

LINCOLN NATIONAL CORP
Form DEF 14A
April 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under ss. 240.14a-12

Lincoln National Corporation
(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

N/A

(2) Aggregate number of securities to which transaction applies:

N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

RADNOR, PENNSYLVANIA

April 9, 2009

Dear Fellow Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders scheduled for Thursday, May 14, 2009, at 9:00 a.m., local time, at the Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102. Our Board of Directors and management look forward to greeting you.

The enclosed notice of meeting and proxy statement describe the matters to be acted upon at the Annual Meeting of Shareholders. Please review these documents carefully.

It is important that you vote your shares of our stock, either in person, or by proxy. To assist you in voting your shares, we offer, in addition to voting through the use of a proxy card, voting via telephone and over the Internet. If you are unable to attend, please sign, date and mail the enclosed proxy card in the postage-paid envelope provided, or vote your shares in any other manner described in the enclosed proxy statement.

On behalf of the Board of Directors, thank you for your continued support.

Sincerely,

Dennis R. Glass
President and Chief Executive Officer

LINCOLN NATIONAL CORPORATION
RADNOR, PENNSYLVANIA

NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS

April 9, 2009

The Annual Meeting of Shareholders of Lincoln National Corporation will be held on Thursday, May 14, 2009, at 9:00 a.m., local time, at the Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102.

The items of business are:

1. to elect four directors for three-year terms expiring at the 2012 Annual Meeting;
2. to ratify the appointment of Ernst & Young LLP, as independent registered public accounting firm for 2009;
3. to approve the 2009 amendment and restatement of the Lincoln National Corporation Amended and Restated Incentive Compensation Plan;
4. to consider and vote on a shareholder proposal requesting that the Board of Directors initiate the appropriate process to amend the Company's restated articles of incorporation to provide for the election of director nominees by a majority of votes cast; and
5. to consider and act upon such other matters as may properly come before the meeting.

You have the right to receive this notice and vote at the Annual Meeting of Shareholders if you were a shareholder of record at the close of business on March 9, 2009. Please remember that your shares cannot be voted unless you cast your votes by one of the following methods: (1) sign and return a proxy card; (2) call the 800 toll-free number listed on the proxy card; (3) vote via the Internet as indicated on the proxy card; (4) vote in person at the Annual Meeting; or (5) make other arrangements to vote your shares.

For the Board of Directors,

C. Suzanne Womack
Secretary

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREOWNERS TO BE HELD ON MAY 14, 2009:

This proxy statement and the accompanying annual report are available at:
<http://bnymellon.mobular.net/bnymellon/lnc>.

LINCOLN NATIONAL CORPORATION
150 N. RADNOR CHESTER ROAD
RADNOR, PENNSYLVANIA 19087

PROXY STATEMENT
Annual Meeting of Shareholders
May 14, 2009

The Board of Directors of Lincoln National Corporation (the “Company,” “we,” “our,” or “us”) is soliciting proxies in connection with the proposals to be voted on at the Annual Meeting of Shareholders scheduled for May 14, 2009 (the “Annual Meeting”). The Annual Meeting will be held at the Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102, beginning at 9 a.m. local time. This Proxy Statement and enclosed proxy or a Notice of Internet Availability were first sent to our shareholders on or about April 9, 2009. Whenever we refer in this Proxy Statement to the “Annual Meeting,” we are also referring to any meeting that results from an adjournment of the Annual Meeting.

GENERAL INFORMATION

What proposals are being voted on at the Annual Meeting?

At the Annual Meeting, shareholders are being asked to vote upon the following items of business:

1. to elect four directors for three-year terms expiring in 2012;
2. to ratify the appointment of Ernst & Young LLP as independent registered public accounting firm for 2009;
3. to approve the 2009 amendment and restatement of the Lincoln National Corporation Amended and Restated Incentive Compensation Plan;
4. to consider and vote on a shareholder proposal requesting that the Board of Directors amend the Company’s restated articles of incorporation to elect directors by a majority of votes cast; and
5. to consider and act upon such other matters as may properly come before the meeting.

Who is entitled to vote at the Annual Meeting?

