

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

IN THE MATTER OF:

**LINCOLN HERITAGE
LIFE INSURANCE COMPANY**

LICENSE NO. 335397

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A.I.D. NO. 2017- _____ 36

CONSENT ORDER

On this day, the matter of Lincoln Heritage Life Insurance Company (“Company”) came before Allen Kerr, Arkansas Insurance Commissioner (“Commissioner”). The Arkansas Insurance Department (“Department”) is represented by Melissa Grisham, Associate Counsel, in this matter. From the facts and law before him, the Commissioner finds as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner’s acceptance and has no force or effect until such acceptance is evidenced by the entry of the Commissioner.

2. By the signature affixed below, Company affirmatively states that the entry of this Consent Order has been freely entered into, and that no threats or promises of any kind have been made by the Commissioner, the Department, or any agent or representative thereof.

3. The parties state their agreement to be bound by the terms of this Consent Order, and aver that no promises or offers relating to the circumstances described herein have been made, other than the terms of settlement set forth herein.

FINDINGS OF FACT

1. On October 14, 2016, the Department requested information pertaining to Company's system of supervision and control to ensure compliance with the requirements set forth in Department Rule 97 § 5(A); Company's monitoring procedures in place to ensure compliance with Department Rule 97 § 5(B); each replacement file, including notice of replacement sent to the existing insurer and replacement forms for all replacement policies issued in 2015; and proof the Buyer's Guide was sent to insureds pursuant to Department Rule 17 § 6(A)(1).

2. On October 24, 2016, Company provided the Department the above requested information along with a cover letter indicating that while compiling the requested information, Company found that it was not requiring that a copy of the replacement memorandum be submitted to Company in violation of Department Rule 97 § 4(E).

3. On December 2, 2016, the Department requested Company provide each replacement file for all replacement policies issued in 2013 and 2014. Company provided the Department with the requested information on December 6, 2016.

4. On December 28, 2016, the Department requested each 2016 replacement file, and Company provided this information on January 4, 2017.

5. After a review of all replacement policies issued between the years of 2013 and 2016 totaling 235, the Department found that Company failed to provide the insured with the replacement memorandum a total of 209 times, in violation of Department Rule 97 § 4(E).

6. After a review of all external replacement policies issued during the years of 2013 and 2016 totaling 229, the Department found that Company failed to notify existing insurers

within five (5) business days of receipt of the complete replacement application a total of 33 times, in violation of Department Rule 97 § 6(A)(2).

7. The Department assessed a penalty of \$250.00 per violation against Company.

CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over the parties and the subject matter pursuant to Ark. Code Ann. § 23-61-103.
2. Pursuant to Department Rule 97 § 4(E), in connection with any replacement of life insurance or annuities, a replacement memorandum must be completed and signed by both parties.
3. Company violated Department Rule 97 § 4(E) when it issued 209 replaced life insurance policies without obtaining a completed replacement memorandum.
4. Pursuant to Department Rule 97 § 6(A)(2), where a replacement is involved in the transaction, the replacing insurer shall notify any other existing insurer that may be affected by the proposed replacement within five (5) business days of receipt of a completed application indicating replacement or when the replacement is identified if not indicated on the application, and mail a copy of the available illustration or policy summary for the proposed policy or available disclosure document for the proposed contract within five (5) business days of request from an existing insurer.
5. Company violated Department Rule 97 § 6(A)(2) when it failed to notify the existing insurer within five (5) business days on 33 replaced life insurance policies.
6. Pursuant to Ark. Code. Ann. § 23-60-108, a violation of a statute or regulation enforceable by the Insurance Commissioner is punishable by the refusal, suspension, revocation or nonrenewal of a license or certificate of authority; and a fine no greater than one thousand

dollars (\$1,000) per violation, not to exceed fifty thousand dollars (\$50,000) in any six-month period.

IT IS HEREBY ORDERED AND JOINTLY AGREED that:

1. In consideration of the Commissioner's Findings of Fact and Conclusions of Law, Company shall pay a monetary penalty in the amount of \$60,500.00.

2. Company shall disseminate its Arkansas replacement procedures to all Arkansas agencies via email communications or first class mail.

3. Company shall verify and confirm that it is in compliance with any and all Replacement Rules and Regulations of other states where Company does business within ninety (90) days of the date of this Consent Order.

4. Department will complete a future compliance check to ensure Company is in compliance with Department Rule 97.

IT IS SO ORDERED THIS 20~~16~~ day of April, 2017.



**ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS**

 4/19/2017

**YVONNE KEITH PERKINS
SENIOR VICE PRESIDENT
LINCOLN HERITAGE LIFE INSURANCE COMPANY**