



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of
**LINCOLN GENERAL
INSURANCE COMPANY,**
An Authorized Insurer.

No. 10-0065

)
) **CONSENT ORDER SUSPENDING**
) **CERTIFICATE OF AUTHORITY NO. 1950**

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.060 and RCW 48.05.130, and having reviewed the official records and files of the Office of the Insurance Commissioner (OIC), makes the following:

FINDINGS OF FACT:

1. Lincoln General Insurance Company (LGIC) – NAIC No. 33855 – is a Pennsylvania-domiciled insurance company authorized to conduct disability, property, marine and transportation, vehicle, general casualty, surety, and ocean marine and foreign trade insurance, each as defined in Chapter 48.11 RCW, in Washington.
2. RCW 48.05.340 requires LGIC to maintain, at all times, a minimum paid-in capital stock of \$3,000,000 plus minimum surplus of \$3,000,000.
3. LGIC reported total paid-in capital stock and surplus at December 31, 2009, of \$2,100,000.
4. RCW 48.05.130 mandates the revocation or suspension of a foreign insurer's certificate of authority if the insurer no longer meets the requirements for the certificate of authority.
5. At December 31, 2009, LGIC's annual financial statement included information that produces at least nine unusual ratios in the NAIC Insurance Regulatory Information System and other financial analysis solvency tools.
6. At December 31, 2009, LGIC reported a net loss excluding net capital gains of \$140.4 million, which is greater than fifty percent of the remaining surplus as regards policyholders.
7. At December 31, 2009, LGIC reported a decrease of \$77.1 million in its reported capital and surplus.
8. At December 31, 2009, LGIC met the hazardous financial condition standards identified in WAC 284-16-310(2),(5), and (6).
9. WAC 284-16-320(2) authorizes the Insurance Commissioner to take certain actions upon a finding that an insurer is in hazardous financial condition.
10. On March 18, 2010, OIC gave notice to LGIC of its intent to revoke Certificate of Authority No. 1950, based upon LGIC's failure to maintain minimum statutory capital and surplus.

11. On March 29, 2010, Gary J. Orndorff, CPA, President and Chief Operating Officer of LGIC, acknowledged receipt of OIC's March 18, 2010 notice, and suggested that suspension rather than revocation of LGIC's certificate of authority would better serve the interests of LGIC stakeholders.

CONCLUSIONS OF LAW:

1. RCW 48.05.130 mandates suspension of LGIC's certificate of authority because of its failure to maintain minimum statutory capital and surplus, which is a requirement for receiving and maintaining a certificate of authority.
2. LGIC is in hazardous financial condition according to the standards contained in WAC 284-16-310.
3. WAC 284-16-320 authorizes the Insurance Commissioner to place restrictions on an insurer's business and operations when the insurer is found to be in hazardous financial condition.

CONSENT TO ORDER:

Lincoln General Insurance Company, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings:

1. LGIC consents to the entry of this order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.
2. By agreement of the parties, and in lieu of revocation of LGIC's certificate of authority, the Insurance Commissioner will issue this Consent Order that:
 - a. Suspends LGIC's certificate of authority no. 1950 for one year, or until further order of the Insurance Commissioner;
 - b. Requires LGIC to immediately stop the solicitation and sale of new policies in this state;
 - c. Requires LGIC to immediately stop the addition of new insureds or risks to existing issued and outstanding policies;
 - d. Requires LGIC, except for guaranteed or non-cancellable surety business, to issue proper and timely notice to non-renew all policies issued and outstanding in this state or affecting subjects wholly or partially located in or to be performed within this state;
 - e. Requires LGIC to promptly and properly settle all claims arising from policies issued in this state or covering property interests wholly or partially located in this state;
 - f. Allows LGIC to collect, according to policy terms, premiums due on all policies issued and outstanding in this state;
 - g. Requires LGIC to promptly pay all fees and taxes due in this state;
 - h. Requires LGIC to timely file all financial statements, reports, rates, and forms required of insurers doing business in this state;

i. Requires LGIC to expeditiously, with due regard to the rights of its policyholders and creditors, to wind up its affairs in this state.

j. Requires LGIC to promptly pay when due all assessments by the Washington Insurance Guaranty Association, or any other organization authorized to make assessments to insurers holding a Washington certificate of authority.

3. In consideration of the Insurance Commissioner's agreement to a supervision rather than a revocation of its certificate of authority, LGIC agrees to provide to the Insurance Commissioner, contemporaneously with its filing with its domiciliary regulator, copies of all filings by LGIC relating to any proposed sale of its charter and Washington certificate of authority, during any period in which the Washington certificate of authority is suspended.

4. In further consideration of the Insurance Commissioner's agreement to a suspension rather than a revocation of its certificate of authority, LGIC waives any and all notices necessary for the extension of this order beyond its initial one-year term until LGIC's certificate of authority is voluntarily surrendered, or revoked with prior notice.

EXECUTED THIS 19th day of April, 2010.

LINCOLN GENERAL INSURANCE COMPANY

By: 

Printed Name: Gary J. Orndorff

Typed Corporate Title: President and Chief Operating Officer

ORDER:

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Certificate of Authority No. 1950 issued to Lincoln General Insurance Company (NAIC No. 33855) to act as an insurer is hereby suspended pursuant to RCW 48.05.130.
2. LGIC is ordered to immediately stop all solicitation and sale of new policies in this state.
3. LGIC is ordered to immediately stop the addition of new insureds or risks to existing issued and outstanding policies.
4. Except with regard to guaranteed or non-cancellable surety business, LGIC is ordered to issue proper and timely notice to non-renew all policies issued and outstanding in this state or affecting subjects wholly or partially located in or to be performed within this state.
5. LGIC is ordered to promptly and properly settle all claims arising from policies issued in this state or covering property interests wholly or partially located in this state.
6. It is further ordered that LGIC is allowed, during the term of this suspension, or any extension thereof, to collect, according to policy terms, premiums due on all policies issued and outstanding in this state.

7. LGIC is ordered to promptly pay, when due, all fees and taxes levied, assessed, or required of insurers doing business in this state.
8. LGIC is ordered to file, when due, all financial statements, reports, rates, and forms required of insurers doing business in this state.
9. LGIC is ordered to expeditiously, with due regard to the rights of its policyholders and creditors, to wind up its affairs in this state.
10. LGIC is ordered to promptly pay when due all assessments by the Washington Insurance Guaranty Association or any other organization authorized to make assessments to insurers holding a Washington certificate of authority.
11. LGIC is ordered to file with the Insurance Commissioner, contemporaneously with its filing with its domiciliary regulator, copies of all filings by LGIC relating to any proposed sale of its charter and Washington certificate of authority, during any period in which the Washington certificate of authority is suspended.

This order is EFFECTIVE March 30, 2010.

ENTERED at TUMWATER, WASHINGTON, this ____ day of April, 2010.

MIKE KREIDLER
Insurance Commissioner

By:

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division

CERTIFICATE OF SERVICE

The undersigned certifies under the penalty of perjury under the laws of the State of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the State of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing CONSENT ORDER SUSPENDING CERTIFICATE OF AUTHORITY on the following individual via U.S. Certified mail:

Gary J. Orndorff, CPA
President and Chief Operating Officer
Lincoln General Insurance Company
Post Office Box 3709
York, Pennsylvania 17402-0136

SIGNED this ____ day of April, 2010, at Tumwater, Washington.

Susan E. Miller