Only shareholders of record at the close of business on March 9, 2009, the record date for the meeting, are entitled to vote at the Annual Meeting. As of the record date, we had 256,036,246 shares of common stock and 11,565 shares of \$3.00 cumulative convertible preferred stock, series A, issued, outstanding and entitled to vote at the Annual Meeting. You are entitled to one vote for each share of common stock and each share of preferred stock you own. The number of shares you own (and may vote) is listed on the proxy card.

What constitutes a quorum?

A majority of all outstanding shares entitled to vote at the Annual Meeting constitutes a quorum, which is the minimum number of shares that must be present or represented by proxy at the Annual Meeting in order to transact business. Subject to the rules regarding the votes necessary to adopt the proposals discussed below, abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present. Generally, “broker non-votes” occur when brokerage firms return proxies for which no voting instructions have been received from beneficial owners and the broker does not have discretionary authority to vote on the proposal. Once a share is represented for any purpose at the Annual Meeting, it will be deemed present for quorum purposes for the remainder of the meeting (including any meeting resulting from an adjournment of the Annual Meeting, unless a new record date is set).

How do I vote?

1. In person. If you are a shareholder of record, you may attend the Annual Meeting and vote your shares or send a personal representative with an appropriate proxy.

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If you own your shares in “street name” (i.e., through a broker-dealer or other financial institution) and you want to vote at the Annual Meeting, you will need to obtain a proxy card from the institution that holds your shares and present that card at the Annual Meeting.

If you own share equivalents through the Lincoln National Corporation Common Stock fund of the Lincoln National Corporation Employees’ Savings and Retirement Plan, the Delaware Management Holdings, Inc. Employees’ Savings and 401(k) Plan, or The Lincoln National Life Insurance Company Agents’ Savings and Profit-Sharing Plan, all of which are 401(k) plans, you cannot vote at the Annual Meeting. Instructions on voting these share equivalents are described in more detail below.

You can obtain directions to attend the Annual Meeting and vote in person by contacting Shareholder Services at 1-800-237-2920 or shareholderservices@lfg.com.

2. By Mail. Mark, date, sign and mail the proxy card in the prepaid envelope. If you return the proxy card but do not mark your voting preference, the individuals named as proxies will, to the extent permissible, vote your shares in accordance with the description of each item in this proxy statement. With respect to any other matter that properly comes before the Annual Meeting, the individuals named as proxies will, to the extent permissible, vote all proxies in the manner they perceive to be in our best interests.

3. By Telephone or Internet. You may submit your proxy with voting instructions by telephone if you are calling within the United States, Canada or Puerto Rico. You may submit your proxy through the Internet by visiting the website listed on the enclosed proxy card or Notice.

If you hold your shares in “street name,” please check your proxy card or contact your broker, nominee, fiduciary or other custodian to determine if you will be able to vote by telephone or Internet.

If you choose to submit your proxy with voting instructions by telephone or through the Internet, you will be required to provide your assigned control number noted on the enclosed proxy card before your proxy will be accepted. In addition to the instructions that appear on the enclosed proxy card and information sheet, step-by-step instructions will be provided by recorded telephone message or at the designated website on the Internet.

Can I revoke my proxy and change my vote after I return my proxy card?

Yes. You may revoke your proxy or change your vote at any time prior to the Annual Meeting by: (1) sending our Corporate Secretary a written revocation; (2) submitting a new proxy by mail, telephone or Internet; or (3) attending the Annual Meeting and voting your shares in person.

How do I vote my 401(k) and/or dividend reinvestment plan shares?

If you have invested in the Lincoln National Corporation Common Stock fund of the Lincoln National Corporation Employees’ Savings and Retirement Plan, the Delaware Management Holdings, Inc. Employees’ Savings and 401(k) Plan, or The Lincoln National Life Insurance Company Agents’ Savings and Profit-Sharing Plan, the enclosed proxy/voting instruction card, when executed and returned by you, will instruct the trustees of your plan how to vote the shares of common stock allocated to your account. If our stock books contain identical account information regarding common stock that you own directly and common stock that you own through one or more of those plans, you will receive a single proxy/voting instruction card representing all shares owned by you. If you participate in one of these plans and do not return a proxy/voting instruction card by 11:59 p.m. (E.D.T.) on May 11, 2009, the trustees of your plan will vote the shares in your account in proportion to shares held by the plans for which voting instructions have been received.

