the changes in the RBC rules for residential mortgage-backed securities ("RMBS") that were effective December 31, 2010, for statutory reporting. NAIC ratings 3 through 6 include bonds generally considered below investment grade (rated Ba1 or lower by Moody's, or rated BB+ or lower by S&P and Fitch).

As of March 31, 2011, and December 31, 2010, 84.5% and 79.8%, respectively, of the total publicly traded and private securities in an unrealized loss status were rated as investment grade. See Note 5 for maturity date information for our fixed maturity investment portfolio. Our gross unrealized losses on AFS securities as of March 31, 2011, decreased $186 million. This change was attributable primarily to a decline in overall market yields, which was driven, in part, by improved credit fundamentals. As more fully described in Note 1 of our 2010 Form 10-K, we regularly review our investment holdings for OTTI. We believe the unrealized loss position as of March 31, 2011, does not represent OTTI as we do not intend to sell these debt securities, it is not more likely than not that we will be required to sell the debt securities before recovery of their amortized cost basis, the estimated future cash flows are equal to or greater than the amortized cost basis of the debt securities, or we have the ability and intent to hold the equity securities for a period of time sufficient for recovery. For further information on our AFS securities unrealized losses, see "Additional Details on our Unrealized Losses on AFS Securities" below.

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

	As of March 31, 2011					
	Fair Value	Gross Unrealized Losses and OTTI	Estimated Years until Call or Maturity	Estimated Average Years until Recovery	Subordination Level Current	Subordination Level Origination
CMBS	$ 337	$ 123	1 to 42	28	24.0%	17.9%
Hybrid and redeemable preferred securities	610	112	1 to 56	30	N/A	N/A

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

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

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

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

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

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

As reported on our Consolidated Balance Sheets, we had $86.5 billion of investments and cash, which exceeded the liabilities for our future obligations under insurance policies and contracts, net of amounts recoverable from reinsurers, which totaled $77.9 billion as of March 31, 2011. If it were necessary to liquidate securities prior to maturity or call to meet cash flow needs, we would first look to those securities that are in an unrealized gain position, which had a fair value of $55.4 billion, excluding consolidated

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VIEs in the amount of $587 million, as of March 31, 2011, rather than selling securities in an unrealized loss position. The amount of cash that we have on hand at any point of time takes into account our liquidity needs in the future, other sources of cash, such as the maturities of investments, interest and dividends we earn on our investments and the on-going cash flows from new and existing business.

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

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

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

Mortgage-Backed Securities ("MBS") (Included in AFS and Trading Securities)

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

We limit the extent of our risk on MBS by prudently limiting exposure to the asset class, by generally avoiding the purchase of securities with a cost that significantly exceeds par, by purchasing securities backed by stable collateral and by concentrating on securities with enhanced priority in their trust structure. Such securities with reduced risk typically have a lower yield (but higher liquidity) than higher-risk MBS. At selected times, higher-risk securities may be purchased if they do not compromise the safety of the general portfolio. As of March 31, 2011, we did not have a significant amount of higher-risk, trust structured MBS. A significant amount of assets in our MBS portfolio are either guaranteed by U.S. government-sponsored enterprises or are supported in the securitization structure by junior securities enabling the assets to achieve high investment grade status.

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

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

amount of our securities, largely due to the seniority of the claims on the collateral of the securities that we own. The tranches of the securities will experience losses according to their seniority level with the least senior (or most junior), typically the unrated residual tranche, taking the initial loss. The credit ratings of our securities reflect the seniority of the securities that we own. Our RMBS had a market value of $8.9 billion and an unrealized gain of $190 million, or 2%, as of March 31, 2011.

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The market value of AFS securities and trading securities backed by subprime loans was $475 million and represented less than 1% of our total investment portfolio as of March 31, 2011. AFS securities represented $462 million, or 97%, and trading securities represented $13 million, or 3%, of the subprime exposure as of March 31, 2011. AFS securities and trading securities rated A or above represented 42% of the subprime investments and $251 million in market value of our subprime investments was backed by loans originating in 2005 and forward. The tables below summarize our investments in AFS securities backed by pools of residential mortgages (in millions):

	Fair Value as of March 31, 2011				
	Prime Agency	Prime/ Non-Agency	Alt-A	Subprime	Total
Type					
CMOs and MPTS	$ 7,127	$ 1,004	$ 479	$ -	$ 8,610
ABS home equity	5	-	276	462	743
Total by type (1)	$ 7,132	$ 1,004	$ 755	$ 462	$ 9,353
Rating					
AAA	$ 7,116	$ 238	$ 83	$ 82	$ 7,519
AA	-	30	15	31	76
A	16	8	33	77	134
BBB	-	48	48	51	147
BB and below	-	680	576	221	1,477
Total by rating (1)(2)	$ 7,132	$ 1,004	$ 755	$ 462	$ 9,353
Origination Year					
2004 and prior	$ 2,161	$ 256	$ 278	$ 216	$ 2,911
2005	853	187	226	179	1,445
2006	256	198	202	66	722
2007	1,119	363	49	-	1,531
2008	272	-	-	-	272
2009	1,302	-	-	1	1,303
2010	1,062	-	-	-	1,062
2011	107	-	-	-	107
Total by origination year (1)	$ 7,132	$ 1,004	$ 755	$ 462	$ 9,353
Total AFS securities					$ 69,963
Total AFS RMBS as a percentage of total AFS securities					13.4%
Total prime/non-agency, Alt-A and subprime as a percentage of total AFS securities					3.2%

(1) Does not include the fair value of trading securities totaling $280 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $280 million in trading securities consisted of $251 million prime, $16 million Alt-A and $13 million subprime.

