

1 CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION
2 Corporate Affairs Bureau
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San Francisco, CA 94105
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5 Attorneys for The California Department of Insurance
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8 **BEFORE THE INSURANCE COMMISSIONER**
9 **OF THE STATE OF CALIFORNIA**
10

11 In the Matter of the Application of
12 LINCOLN GENERAL
INSURANCE COMPANY,
13 a Pennsylvania Insurance Company
14 Respondent.
15

File No. SF CD 2010-00001

**ORDER TO
CEASE AND DESIST and
WAIVER OF HEARING;
INSURANCE CODE
SECTIONS 1065.1, and 1065.2**

16
17 TO: Respondent LINCOLN GENERAL INSURANCE COMPANY

18 WHEREAS the Insurance Commissioner of the State of California has
19 reasonable cause to believe that Respondent LINCOLN GENERAL INSURANCE COMPANY,
20 is conducting its business and affairs in such a manner as to threaten to render it insolvent, or that
21 it is in a financially hazardous condition which under the California Insurance Code would
22 constitute a ground rendering LINCOLN GENERAL INSURANCE COMPANY subject to
23 conservation or liquidation proceedings, as set forth in California Insurance

24 Code (hereafter, "CIC") Section 1011 (a) and (e), and irreparable loss and injury to the
25 property and business of the Respondent, who is a person specified in CIC Section 1010, may
26 occur unless the Commissioner acts immediately, for reasons more particularly set forth and
27 described in paragraph I below, and therefore the Insurance Commissioner intends to make
28 certain orders as are reasonably necessary to correct, eliminate and remedy such conduct and

1 conditions, which such orders are specifically set forth in Paragraphs II, III and IV herein below;

2 WHEREAS, LINCOLN GENERAL INSURANCE COMPANY is entitled to a
3 public hearing held before the Insurance Commissioner or his duly authorized Deputy for the
4 purpose of determining the matters set forth herein.

5 WHEREAS, LINCOLN GENERAL INSURANCE COMPANY waives its rights
6 to hearing under CIC Section 1065.1 and 1065.2 and stipulates that LINCOLN GENERAL
7 INSURANCE COMPANY is in hazardous condition and consents the Commissioner's entry of
8 an order suspending until further notice authority to conduct business of insurance in the State of
9 California;

10 WHEREAS, LINCOLN GENERAL INSURANCE COMPANY stipulates to the
11 Commissioner's entry of his order for LINCOLN GENERAL INSURANCE COMPANY to
12 CEASE & DESIST as follows:

13 I.

14 The acts, transactions and practices causing such conduct, conditions and grounds to exist,
15 necessitating the issuance of this order to cease and desist pursuant to CIC Section 1065.1, and
16 1065.2, are as follows:

17 (A) On or about May 11, 2001, Respondent LINCOLN GENERAL
18 INSURANCE COMPANY, (hereinafter referred to as "Respondent") was
19 licensed by the California Insurance Commissioner to transact insurance in
20 the state of California;

21 (B) Respondent reported a policyholder surplus in the amount of \$2,107,629
22 which is less than the minimum capital and surplus of \$4,300,000.00
23 required pursuant to Insurance Code Sections 700.01, 700.02 and
24 700.025(see page 4, line 39 of Respondent's Annual Statement for 2009);

25 (C) As of December 31, 2008, Respondent's special Schedule P deposit
26 required pursuant to CIC Section 11691 was deficient by \$12.8 million and
27 the Respondent is unable to meet its financial obligation and cure the
28 deficiency;

- 1 (D) As of December 31, 2009, Respondent's Total Adjusted Capital is less than
2 its Mandatory Risk-Based Capital for Insurers pursuant to CIC Sections
3 739.6 mandating regulatory action by the Insurance Commissioner;
- 4 (E) The Respondent's December 31, 2008 audited financial statement raised
5 serious doubt whether Respondent can continue to operate as a going
6 concern;
- 7 (F) The California Department of Insurance has performed an examination
8 review of Respondent LINCOLN GENERAL INSURANCE COMPANY
9 to the extent possible, as summarized above;
- 10 (G) Wherefore, it appears to the California Insurance Commissioner that
11 Respondent LINCOLN GENERAL INSURANCE COMPANY is
12 insolvent within the meaning of Section 985 of the California Insurance
13 Code since it is unable to meet its financial obligations and is subject to
14 conservation pursuant to Insurance Code Sections 1011(d) and 1011(i);
- 15 (H) Wherefore, Respondent LINCOLN GENERAL INSURANCE COMPANY
16 is subject to conservation pursuant to Insurance Code Section 1011(d); and
- 17 (I) Wherefore, it appears that irreparable loss and injury to the property and
18 business of Respondent LINCOLN GENERAL INSURANCE COMPANY
19 may occur unless the Insurance Commissioner acts immediately.