If you participate in our dividend reinvestment plan, your proxy/voting instruction card(s) will also include your shares of common stock allocated to your accounts in that plan. To vote your shares in those plans, you must return your proxy/voting instruction card(s) or submit your voting instructions by telephone or over the Internet as instructed on your proxy/voting instruction card(s).

If you own our shares through an employee benefit plan other than those plans mentioned above, you should contact the administrator of your plan if you have questions regarding how to vote your shares.

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What vote is required to approve each item?

A plurality of the votes cast is required for the election of directors (Item 1), which means that the director nominees receiving the highest number of votes will fill the open director seats. We do not have cumulative voting for directors. With respect to the ratification of the independent registered public accounting firm (Item 2), the proposal will be approved if more shares are cast in favor of the proposal than against it. For this purpose, abstentions and, if applicable, broker non-votes are not counted as votes cast.

Under Indiana law, approval of the amendment and restatement of the Lincoln National Corporation Amended and Restated Incentive Compensation Plan (Item 3) will be approved if more shares are cast in favor of the proposal than against it, and abstentions and broker non-votes are not counted as votes cast on the proposals. However, under New York Stock Exchange (“NYSE”) listing standards, for the shares under the Plans to be approved for listing, at least a majority of the votes cast on each proposal must be voted in favor of the proposal, and the total votes cast on each proposal must represent a majority of all shares entitled to vote on the proposal at the Annual Meeting. Under the NYSE rules, abstentions are counted as votes cast against the proposal, but broker non-votes are not counted as votes cast on the proposal.

With respect to the shareholder proposal on majority vote (Item 4), the proposal will be approved if more shares are cast in favor of the proposal than against it. For this purpose, abstentions and, if applicable, broker non-votes are not counted as votes cast.

If any other matters are properly presented at the meeting, a particular proposal will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal.

Who may solicit proxies?

Our directors, officers and employees as well as Georgeson Shareholder may solicit proxies on behalf of the Board in person or by mail, telephone, fax and other electronic means.

Who pays for the costs of soliciting proxies?

We will pay the cost of soliciting proxies. Our directors, officers and employees will receive no additional compensation for soliciting proxies. We will reimburse certain brokerage firms, banks, custodians and other fiduciaries for the reasonable mailing and other expenses they incur in forwarding proxy materials to the beneficial owners of stock that those brokerage firms, banks, custodians and fiduciaries hold of record. As noted above, we have retained Georgeson Shareholder to solicit proxies. We will pay Georgeson a fee of \$8,500, plus reasonable expenses, for these services.

SECURITY OWNERSHIP

Security Ownership of More than 5% Beneficial Owners

We have two classes of equity securities: common stock and preferred stock. The following table shows the names of persons known by us to beneficially own more than 5% of our common stock as of December 31, 2008. We know of no one who owns more than 5% of our preferred stock.

SECURITY OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS
AS OF DECEMBER 31, 2008

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common Stock	Allianz Global Investors Managed Accounts LLC 1345 Avenue of the Americas, 49th Floor New York, New York 10105	13,912,811	5.4%

The information set forth in this table is based solely on our review of Schedules 13G filed with the Securities and Exchange Commission, or SEC, and as of the date set forth above. We do not have information regarding the foregoing share position after December 31, 2008. Information regarding the amount and nature of beneficial ownership is to the best of our knowledge.

Security Ownership of Directors, Nominees and Executive Officers

The following table shows the number of shares of common stock and stock units (i.e., non-transferable, non-voting “phantom” units, the value of which is the same as the value of the corresponding number of shares of common stock) beneficially owned on March 9, 2009, by each director, nominee for director and “Named Executive Officer,” individually, and by all directors and executive officers as a group. As of March 9, 2009, none of the persons listed in the table owned any shares of our preferred stock.