(2) For the table above, credit ratings shown in the document are based on ratings provided by the major credit rating agencies (Fitch, Moody's and S&P) or are based on internal ratings for those securities where external ratings are not available. For securities where the ratings assigned by the major rating agencies are not equivalent, the

second highest of the three ratings assigned is used.

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	Amortized Cost as of March 31, 2011				
	Prime Agency	Prime/ Non- Agency	Alt-A	Subprime	Total
Type					
CMOs and MPTS	$ 6,768	$ 1,089	$ 567	$ -	$ 8,424
ABS home equity	4	-	341	635	980
Total by type (1)	$ 6,772	$ 1,089	$ 908	$ 635	$ 9,404
Rating					
AAA	$ 6,757	$ 236	$ 83	$ 87	$ 7,163
AA	-	34	23	31	88
A	15	9	36	80	140
BBB	-	52	48	64	164
BB and below	-	758	718	373	1,849
Total by rating (1)(2)	$ 6,772	$ 1,089	$ 908	$ 635	$ 9,404
Origination Year					
2004 and prior	$ 2,027	$ 267	$ 304	$ 266	$ 2,864
2005	795	210	270	238	1,513
2006	235	211	262	129	837
2007	1,018	401	72	-	1,491
2008	252	-	-	-	252
2009	1,278	-	-	2	1,280
2010	1,060	-	-	-	1,060
2011	107	-	-	-	107
Total by origination year (1)	$ 6,772	$ 1,089	$ 908	$ 635	$ 9,404
Total AFS securities					$ 67,212
Total AFS RMBS as a percentage of total AFS securities					14.0%
Total prime/non-agency, Alt-A and subprime as a percentage of total AFS securities					3.9%

(1) Does not include the amortized cost of trading securities totaling $280 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $280 million in trading securities consisted of $246 million prime, $19 million Alt-A and $15 million subprime.

(2) For the table above, credit ratings shown in the document are based on ratings provided by the major credit rating agencies (Fitch, Moody's and S&P) or are based on internal ratings for those securities where external ratings are not available. For securities where the ratings assigned by the major rating agencies are not equivalent, the second highest of the three ratings assigned is used.

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

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

	As of March 31, 2011					
	Credit Card		Auto Loans		Total	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Rating						
AAA	$ 838	$ 810	$ 124	$ 122	$ 962	$ 932
BBB	22	22	-	-	22	22
Total by rating (1)(2)	$ 860	$ 832	$ 124	$ 122	$ 984	$ 954
Total AFS securities					$ 69,963	$ 67,212
Total by rating as a percentage of total AFS securities					1.4%	1.4%

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

(2) For the table above, credit ratings shown in the document are based on ratings provided by the major credit rating agencies (Fitch, Moody's and S&P) or are based on internal ratings for those securities where external ratings are not available. For securities where the ratings assigned by the major rating agencies are not equivalent, the second highest of the three ratings assigned is used.

The following summarizes our investments in AFS securities backed by pools of commercial mortgages (in millions):

	As of March 31, 2011							
	Multiple Property		Single Property		CRE CDOs		Total	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Type								
CMBS	$ 1,862	$ 1,860	$ 70	$ 106	$ -	$ -	$ 1,932	$ 1,966
CRE CDOs	-	-	-	-	30	43	30	43
Total by type (1)	$ 1,862	$ 1,860	$ 70	$ 106	$ 30	$ 43	$ 1,962	$ 2,009
Rating								
AAA	$ 1,266	$ 1,194	$ 21	$ 21	$ -	$ -	$ 1,287	$ 1,215
AA	243	239	10	10	-	-	253	249
A	148	147	12	13	3	3	163	163
BBB	110	110	6	6	12	14	128	130
BB and below	95	170	21	56	15	26	131	252
Total by rating (1)(2)	$ 1,862	$ 1,860	$ 70	$ 106	$ 30	$ 43	$ 1,962	$ 2,009
Origination Year								
2004 and prior	$ 1,170	$ 1,152	$ 38	$ 38	$ 6	$ 7	$ 1,214	$ 1,197
2005	347	330	30	60	12	14	389	404
2006	146	177	2	8	12	22	160	207
2007	145	147	-	-	-	-	145	147

2010	54	54	-	-	-	-	54	54
Total by origination year (1)	$ 1,862	$ 1,860	$ 70	$ 106	$ 30	$ 43	$ 1,962	$ 2,009
Total AFS securities							$ 69,963	$ 67,212
Total AFS securities backed by pools of commercial mortgages as a percentage of total AFS securities							2.8%	3.0%

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(1) Does not include the fair value of trading securities totaling $66 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $66 million in trading securities consisted of $63 million CMBS and $3 million CRE CDOs.
(2) For the table above, credit ratings shown in the document are based on ratings provided by the major credit rating agencies (Fitch, Moody's and S&P) or are based on internal ratings for those securities where external ratings are not available. For securities where the ratings assigned by the major rating agencies are not equivalent, the second highest of the three ratings assigned is used.

