

No. 4487

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: JUN 02 2016

Subject Considered:

LINCOLN NATIONAL LIFE INSURANCE COMPANY
100 North Greene Street
Greensboro, NC 27401

CONSENT ORDER
TDI ENFORCEMENT FILE NO. 10353

General remarks and official action taken:

The commissioner of insurance considers whether disciplinary action should be taken against Lincoln National Life Insurance Company (Lincoln National).

WAIVER

Lincoln National acknowledges that the Texas Insurance Code and other applicable laws provide certain rights. Lincoln National waives all of these rights and any other applicable procedural rights in consideration of the entry of this consent order.

FINDINGS OF FACT

1. On January 1, 1923, TDI issued Lincoln National Life Accident and Health license no. 46500.

Death Claims

2. After Lincoln National combined several of its claims operations beginning in 2006, failures occurred in some of its administrative processes and compliance procedures. These failures affected pending death claims.
3. Lincoln National self-disclosed to the department that they failed to acknowledge the death claims and failed to pay the beneficiaries in a timely manner.
4. Beneficiary records from Lincoln National indicate non-compliance for failure to mail the acknowledgment packet within 15 calendar days after notice of death, and failure to pay claims within 61 days after the required paperwork was received in good order.

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5. Lincoln National developed a plan to identify all impacted claims and to pay the claims, including interest.

Administrative Fee

6. Lincoln National issues life and annuity products. Lincoln National self-disclosed to the department that they had erroneously charged a \$35 administrative fee to variable annuity contract owners.
7. The administrative fee should have been applied when a contract owner made additional payments to their annuity. Instead, Lincoln National applied the fee during years when no additional payments were made by the contract owner.
8. Lincoln National developed a plan to identify all contract owners who had the administrative fee erroneously applied, and has refunded total fees charged, including interest.
9. Lincoln National has cooperated with TDI in its investigation and resolution of this matter.

CONCLUSIONS OF LAW

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 31.002; 82.051-82.055, and 542.051-542.060; and 28 TEX. ADMIN. CODE § 3.704(g)(3); and TEX. GOV'T CODE §§ 2001.051-2001.178.
2. The commissioner has authority to informally dispose of this matter under TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 82.055 and 36.104; and 28 TEX. ADMIN. CODE § 1.47.
3. Lincoln National violated TEX. INS. CODE § 542.055 by failing to mail the death claim acknowledgment packet within 15 calendar days after notice of death.
4. Lincoln National violated TEX. INS. CODE § 542.058 by failing to pay death claims within 61 days after the required paperwork was received in good order.
5. Lincoln National violated 28 TEX. ADMIN. CODE § 3.704(g)(3) by erroneously charging administrative fees during years in which they were not owed.
6. This consent order resolves any and all investigations and complaints by TDI against Lincoln National and any and all complaints filed by third parties with TDI related to the allegations in this consent order through the effective date of this consent order.

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The commissioner orders Lincoln National Life Insurance Company to immediately comply in all respects with TEX. INS. CODE ANN. §§ 542.051-542.060.

The commissioner orders Lincoln National Life Insurance Company to identify all impacted death claims and to pay the claims, including interest. Lincoln National Life Insurance Company has refunded \$4,288,868.39 in claims, plus \$127,218.33 in interest, for a total of \$4,416,086.72 to impacted beneficiaries.

The commissioner orders Lincoln National Life Insurance Company to identify all contract owners who had the \$35 administrative fee erroneously applied and refund total fees charged, including interest. Lincoln National Life Insurance Company has refunded \$7,007,910 in fees, plus \$4,890,920.66 in interest, for a total of \$11,898,830.66 to impacted contract owners.

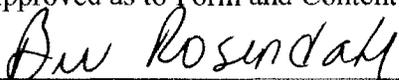
The commissioner orders Lincoln National Life Insurance Company to provide TDI with a final report on proof of payment, within 30 days of completion of the project. Such proof must be mailed to the Texas Department of Insurance, Attn: Catherine Bell, Enforcement Section, MC 110-1A, P.O. Box 149104, Austin, Texas 78714-9104.

The commissioner orders Lincoln National Life Insurance Company to pay an administrative penalty of \$25,000 for the death claims violation, and \$75,000 for the erroneously charged administrative fee violation which was unique to Texas and one other jurisdiction, for a total of \$100,000, within 30 days of the date of this Order. The administrative penalty must be paid by company check, cashier's check, or money order made payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance, Attn: Enforcement Section, Division 40111, MC 9999, P.O. Box 149104, Austin, Texas, 78714-9104.



David C. Mattax
Commissioner of Insurance

Approved as to Form and Content:



Beverly Rosendahl, Staff Attorney
Enforcement Section, Compliance Division
Texas Department of Insurance