Whenever we refer in this Proxy Statement to the Named Executive Officers, or NEOs, we are referring to those executive officers that we are required to identify in the Summary Compensation Table on page 48.

SECURITY OWNERSHIP OF DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS AS OF MARCH 9, 2009					
NAME	AMOUNT OF LNC COMMON STOCK AND NATURE OF BENEFICIAL OWNERSHIP ¹	PERCENT OF CLASS	LNC STOCK UNITS ²	TOTAL OF LNC COMMON STOCK AND STOCK UNITS	TOTAL PERCENT OF CLASS
William J. Avery	25,932	*	14,929	40,861	*
J. Patrick Barrett	57,340	*	38,633	95,973	*
Patrick P. Coyne	45,807	*	5,240	51,047	*
Frederick J. Crawford	170,220	*	3,809	174,029	*
William H. Cunningham	66,997	*	16,630	83,627	*
Robert W. Dineen	209,678	*	994	210,672	*
Dennis R. Glass	1,744,316	*	28,473	1,772,789	*
George W. Henderson, III	66,365	*	25,131	91,496	*
Eric G. Johnson	27,107	*	24,323	51,430	*
Mark E. Konen	302,764	*	0	302,764	*
M. Leanne Lachman	30,854	*	33,884	64,738	*
Michael F. Mee	17,807	*	18,045	35,852	*
William P. Payne	76,808	*	13,123	89,931	*
Patrick S. Pittard	73,772	*	15,010	88,782	*
David A. Stonecipher	2,447,250	*	1,302	2,448,552	*
Isaiah Tidwell	18,536	*	5,832	24,368	*
All Directors and Executive Officers as a group –21 persons	6,002,306	2.30%	252,435	6,254,618	2.39%

* Each of these amounts represents less than 1% of the outstanding shares of our common stock as of March 9, 2009.

¹The number of shares that each person named in this table has a right to acquire within 60 days of March 9, 2009 is as follows: Mr. Avery, 14,506 shares; Mr. Barrett, 20,506 shares; Mr. Coyne, 33,758 shares; Mr. Crawford, 114,478 shares; Mr. Cunningham, 65,759 shares; Mr. Dineen, 121,555 shares; Mr. Glass, 1,583,706 shares; Mr. Henderson, 73,938 shares; Mr. Johnson, 20,506 shares; Mr. Konen, 272,740 shares; Ms. Lachman, 20,506 shares; Mr. Mee, 17,506; Mr. Payne, 65,759 shares; Mr. Pittard, 65,759 shares; Mr. Stonecipher, 1,984,938 shares; and Mr. Tidwell, 18,446 shares. In addition, the shares listed above include restricted stock of which the following persons have sole voting power (and no investment power): Mr. Coyne, 10,702 shares; Mr. Crawford, 18,548 shares; Mr. Glass, 51,938 shares; and Mr. Konen, 10,583 shares. Mr. Konen's shares include 441 shares for his son for which he is a custodian. Mr. Stonecipher's shares include 381,499 shares held in a trust and 12,677 owned by his spouse. Finally, Mr. Stonecipher's shares include 24,974 shares that are held by the Stonepeak Foundation of which Mr. Stonecipher is a trustee, and with respect to which, he does not have a pecuniary interest.

²LNC Stock Units are non-voting, non-transferable phantom stock units that track the economic performance of our common stock.

GOVERNANCE OF THE COMPANY

Our Board of Directors consists of 12 members. Eleven directors are non-employees, or outside directors, and the Board has determined that all 11 are independent as discussed below. In July 2007, the Board elected independent director J. Patrick Barrett as non-executive chairman of the Board. Mr. Barrett is not an officer of LNC. Among his duties, Mr. Barrett presides at all meetings of the Board of Directors, acts as the key liaison between the Board and management and helps set the agendas for the Board and Board Committee meetings. As chairman, Mr. Barrett also has the authority to call special meetings of the Board. Mr. Barrett has announced his intention to retire from the Board on May 12, 2009 in accordance with our Corporate Governance Guidelines. The Board has elected William H. Cunningham to serve as non-executive Chairman of the Board effective upon Mr. Barrett's retirement.