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

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

	As of March 31, 2011					
Monoline Name	Direct Exposure	Insured Bonds (1)	Total Amortized Cost	Total Unrealized Gain	Total Unrealized Loss and OTTI	Total Fair Value
AMBAC	$ -	$ 218	$ 218	$ 3	$ 37	$ 184
ASSURED GUARANTY LTD	30	-	30	-	18	12
FGIC	-	75	75	1	16	60
FSA	-	42	42	1	1	42
MBIA	12	139	151	13	11	153
MGIC	-	5	5	-	1	4
PMI GROUP INC	25	-	25	-	7	18
XL CAPITAL LTD	72	62	134	2	10	126
Total by Monoline insurer (2)	$ 139	$ 541	$ 680	$ 20	$ 101	$ 599
Total AFS securities			$ 67,212	$ 3,973	$ 1,222	$ 69,963
Total by Monoline insurer as a percentage of total AFS securities			1.0%	0.5%	8.3%	0.9%

(1) Additional indirect insured exposure through structured securities is excluded from this table.
(2) Does not include the fair value of trading securities totaling $30 million, certain of which support our Modco reinsurance agreements because investment results for these agreements are passed directly to the reinsurers. The $30 million in trading securities consisted of $12 million of direct exposure and $18 million of insured exposure. This table also excludes insured exposure totaling $10 million for a guaranteed investment tax credit partnership.

Additional Details on our Unrealized Losses on AFS Securities

When considering unrealized gain and loss information, it is important to recognize that the information relates to the status of securities at a particular point in time and may not be indicative of the status of our investment portfolios subsequent to the balance sheet date. Further, because the timing of the recognition of realized investment gains and losses through the selection of which securities are sold is largely at management's discretion, it is important to consider the information provided below within the context of the overall unrealized gain or loss position of our investment portfolios. These are important considerations that should be included in any evaluation of the potential effect of unrealized loss securities on our future earnings.

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

	As of March 31, 2011					
	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss and OTTI	% Unrealized Loss and OTTI
CMBS	$ 6	1.4%	$ 50	8.0%	$ 44	23.8%
CMOs	221	50.1%	264	42.1%	43	23.1%
ABS	85	19.3%	128	20.4%	43	23.1%
Banking	40	9.1%	67	10.7%	27	14.5%
Diversified manufacturing	45	10.2%	63	10.0%	18	9.7%
Property and casualty insurers	27	6.1%	36	5.7%	9	4.8%
Non-agency	-	0.0%	1	0.2%	1	0.5%
Industrial - other	5	1.1%	6	1.0%	1	0.5%
Gaming	12	2.7%	12	1.9%	-	0.0%
Total securities subject to enhanced analysis and monitoring	$ 441	100.0%	$ 627	100.0%	$ 186	100.0%
Total AFS securities	$ 69,963		$ 67,212		$ 1,222	
Total securities subject to enhanced analysis and monitoring as a percentage of total AFS securities	0.6%		0.9%		15.2%	

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

enhanced analysis and monitoring as a percentage of total AFS securities	0.5%	0.8%	13.6%

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In addition, as discussed in Note 1 in our 2010 Form 10-K, we perform detailed analysis of our AFS securities, including those presented above as well as other AFS securities. For selected information on these AFS securities in a gross unrealized loss position backed by pools of residential and commercial mortgages as of March 31, 2011, see Note 5.

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

	As of March 31, 2011					
	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss and OTTI	% Unrealized Loss and OTTI
ABS	$ 810	5.9%	$ 1,077	7.2%	$ 267	21.7%
CMOs	1,166	8.4%	1,355	9.0%	189	15.5%
Banking	1,285	9.3%	1,450	9.6%	165	13.5%
CMBS	337	2.4%	459	3.0%	122	10.0%
Local authorities	2,015	14.6%	2,097	13.9%	82	6.7%
Electric	1,179	8.5%	1,240	8.2%	61	5.0%
Property and casualty insurers	320	2.3%	365	2.4%	45	3.7%
Diversified manufacturing	312	2.3%	342	2.3%	30	2.5%
Life	302	2.2%	325	2.2%	23	1.9%
Retailers	188	1.4%	207	1.4%	19	1.6%
Media - non-cable	253	1.8%	271	1.8%	18	1.5%
Entertainment	261	1.9%	275	1.8%	14	1.1%
Gaming	194	1.4%	205	1.4%	11	0.9%
Industries with unrealized losses less than $10 million	5,221	37.6%	5,397	35.8%	176	14.4%
Total by industry	$ 13,843	100.0%	$ 15,065	100.0%	$ 1,222	100.0%
Total AFS securities	$ 69,963		$ 67,212		$ 1,222	
Total by industry as a percentage of total AFS securities	19.8%		22.4%		100.0%	

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

Unrealized Loss on Below Investment Grade AFS Fixed Maturity Securities

Gross unrealized losses on below investment grade AFS fixed maturity securities represented 43.0% and 47.4% of total gross unrealized losses on all AFS securities as of March 31, 2011, and December 31, 2010, respectively. Generally, below investment grade fixed maturity securities are more likely than investment grade fixed maturity securities to develop credit concerns. The remaining 57.0% and 52.6% of the gross unrealized losses as of March 31, 2011, and December 31, 2010, respectively, related to investment grade AFS securities. The ratios of estimated fair value to amortized cost reflected in the table below were not necessarily indicative of the market value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of these ratios subsequent to March 31, 2011.

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

	Ratio of Amortized Cost to Fair Value	As of March 31, 2011		
Aging Category		Fair Value	Amortized Cost	Unrealized Loss and OTTI
90 days or less	Above 70%	$ 321	$ 358	$ 37
	40% to 70%	25	41	16
	Below 40%	2	10	8
Total 90 days or less		348	409	61
91 days to 180 days	Above 70%	128	149	21
Total 91 to 180 days		128	149	21
181 days to 270 days	Above 70%	44	58	14
	40% to 70%	11	17	6
	Below 40%	2	6	4
Total 181 days to 270 days		57	81	24
271 days to 1 year	Above 70%	63	77	14
	40% to 70%	2	3	1
Total 271 days to 1 year		65	80	15
Greater than 1 year	Above 70%	1,269	1,428	159
	40% to 70%	259	432	173
	Below 40%	15	87	72
Total greater than 1 year		1,543	1,947	404
Total below investment grade and in an unrealized loss position		$ 2,141	$ 2,666	$ 525
Total AFS securities		$ 69,963	$ 67,212	$ 1,222
Total below investment grade and in an unrealized loss position as a percentage of total AFS securities		3.1%	4.0%	43.0%