20 II.

21 Pursuant to subdivision (a) CIC Section 1065.2, Respondent LINCOLN
22 GENERAL INSURANCE COMPANY is hereby ordered to immediately CEASE AND DESIST
23 from engaging further in any acts, practices or transactions which are causing such conduct,
24 conditions or grounds to exist. The Commissioner further orders as follows:

25 III.

26 Respondent LINCOLN GENERAL INSURANCE COMPANY shall immediately
27 CEASE AND DESIST the transaction, solicitation, negotiation, administration and writing of any
28 new or renewal of insurance business of any kind, except renewal business as may be

1 contractually or statutorily mandated. Prior to the renewal of any policy mandated by statute or
2 contract, LINCOLN GENERAL INSURANCE COMPNANY shall disclose all information
3 required by Insurance Code § 332 including information that LINCOLN GENERAL
4 INSURANCE COMPANY is insolvent, subject to Cease and Desist Orders, and may be unable to
5 perform its obligations under any policy renewed at the request of the policyholder that if
6 otherwise non renewed would be a violation of Insurance Code § 1861.03. Any resumption of
7 any such business may occur only upon the prior written consent of the Insurance Commissioner.

8 IV.

9 Respondent LINCOLN GENERAL INSURANCE COMPANY is further ordered
10 not to remove any assets from the State of California, nor to transfer any assets held in the name
11 of Respondent LINCOLN GENERAL INSURANCE COMPANY, without the prior written
12 consent of the California Insurance Commissioner, except for office furniture and equipment,
13 computers, and computerized records presently located within the State of California.

14 V.

15 This Order may be amended or supplemented by such additional written orders as
16 the California Insurance Commissioner may find reasonably necessary to correct, eliminate and
17 remedy the above conduct, conditions and grounds.

18 IN WITNESS WHEREOF, I have hereto set my hand and have affixed my official
19 seal this *26th* ~~[]~~ day of May, 2010.



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22 STEVE POIZNER
Insurance Commissioner

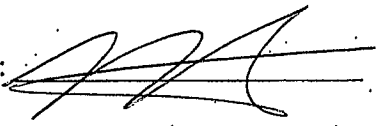
23
24
25 By: *Patricia K. Staggs*
26 PATRICIA K. STAGGS
27 For
ADAM COLE
28 Deputy Commissioner

WAIVER OF HEARING

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The undersigned, on behalf of the Respondent LINCOLN GENERAL INSURANCE COMPANY, hereby waives the right to any administrative hearing of this proceeding and stipulates to the entry of this Order.

DATED: *May 18, 2010*

Name: 

Title: *President*

In the Matter of the Application of)	DECLARATION OF SERVICE
)	BY MAIL
)	
LINCOLN GENERAL INSURANCE)	
COMPANY,)	
)	File SF CD 2010-00001
a Pennsylvania Insurance Company)	
)	
<u>Respondent.</u>)	

I am over the age of 18 years, and not a party to this cause.

I am an employee at the Department of Insurance, State of California, employed at 45 Fremont Street, 21st Floor, San Francisco, CA 94105.

On May 26, 2010, at San Francisco, California, I sealed into an envelope and deposited in the United States mail, postage there upon fully prepaid, true copies of the following documents in the above entitled matter; the original, or a true copy, of each document served is attached hereto; said copies were addressed as follows:

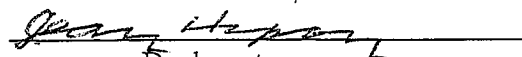
C ORDER TO CEASE AND DESIST and WAIVER OF HEARING; INSURANCE CODE SECTIONS 1065.1, AND 1065.2 AND DECLARATION OF SERVICE were mailed to:

Jere Keprios.
c/o CT Corporation
818 West Seventh Street
Los Angeles, CA 90017

BY CERTIFIED MAIL
No. 7008 3230 0000 3861 4270

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 26, 2010, at San Francisco, California.


Declarant