Our Corporate Governance Guidelines

Listed below are what we believe are some, but not all, of the more significant aspects of our Corporate Governance Guidelines. A full text of our Corporate Governance Guidelines is available on our website at www.lincolnfinancial.com and in print to any shareholder who requests them by contacting our Corporate Secretary.

- A majority of our Board, including the nominees for director, must at all times be independent under the applicable New York Stock Exchange, or NYSE, listing standards as determined under the guidelines for determining the independence of directors. Director independence is discussed further below.
- The independent directors must meet in executive session at least once a year and may meet at such other times as they may desire. The outside directors meet in connection with each regularly scheduled Board meeting and at such other times as they may desire. J. Patrick Barrett, a director and our non-executive chairman, presides over the meeting(s) of independent directors and the outside directors. Mr. Cunningham, a director, who will serve as our non-executive chairman, after Mr. Barrett retires in May 2009 as discussed above, will assume this role.
- The Board has, among other Committees, an Audit Committee, Compensation Committee and Corporate Governance Committee and only independent directors may serve on each of these committees, and all of the directors serving on those Committees are independent under applicable NYSE listing standards and our Corporate Governance Guidelines.
- Outside directors are not permitted to serve on more than five boards of public companies in addition to our Board, and independent directors who are chief executive officers of publicly held companies may not serve on more than two boards of public companies in addition to our Board. Inside directors are not permitted to serve on more than two boards of public companies in addition to our Board.
- The written charters of the standing Committees of the Board are reviewed not less than annually. The charters of the Audit, Compensation and Corporate Governance Committees comply with the NYSE's listing standards. The charters are available on our website at www.lincolnfinancial.com and in print to any shareholder who requests them by contacting our Corporate Secretary.
 - We have Corporate Governance Guidelines that likewise comply with the NYSE's listing standards. The Corporate Governance Guidelines are available on our website at www.lincolnfinancial.com and are also available in print to any shareholder who requests them by contacting our Corporate Secretary.
- We have a Code of Conduct that is available on our website at www.lincolnfinancial.com and is also available in print to any shareholder who requests it by contacting our Corporate Secretary. The Code of Conduct comprises our "code of ethics" for purposes of Item 406 of Regulation S-K under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and our "code of business conduct and ethics" for purposes of the NYSE listing standards. We intend to disclose amendments to or waivers from a required provision of the code by including such information on our website at www.lincolnfinancial.com.
- Committee chairs serve a minimum of three years and a maximum of six years, unless those limitations are shortened or extended by the Board.
 - We have a mandatory retirement age of 72 for outside directors.
- The Board conducts a review of the performance of the Board and its Committees each year.

- The Corporate Governance Committee is responsible for individual director assessments and obtains input for such assessments from all Board members other than the director being assessed. These assessments, including confidential feedback to the director, will be completed at least one year prior to a director's anticipated nomination for a new term.
- The Board conducts an annual CEO performance evaluation. The non-executive chairman of the Board conducts a meeting of the outside directors to discuss the evaluation and communicates the results to the CEO.

- The Board reviews the annual succession planning report from the CEO, including the position of CEO as well as other executive officers.
- The Board, Audit Committee, Compensation Committee, Corporate Governance Committee and Finance Committee each have authority to retain legal counsel or any other consultant or expert without notification to, or prior approval of, management.
- Directors are required to submit their resignation from the Board upon changing their occupational status, and the Corporate Governance Committee with input from the CEO makes a recommendation to the Board regarding acceptance of such resignation.
- Directors are required to achieve share ownership of three times their annual cash portion of the retainer within five years of election to the Board, and based on the December 31, 2008 closing price of our common stock of \$18.84, our directors are in compliance with such requirements.
- We will pay the reasonable expenses for each director to attend at least one continuing education program per year.
- We have a director orientation program for new directors, and all directors are invited to attend orientation programs when they are offered.
 - We will not make any personal loans or extensions of credit to directors or executive officers.
 - The Corporate Governance Committee must re-evaluate the Corporate Governance Guidelines each year.