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

Mortgage Loans on Real Estate

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

	As of March 31, 2011		As of December 31, 2010	
	Carrying Value	%	Carrying Value	%
Credit Quality Indicator				
Current	$ 6,698	99.2%	$ 6,699	99.2%
Delinquent and in foreclosure (1)	51	0.8%	53	0.8%
Total mortgage loans on real estate	$ 6,749	100.0%	$ 6,752	100.0%

(1) As of March 31, 2011, and December 31, 2010, there were 11 and 10 mortgage loans that were delinquent and in foreclosure, respectively.

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	As of March 31, 2011	As of December 31, 2010
By Segment		
Retirement Solutions:		
Annuities	$ 1,194	$ 1,172
Defined Contribution	943	920
Insurance Solutions:		
Life Insurance	3,812	3,856
Group Protection	286	285
Other Operations	514	519
Total mortgage loans on real estate	$ 6,749	$ 6,752

	As of March 31, 2011	
	Carrying Value	%
Property Type		
Office building	$ 2,251	33.3%
Industrial	1,786	26.5%
Retail	1,583	23.5%
Apartment	741	11.0%
Hotel/Motel	163	2.4%
Mixed use	129	1.9%
Other commercial	96	1.4%
Total	$ 6,749	100.0%

	As of March 31, 2011	
	Carrying Value	%
Geographic Region		
Pacific	$ 1,841	27.3%
South Atlantic	1,678	24.9%
West South Central	643	9.5%
East North Central	634	9.4%
Mountain	596	8.8%
East South Central	430	6.4%
Middle Atlantic	421	6.2%
West North Central	372	5.5%
New England	134	2.0%
Total	$ 6,749	100.0%

	As of March 31, 2011	
	Carrying Value	%
State Exposure		
CA	$ 1,455	21.5%
TX	610	9.0%
MD	422	6.3%
VA	337	5.0%
FL	309	4.6%
TN	302	4.5%
WA	284	4.2%
NC	252	3.7%
AZ	242	3.6%
GA	228	3.4%
IL	202	3.0%
PA	198	2.9%
NV	187	2.8%
OH	182	2.7%
IN	168	2.5%
MN	153	2.3%
Other states under 2%	1,218	18.0%
Total	$ 6,749	100.0%

	As of March 31, 2011	
	Principal Amount	%
Origination Year		
2004 and prior	$ 2,908	43.2%
2005	815	12.1%
2006	661	9.8%
2007	940	13.9%
2008	808	12.0%
2009	150	2.2%
2010	320	4.7%
2011	139	2.1%
Total	$ 6,741	100.0%

	As of March 31, 2011	
	Principal Amount	%
Future Principal Payments		
Remainder of 2011	$ 230	3.4%
2012	327	4.9%
2013	398	5.9%
2014	436	6.5%
2015	652	9.7%
2016 and thereafter	4,698	69.6%
Total	$ 6,741	100.0%

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

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

There were eight and nine impaired mortgage loans on real estate, or less than 1% of the total dollar amount of mortgage loans on real estate as of March 31, 2011, and December 31, 2010, respectively. The carrying value on the mortgage loans on real estate that were two or more payments delinquent as of March 31, 2011, was $51 million, or 1% of total mortgage loans on real estate. The total principal and interest past due on the mortgage loans on real estate that were two or more payments delinquent as of March 31, 2011, was $11 million. The carrying value on the mortgage loans on real estate that were two or more payments delinquent as of December 31, 2010, was $48 million, or 1% of total mortgage loans on real estate. The total principal and interest past due on the mortgage loans on real estate that were two or more payments delinquent as of December 31, 2010, was $5 million. See Note 1 in our 2010 Form 10-K for more information regarding our accounting policy relating to the impairment of mortgage loans on real estate.

Alternative Investments

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

	As of March 31, 2011	As of December 31, 2010
Retirement Solutions:		
Annuities	$ 103	$ 95
Defined Contribution	71	71
Insurance Solutions:		
Life Insurance	563	546
Group Protection	33	30

Other Operations	4	8
Total alternative investments	$ 774	$ 750

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

	For the Three Months Ended March 31,		
	2011	2010	Change
Retirement Solutions:			
Annuities	$ 6	$ 2	200%
Defined Contribution	4	2	100%
Insurance Solutions:			
Life Insurance	31	15	107%
Group Protection	2	1	100%
Other Operations	-	1	-100%
Total alternative investments (1)	$ 43	$ 21	105%

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

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

As of March 31, 2011, and December 31, 2010, alternative investments included investments in approximately 97 and 95 different partnerships, respectively, and the portfolio represented less than 1% of our overall invested assets. The partnerships do not represent off-balance sheet financing and generally involve several third-party partners. Some of our partnerships contain capital calls, which require us to contribute capital upon notification by the general partner. These capital calls are contemplated during the initial investment decision and are planned for well in advance of the call date. The capital calls are not material in size and are not material to our liquidity. Alternative investments are accounted for using the equity method of accounting and are included in other investments on our Consolidated Balance Sheets.

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

	For the Three Months Ended March 31,	
	2011	2010
Retirement Solutions:		
Annuities	$ 3	$ 1
Defined Contribution	2	1
Insurance Solutions:		
Life Insurance	21	10
Group Protection	2	1
Total	$ 28	$ 13

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

	For the Three Months Ended March 31,	
	2011	2010
Venture capital	$ 10	$ 6
Oil and gas	18	7
Associated amortization of DAC, VOBA, DSI, and DFEL	(9)	(4)
Federal income tax expense (benefit)	(7)	(3)
Total	$ 12	$ 6

Non-Income Producing Investments

As of March 31, 2011, and December 31, 2010, the carrying amount of fixed maturity securities, mortgage loans on real estate and real estate that were non-income producing was $15 million and $17 million, respectively.

Net Investment Income

Details underlying net investment income (in millions) and our investment yield were as follows:

	For the Three Months Ended March 31,		
	2011	2010	Change
Net Investment Income			
Fixed maturity AFS securities	$ 951	$ 904	5%
VIEs' fixed maturity AFS securities	3	4	-25%
Equity AFS securities	1	2	-50%
Trading securities	39	39	0%
Mortgage loans on real estate	103	110	-6%
Real estate	7	7	0%
Standby real estate equity commitments	1	-	NM
Policy loans	41	42	-2%
Invested cash	1	1	0%
Commercial mortgage loan prepayment and bond makewhole premiums (1)	34	5	NM
Alternative investments (2)	43	21	105%
Other investments	(5)	1	NM
Investment income	1,219	1,136	7%
Investment expense	(28)	(30)	7%
Net investment income	$ 1,191	$ 1,106	8%

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

Explanation of Responses:

	For the Three Months Ended March 31,		Basis Point
	2011	2010	Change
Interest Rate Yield			
Fixed maturity securities, mortgage loans on real estate and other, net of investment expenses	5.56%	5.72%	(16)
Standby real estate equity commitments	0.01%	0.00%	1
Commercial mortgage loan prepayment and bond makewhole premiums	0.17%	0.03%	14
Alternative investments	0.22%	0.11%	11
Net investment income yield on invested assets	5.96%	5.86%	10

	For the Three Months Ended March 31,		
	2011	2010	Change
Average invested assets at amortized cost	$ 79,996	$ 75,459	6%

We earn investment income on our general account assets supporting fixed annuity, term life, whole life, UL, interest-sensitive whole life and fixed portion of defined contribution and VUL products. The profitability of our fixed annuity and life insurance products is affected by our ability to achieve target spreads, or margins, between the interest income earned on the general account assets and the interest credited to the contract holder on our average fixed account values, including the fixed portion of variable. Net investment income and the interest rate yield table each include commercial mortgage loan prepayments and bond makewhole premiums, alternative investments and contingent interest and standby real estate equity commitments. These items can vary significantly from period to period due to a number of factors and therefore can provide results that are not indicative of the underlying trends.

The increase in net investment income when comparing three months ended March 31, 2011, to the same period of 2010 was attributable to more favorable investment income on surplus and alternative investments, higher prepayment and bond makewhole premiums (see "Alternative Investments" above and "Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums" below for more information) and higher invested assets driven primarily by favorable net flows on fixed account values, including the fixed portion of variable and to a lesser extent issuances of common stock and debt.

Standby Real Estate Equity Commitments

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

As of March 31, 2011, we did not have any standby real estate equity commitments. During the three months ended March 31, 2011, we funded commitments of $19 million and recorded a gain of $6 million due to our funding being less than our estimated allowance for loss related to these commitments.

Commercial Mortgage Loan Prepayment and Bond Makewhole Premiums

Prepayment and makewhole premiums are collected when borrowers elect to call or prepay their debt prior to the stated maturity. A prepayment or makewhole premium allows investors to attain the same yield as if the borrower made all scheduled interest payments until maturity. These premiums are designed to make investors indifferent to prepayment.

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

Realized Gain (Loss) Related to Certain Investments

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

	For the Three Months Ended March 31,		
	2011	2010	Change
Fixed maturity AFS securities:			
Gross gains	$ 36	$ 50	-28%
Gross losses	(63)	(84)	25%
Equity AFS securities:			
Gross gains	8	-	NM
Gross losses	-	(4)	100%
Gain (loss) on other investments	13	(21)	162%
Associated amortization of DAC, VOBA, DSI, and DFEL and changes in other contract holder funds	(11)	4	NM
Total realized gain (loss) related to certain investments	$ (17)	$ (55)	69%

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

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

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

that we pay particular attention to are risks that may be correlated within specific financial and business markets, risks within specific industries and risks associated with related parties.

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

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

	For the Three Months Ended March 31,		
	2011	2010	Change
Fixed Maturity Securities			
Corporate bonds	$ (3)	$ (41)	93%
MBS:			
CMOs	(20)	(24)	17%
CMBS	(24)	-	NM
ABS CDOs	(1)	(1)	0%
Hybrid and redeemable preferred securities	(2)	(5)	60%
Total fixed maturity securities	(50)	(71)	30%
Equity Securities			
Other financial services securities	-	(3)	100%
Total equity securities	-	(3)	100%
Gross OTTI recognized in net income (loss)	(50)	(74)	32%
Associated amortization of DAC, VOBA, DSI and DFEL	11	21	-48%
Net OTTI recognized in net income (loss), pre-tax	$ (39)	$ (53)	26%
Portion of OTTI Recognized in OCI			
Gross OTTI recognized in OCI	$ 8	$ 22	-64%
Change in DAC, VOBA, DSI and DFEL	(2)	2	NM
Net portion of OTTI recognized in OCI, pre-tax	$ 6	$ 24	-75%

When comparing the first three months of 2011 to the same period in 2010, the decrease in write-downs for OTTI on our AFS securities was attributable primarily to overall improvement in the credit markets as compared to the same period in the prior year. Losses in 2011 were attributable primarily to deteriorating fundamentals within the commercial and residential real estate market that affected select RMBS and CMBS holdings.