Director Independence

Our common stock is traded on the NYSE. NYSE listing standards and our Corporate Governance Guidelines require that a majority of our directors meet the criteria for independence as set forth in the NYSE listing standards. The NYSE listing standards provide that in order to be considered independent, the Board must determine that a director has no material relationship with us other than as a director. As permitted by the NYSE listing standards, the Board has adopted categorical standards to assist it in determining whether its members have such a material relationship with us. These standards, which are part of our Corporate Governance Guidelines, are discussed below and can be found on our website at www.lincolnfinancial.com.

The Corporate Governance Committee and the Board have reviewed the independence of each Board member, including the nominees for director at the Annual Meeting, considering the standards set forth in our Corporate Governance Guidelines (which include the NYSE standards for independence). As a result of this review, the Board affirmatively determined that directors Avery, Barrett, Cunningham, Henderson, Johnson, Lachman, Mee, Payne, Pittard, Stonecipher and Tidwell are independent because they have none of the following material relationships with us (either directly or as a partner, shareholder or officer of an organization that has a material relationship with us):

- is or was an employee, or whose immediate family member is or was an executive officer, of us or our subsidiaries during the three years prior to the independence determination;
- has received, or whose immediate family member received, from us, during any 12-month period within the three years prior to the independence determination, more than \$120,000 in direct compensation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (i) is, or an immediate family member is, a current partner of our external or internal auditor (to the extent the internal auditor is a third-party); (ii) is a current employee of such a firm; (iii) has an immediate family member who is a current employee of such a firm and who personally works on our audit; or (iv) was, or who has an immediate family member that was, within the three years prior to the independence determination (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time;
- is or was employed, or whose immediate family member is or was employed, as an executive officer of another company where any of our present executives served at the same time on that company's compensation committee within the three years prior to the independence determination;

- is or was an executive officer or an employee, or whose immediate family member is or was an executive officer, of a company that makes payments to, or receives payments from, us for property or services in an

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amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues within the three years prior to the independence determination;

- is an executive officer of a not-for-profit organization to which we or the Lincoln Financial Foundation, Inc.'s annual discretionary contributions exceed the greater of \$1 million or 2% of the organization's latest publicly available total annual revenues; and
- has any other material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us, including any contributions we made to a charitable organization of which the director serves as an executive officer).

The Board of Directors also has determined that the following relationships are not material and do not impair a director's independence:

- a director or a director's immediate family member's purchase or ownership of an insurance, annuity, mutual fund or other product from us, or use of our financial services, all on terms and conditions substantially similar to those generally available to other similarly situated third parties in arm's-length transactions and does not otherwise violate the criteria listed above;
- a director's membership in the same professional association, or the same social, fraternal or religious organization or club, as one of our executive officers or other directors;
- a director's current or prior attendance at the same educational institution as one of our executive officers or other directors;
- a director's service on the board of directors of another public company on which one of our executive officers or directors also serves as a director, except for prohibited compensation committee interlocks; and
- a director's employment by another public company whose independent registered public accounting firm is the same as ours.

In addition, a director who is also a member of our Audit Committee must meet the following additional requirements regarding independence as required by Rule 10A-3(b)(1)(ii) under the Exchange Act:

1. A director is not independent if he or she accepts, directly or indirectly, any consulting, advisory or other compensatory fee from us or any of our subsidiaries, other than the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with us or any of our subsidiaries (provided that such compensation is not contingent in any way on continued service).
2. A director is not independent if he or she is an "affiliated person" (as defined in Rule 10A-3(e)(1) under the Exchange Act) of us or any of our subsidiaries.

Finally, the Board determined that those directors who are members of the Audit, Corporate Governance and Compensation Committees are likewise independent of our management and us under our Corporate Governance Guidelines and the SEC and NYSE rules, as applicable.