The $58 million of impairments taken during the first three months of 2011 were split between $50 million of credit related impairments and $8 million of non-credit related impairments. The credit related impairments were largely attributable to our RMBS and mortgage-related ABS holdings that have suffered from continued deterioration in housing fundamentals. The non-credit related impairments were incurred due to declines in values of securities for which we do not have an intent to sell or it is not more likely than not that we will be required to sell the securities before recovery.

REVIEW OF CONSOLIDATED FINANCIAL CONDITION

Liquidity and Capital Resources

Sources of Liquidity and Cash Flow

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations to meet cash requirements with a prudent margin of safety. Our principal sources of cash flow from operating activities are insurance premiums and fees and investment income, while sources of cash flows from investing activities result from maturities and sales of invested assets. Our operating activities provided cash of $382 million and $565 million for the first three months of 2011 and 2010, respectively. When considering our liquidity and cash flow, it is important to distinguish between the needs of our insurance subsidiaries and the needs of the holding company, LNC. As a holding company with no operations of its own, LNC derives its cash primarily from its operating subsidiaries.

The sources of liquidity of the holding company are principally comprised of dividends and interest payments from subsidiaries, augmented by holding company short-term investments, bank lines of credit and the ongoing availability of long-term public financing under an SEC-filed shelf registration statement. These sources of liquidity and cash flow support the general corporate needs of the holding company, including its common and preferred stock dividends, interest and debt service, funding of callable securities, securities repurchases, acquisitions and investment in core businesses. Our cash flows associated with collateral received from and posted with counterparties change as the market value of the underlying derivative contract changes. As the value of a derivative asset declines (or increases), the collateral required to be posted by our counterparties would also decline (or increase). Likewise, when the value of a derivative liability declines (or increases), the collateral we are required to post for our counterparties' benefit would also decline (or increase). During the first quarter of 2011, our payables for collateral on derivative investments decreased by $70 million as steadily rising equity markets and less volatility lowered the fair values of the associated derivative investments. For additional information, see "Credit Risk" in Note 6.

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

	For the Three Months Ended March 31,		
	2011	2010	Change
Dividends from Subsidiaries			
The Lincoln National Life Insurance Company ("LNL")	$ 150	$ -	NM
Delaware Investments (1)	-	390	-100%
Other	6	15	-60%
Loan Repayments and Interest from Subsidiary			
Interest on inter-company notes (2)	22	22	0%
	$ 178	$ 427	-58%
Other Cash Flow and Liquidity Items			
Net capital received from (paid for taxes on) stock option exercises and restricted stock	$ (1)	$ -	NM

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

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

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Subsidiaries' Statutory Reserving and Surplus

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

Financing Activities

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

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

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

	For the Three Months Ended March 31, 2011					
	Beginning Balance	Issuance	Maturities and Repayments	Change in Fair Value Hedges	Other Changes (1)	Ending Balance
Short-Term Debt						
Commercial paper (2)	$ 100	$ -	$ -	$ -	$ -	$ 100
Current maturities of long-term debt (3)	250	-	-	-	-	250
Other short-term debt (4)	1	-	-	-	-	1
Total short-term debt	$ 351	$ -	$ -	$ -	$ -	$ 351
Long-Term Debt						
Senior notes	$ 3,464	$ -	$ -	$ (30)	$ 1	$ 3,435
Bank borrowing	200	-	-	-	-	200
Federal Home Loan Bank of Indianapolis ("FHLBI") advance	250	-	-	-	-	250
Capital securities	1,485	-	-	-	-	1,485
Total long-term debt	$ 5,399	$ -	$ -	$ (30)	$ 1	$ 5,370

(1) Includes the net increase (decrease) in commercial paper, non-cash reclassification of long-term debt to current maturities of long-term debt, accretion of discounts and (amortization) of premiums, as applicable.
(2) During the first quarter of 2011, we had an average of $101 million outstanding, a maximum amount outstanding of $103 million at any time and a weighted average interest rate of 0.35%.
(3) Consisted of a 6.20% fixed rate senior note that matures in less than one year.
(4) Consisted of advances from the FHLBI with a maturity of less than one year when made. During the first quarter of 2011, we had an average and maximum amount outstanding of $1 million and a weighted average interest rate of 0.54%.

Within the next two years, we have a $250 million 6.20% fixed rate senior note maturing on December 15, 2011, and a $300 million 5.65% fixed rate senior note maturing on August 27, 2012. The specific resources or combination of resources that we will use to meet these maturities will depend upon, among other things, the financial market conditions present at the time of maturity. As of March 31, 2011, the holding company had $730 million in cash and cash equivalents and $25 million invested in fixed maturity corporate bonds; however, as discussed below, it had an $80 million payable under the inter-company cash management program and commercial paper outstanding of $100 million. In addition, it received $110 million of federal income tax refunds in early April 2011.

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

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

		As of March 31, 2011		
	Expiration Date	Maximum Available	Borrowings Outstanding	LOCs Issued
Credit Facilities				
Credit facility with the FHLBI (1)	N/A	$ 630	$ 350	N/A
364-day revolving credit facility	Jun-2011	500	-	-
Four-year revolving credit facility	Jun-2014	1,500	-	895
Ten-year LOC facility	Dec-2019	550	-	550
Total		$ 3,180	$ 350	$ 1,445

(1) We are allowed to borrow up to 20 times the amount of our common stock investment in the FHLBI. All borrowings from the FHLBI are required to be secured by certain investments owned by LNL. Our borrowing capacity under this credit facility does not have an expiration date and continues while our investment in the FHLBI common stock remains outstanding as long as LNL maintains a satisfactory level of creditworthiness and does not incur a material adverse change in its financial, business, regulatory or other areas that would materially affect its operations and viability. As of March 31, 2011, we had a $250 million floating-rate term loan outstanding under the facility (classified within long-term debt on our Consolidated Balance Sheets) due June 20, 2017, which may be prepaid. We also borrowed $100 million under the facility (classified within payables for collateral on investments on our Consolidated Balance Sheets) at a rate of 0.65% that is due May 25, 2011.

See "Part II – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Review of Consolidated Financial Condition – Liquidity and Capital Resources – Financing Activities" in our 2010 Form 10-K for a description of our credit facilities.

If current debt ratings and claims-paying ratings were downgraded in the future, terms in our derivative agreements may be triggered, which could negatively affect overall liquidity. For the majority of our counterparties, there is a termination event should the long-term senior debt ratings of LNC drop below BBB-/Baa3 (S&P/Moody's). Our long-term senior debt held a rating of A-/Baa2 (S&P/Moody's) as of March 31, 2011. In addition, contractual selling agreements with intermediaries could be negatively affected, which could have an adverse effect on overall sales of annuities, life insurance and investment products. See "Part I – Item 1A. Risk Factors – A decrease in the capital and surplus of our insurance subsidiaries may result in a downgrade to our credit and insurer financial strength ratings" and "Part I – Item 1A. Risk Factors – A downgrade in our financial strength or credit ratings could limit our ability to market products, increase the number or value of policies being surrendered and/or hurt our relationships with creditors" in our 2010 Form 10-K for more information. See "Part I – Item 1. Business – Ratings" in our 2010 Form 10-K for additional information on our current bond ratings.

Alternative Sources of Liquidity

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

The holding company did not borrow from the cash management program during the first quarter of 2011. There was no balance as of March 31, 2011. In addition, the holding company had an outstanding payable of $80 million to certain subsidiaries resulting from amounts placed by the subsidiaries in the inter-company cash management account in excess of funds borrowed by those subsidiaries as of March 31, 2011. Any increase (decrease) in either of these holding company cash management program payable balances results in an immediate and equal increase (decrease) to holding company cash and cash equivalents.

Our insurance subsidiaries, by virtue of their general account fixed income investment holdings, can access liquidity through securities lending programs and repurchase agreements. As of March 31, 2011, our insurance subsidiaries had securities with a carrying value of $200 million out on loan under the securities lending program and $280 million carrying value subject to reverse-repurchase agreements. The cash received in our securities lending program is typically invested in cash equivalents, short-term investments or fixed maturity securities.

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

Divestitures

For a discussion of our divestitures, see Note 3.

Uses of Capital

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

Return of Capital to Common Stockholders

One of the Company's primary goals is to provide a return to our common stockholders through share price accretion, dividends and stock repurchases. We expect to repurchase an additional $100 million to $150 million of common stock over the remainder of 2011 depending on market conditions and alternative uses of capital. In determining dividends, the Board takes into consideration items such as current and expected earnings, capital needs, rating agency considerations and requirements for financial flexibility.

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

	For the Three Months Ended March 31,		
	2011	2010	Change
Common dividends to stockholders	$ 16	$ 3	NM
Repurchase of common stock	75	-	NM
Total cash returned to stockholders	$ 91	$ 3	NM
Number of shares repurchased	2.414	-	NM
Average price per share	$ 31.09	$ -	NM

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

Other Uses of Capital

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

	For the Three Months Ended March 31,		
	2011	2010	Change
Debt service (interest paid)	$ 63	$ 58	9%
Capital contribution to subsidiaries	8	18	-56%
Total	$ 71	$ 76	-7%

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

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Significant Trends in Sources and Uses of Cash Flow

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

OTHER MATTERS

Other Factors Affecting Our Business

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

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Interest Rate Risk on Fixed Insurance Businesses – Falling Rates

There were no material changes to our earnings sensitivity analysis disclosed in “Part II – Item 7A. – Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk – Interest Rate Risk on Fixed Insurance Businesses – Falling Rates” of our 2010 Form 10-K.

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The following provides detail on the percentage differences between the March 31, 2011, interest rates being credited to contract holders based on first quarter of 2011 declared rates and the respective minimum guaranteed policy rate (dollars in millions), broken out by contract holder account values reported within the Retirement Solutions and Insurance Solutions businesses:

	Account Values				
	Retirement Solutions		Insurance Solutions -		%
	Annuities	Defined Contribution	Life Insurance (1)	Total	Account Values
Excess of Crediting Rates over Contract Minimums					
Discretionary rate setting products (2)(3)					
No difference	$ 4,818	$ 9,017	$ 23,524	$ 37,359	60.4%
up to 0.10%	39	14	557	610	1.0%
0.11% to 0.20%	25	1	152	178	0.3%
0.21% to 0.30%	299	22	186	507	0.8%
0.31% to 0.40%	21	1	390	412	0.7%
0.41% to 0.50%	58	-	695	753	1.2%
0.51% to 0.60%	84	-	719	803	1.3%
0.61% to 0.70%	85	187	486	758	1.2%
0.71% to 0.80%	86	-	302	388	0.6%
0.81% to 0.90%	54	-	268	322	0.5%
0.91% to 1.00%	56	192	149	397	0.6%
1.01% to 1.50%	465	91	443	999	1.6%
1.51% to 2.00%	197	6	51	254	0.4%
2.01% to 2.50%	110	156	-	266	0.4%
2.51% to 3.00%	15	16	78	109	0.2%
3.01% and above	5	10	-	15	0.1%
Total discretionary rate setting products	6,417	9,713	28,000	44,130	71.3%
Other contracts (4)	14,531	3,243	-	17,774	28.7%
Total account values	$ 20,948	$ 12,956	$ 28,000	$ 61,904	100.0%
Percentage of discretionary rate setting product account values at minimum guaranteed rates	75.1%	92.8%	84.0%	84.7%	

(1) Excludes policy loans.