In conducting its independence review discussed above, the Board considered, among other things, transactions and relationships between each outside director or any member of his or her immediate family and us or our subsidiaries and affiliates. In making these determinations, the Board considered that in the ordinary course of business, transactions occur between us and companies at which some of our directors are or have been employees or officers. In each case, the amount of transactions with these companies in each of the last three years did not reach the

thresholds set forth in the categorical standards. Dr. Cunningham is a professor at and employee of The University of Texas with which we engage in ordinary course of business transactions, namely, providing a 403(b) investment product. Mr. Barrett is chairman of a company that supplies fuel to all airplanes at an airport in Syracuse, which our aircraft use on occasion. These transactions were on terms that are substantially equivalent to those prevailing at the time for comparable transactions, and none reached the threshold levels set forth in our categorical standards.

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Under our categorical standards, discretionary contributions to not-for-profit organizations to which a director serves as an executive officer of the lesser of \$1 million or 2% of the organization's latest publicly available total annual revenues will not impair the director's independence. None of the directors are executive officers of the not-for-profit organizations to which we or the Lincoln Financial Foundation, Inc. made contributions during 2008.

Qualifications and Director Nomination Process

The Corporate Governance Committee of the Board, which is composed solely of independent directors, is responsible for (1) assisting the Board by identifying individuals qualified to become Board members, (2) recommending to the Board the director nominees for the next annual meeting of shareholders and (3) evaluating the competencies appropriate for the Board and identifying missing or under-represented competencies. Our Corporate Governance Guidelines provide that the Board itself should be responsible, in fact as well as procedure, for selecting its own members.

The Corporate Governance Committee does not have any specific minimum qualifications that must be met by a nominee. However, its charter provides that “[I]n nominating candidates, the Committee shall take into consideration such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience, the extent to which the candidate's experience complements the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board. The Committee may consider candidates proposed by management, but is not required to do so.”

The Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. The Corporate Governance Committee begins by reviewing the individual director assessments of existing directors who are being considered for re-nomination. Current members of the Board who have skills and experience that are relevant to our business, who are willing to continue to serve and whose director assessment indicates the director has performed well during the most recent term are considered for re-nomination. If any member of the Board being considered for re-nomination does not wish to serve or if the Corporate Governance Committee decides not to re-nominate a given member, the Corporate Governance Committee identifies the desired skills and experience that a potential new nominee should possess. The Corporate Governance Committee also considers whether it is necessary or desirable that the nominee be considered independent under the NYSE listing standards, and, if so, whether the individual meets the standards for independence. The Corporate Governance Committee may, but is not required to, retain an outside firm to assist in the identification and evaluation of potential nominees.

The Corporate Governance Committee is responsible for reviewing with the Board the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment includes integrity, issues of diversity, age, professional accomplishments, skills such as an understanding of marketing, finance, accounting, regulation and public policy, their international background, a commitment to our shared values, etc. – all in the context of an assessment of the perceived needs of the Board at a given point in time.

The Board has delegated the process of screening potential nominees who are not current directors to the Corporate Governance Committee with input from the CEO. In connection with the evaluation of a new nominee, the Corporate Governance Committee determines whether it should interview the nominee, and, if warranted, one or more members of the Corporate Governance Committee would interview the nominee. Upon completing the evaluation and the interview, the Corporate Governance Committee makes a recommendation to the Board as to whether to nominate the director nominee.

Although the Corporate Governance Committee does not solicit shareholder recommendations regarding director nominees to be proposed by the Board, it will consider such recommendations if they are made in accordance with the procedures set forth in Article I, Section 11 of our Bylaws, which is set forth in Exhibit 2 to this Proxy Statement and discussed beginning on page E-3 of this Proxy Statement under the heading “Shareholder Proposals.” If the Corporate

Governance Committee determines that such a nominee should be considered as a director, it will recommend the nominee to the Board. The Board may accept or reject the proposed nominee. There are no differences in the manner in which the Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a shareholder.