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

(3) The average crediting rates in excess of average minimum guaranteed rates for our Annuities, Defined Contribution and Life Insurance segments were 25 basis points, 9 basis points and 12 basis points, respectively.

(4) Includes multi-year guarantee annuities, indexed annuities, modified guarantee annuities, single premium immediate annuities, dollar cost averaging contracts and indexed-based rate setting products for our Defined Contribution segment. The average crediting rates in excess of average minimum guaranteed rates for indexed-based rate setting products within our Defined Contribution segment was 26 basis points, and 53% of account values were already at their minimum guaranteed rates.

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

Derivatives

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

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

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

Equity Market Risk

Effect of Equity Market Sensitivity

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

The following presents our estimate of the effect on income (loss) from operations (in millions), from the change in asset-based fees and related expenses, if the level of the Standard & Poor's ("S&P") 500 Index® ("S&P 500"), which ended at 1326 as of March 31, 2011, were to decrease to 1060 over 6 months after March 31, 2011, and remain at that level through the next 6 months or increase to 1590 over 6 months after March 31, 2011, and remain at that level through the next 6 months, excluding any effect related to sales, prospective unlocking, persistency, hedge program performance or customer behavior caused by the equity market change:

Segment	S&P 500 at 1060 (1)	S&P 500 at 1590 (1)
Retirement Solutions - Annuities	$ (66)	$ 27
Retirement Solutions - Defined Contribution	(5)	8

(1) The baseline for these effects assumes 9% annual separate account growth beginning on April 1, 2011. The baseline is then compared to scenarios of S&P 500 at the 1060 and 1590 levels, which assume the index moves to those levels over 6 months, remains at those levels through the next 6 months and grows at 9% annually thereafter. The difference between the baseline and S&P 500 at the 1060 and 1590 level scenarios is presented in the table.

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

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

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

Credit-Related Derivatives

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

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Credit Risk

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

We have derivative positions with counterparties. Assuming zero recovery value, our exposure is the positive market value of the derivative positions with a counterparty, less collateral, that would be lost if the counterparty were to default. As of March 31, 2011, and December 31, 2010, our counterparty risk exposure, net of collateral, was $161 million and $184 million, respectively. As of March 31, 2011, we had exposure to 16 counterparties, with a maximum exposure of $44 million, net of collateral, to a single counterparty. The credit risk associated with such agreements is minimized by purchasing such agreements from financial institutions with long-standing, superior performance records. For the majority of our counterparties, there is a termination event should the long-term senior debt ratings of Lincoln National Corporation drop below BBB-/Baa3 (S&P/Moody's Investors Service). Additionally, we maintain a policy of requiring all derivative contracts to be governed by an ISDA Master Agreement.

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

	As of March 31, 2011	As of December 31, 2010
Rating		
AAA	$ 5	$ 7
AA	24	26
A	128	146
BBB	4	5
Total	$ 161	$ 184

Item 4. Controls and Procedures

Conclusions Regarding Disclosure Controls and Procedures

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period required by this report, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls

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

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

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

(c) The following table summarizes purchases of equity securities by the issuer during the quarter ended March 31, 2011 (dollars in millions, except per share data):

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (3)
1/1/11 - 1/31/11	636	$ 27.93	-	$ 1,115
2/1/11 - 2/28/11	835,414	31.44	795,084	1,090
3/1/11 - 3/31/11	1,619,025	30.91	1,618,771	1,040

(1) Of the total number of shares purchased, no shares were received in connection with the exercise of stock options and related taxes and 41,220 shares were withheld for taxes on the vesting of restricted stock. For the quarter ended March 31, 2011, there were 2,413,855 purchased as part of publicly announced plans or programs.

(2) On February 23, 2007, our Board approved a $2.0 billion increase to our securities repurchase authorization, bringing the total authorization at that time to $2.6 billion. As of March 31, 2011, our remaining security repurchase authorization was $1.0 billion. The security repurchase authorization does not have an expiration date. The amount and timing of share repurchase depends on key capital ratios, rating agency expectations, the generation of free cash flow and an evaluation of the costs and benefits associated with alternative uses of capital. The shares repurchased in connection with the awards described in Note 20 to the consolidated financial statements of our 2010 Form 10-K are not included in our security repurchase.

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

Item 6. Exhibits

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN NATIONAL CORPORATION

By: /s/ RANDAL J. FREITAG
Randal J. Freitag
Executive Vice President and
Chief Financial Officer

By: /s/ DOUGLAS N. MILLER
Douglas N. Miller
Vice President and Chief
Accounting Officer

Dated: May 5, 2011

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LINCOLN NATIONAL CORPORATION
Exhibit Index for the Report on Form 10-Q
For the Quarter Ended March 31, 2011

12	Historical Ratio of Earnings to Fixed Charges.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Attached as Exhibit 101 to this report are the following Interactive Data Files formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2011, and December 31, 2010; (ii) Consolidated Statements of Income for the three months ended March 31, 2011 and 2010; (iii) Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2011 and 2010; (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010; and (v) Notes to the Consolidated Financial Statements. Users of this data are advised pursuant to Rule 401 of Regulation S-T that the information contained in the XBRL documents is unaudited and these are not the official publicly filed financial statements of Lincoln National Corporation.

In accordance with Rule 402 of Regulation S-T, the XBRL related information in this report shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

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