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Communications with Directors

The Board provides a process for interested persons to send communications to the Board or to the outside directors of the Board. Interested persons with information pertaining to any possible violation of our Code of Conduct, or concerns or complaints pertaining to our accounting, internal accounting controls or audit or other concerns are invited to communicate this information to the outside members of the Board of Directors at:

The Outside Directors
Lincoln National Corporation
150 N. Radnor Chester Road
Radnor, PA 19087
Attention: Office of the Corporate Secretary

All complaints and concerns will be received and processed by the Corporate Secretary. Relevant and appropriate complaints and concerns will be referred to our Board's non-executive Chairman of the Board. You may report your concerns anonymously and/or confidentially. If you choose to report your concerns anonymously, we will be unable to contact you in the event we require further information in the course of our investigation. If you choose to report your concerns confidentially, we cannot guarantee absolute confidentiality. In certain circumstances, it would be impossible to conduct a thorough investigation without revealing your identity. No retaliatory action will be taken against employees who raise any concern in good faith.

Director Attendance at 2008 Annual Meeting

The Board does not have a formal policy regarding attendance by Board members at our Annual Meeting of Shareholders, but directors are encouraged to attend the Annual Meeting of Shareholders. All of our directors attended the 2008 Annual Meeting of Shareholders.

THE BOARD OF DIRECTORS AND COMMITTEES

Our Board is currently composed of 12 members. The members of the Board, including Board nominees, their relevant term of office and certain biographical information are set forth below under "Item 1 – Election of Directors." Compensation of our directors is discussed below under "Compensation of Directors."

During 2008, the Board met 14 times. All directors attended 75% or more of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by committees on which he or she served.

The Board currently has five standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance Committee, the Finance Committee and the Committee on Corporate Action. The following table lists the Directors who currently serve on the Committees and the number of meetings held for each Committee during 2008. The Audit, Compensation, Corporate Governance and Finance Committees each conduct a self-evaluation of their respective committee's performance each year.

Current Committee Membership and Meetings Held During 2008
(C=Chair M=Member)

Name	Audit	Compensation	Corporate Governance	Finance	Corporate Action ¹
William J. Avery	M				
J. Patrick Barrett			M		
William H. Cunningham		C		M	
Dennis R. Glass					C
George W. Henderson, III	M			M	
Eric G. Johnson				C	
M. Leanne Lachman	C				
Michael F. Mee		M		M	
William P. Payne			C		
Patrick S. Pittard		M			
David A. Stonecipher				M	
Isaiah Tidwell	M		M		
Number of Meetings in 2008:	12	7	4	6	--

¹The Committee on Corporate Action takes action by the unanimous written consent of the member of that Committee, and four such actions were taken in 2008.

The functions and responsibilities of the key standing committees of our Board are described below.

Audit Committee

The primary function of the Audit Committee is oversight. The principal functions of the Audit Committee include:

- assist the Board of Directors in its oversight of (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence and (d) the performance of our general auditor and independent auditor;
- select, evaluate and replace the independent auditors, and approve all engagements of the independent auditors;
 - review significant financial reporting issues and practices;
- discuss our annual consolidated financial statements and quarterly "management discussion and analysis of financial condition and results of operations" included in our SEC filings and annual report to shareholders, if applicable;
- inquire about significant risks and exposures, if any, and review and assess the steps taken to monitor and manage such risks;
- establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal auditing controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
 - consult with management before the appointment or replacement of the internal auditor; and
- prepare the report required to be prepared by the Audit Committee pursuant to the rules of the SEC for inclusion in our annual proxy statement.

The Board has determined that William J. Avery is an "audit committee financial expert" as defined under Item 401 of Regulation S-K under the Exchange Act. Mr. Avery is an independent director under applicable SEC rules, NYSE listing standards and our Corporate Governance Guidelines. The Audit Committee has authority to obtain advice and assistance from internal or external legal, accounting or other advisors. The Board has adopted a written charter for the Audit Committee, a copy of which is available on our website at www.lincolnfinancial.com.

More information concerning the Audit Committee, including the Audit Committee Report, is set forth below under “Ratification of the Appointment of the Independent Registered Public Accounting Firm” beginning on page 19.

Compensation Committee

The principal functions of the Compensation Committee include:

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- establish, in consultation with senior management, our general compensation philosophy;
- review and confer on the selection and development of executive officers and key personnel;
- review and approve corporate goals and objectives relevant to the compensation of the chief executive officer, evaluate the chief executive officer's performance in light of these goals and set the chief executive officer's compensation level based on this evaluation;

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