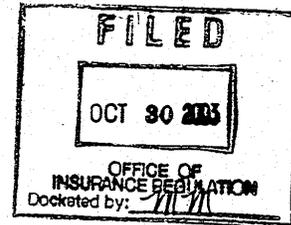




OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
DIRECTOR



IN THE MATTER OF:

**LINCOLN GENERAL
INSURANCE COMPANY**
2003 Property and Casualty Market Conduct Examination

CASE # 70992-03-CO

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between **LINCOLN GENERAL INSURANCE COMPANY**, (hereinafter referred to as "LINCOLN") and the **OFFICE OF INSURANCE REGULATION** of the **FINANCIAL SERVICES COMMISSION** within the **DEPARTMENT OF FINANCIAL SERVICES**, (hereinafter referred to as the "OFFICE"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the **OFFICE** hereby finds as follows:

1. The **OFFICE**, has jurisdiction over the subject matter of, and parties to, this proceeding.
2. **LINCOLN** is a domestic property and casualty insurer authorized to transact insurance business in Florida and is subject to the jurisdiction and regulation of the **OFFICE** pursuant to the Florida Insurance Code.
3. The **OFFICE** conducted a property and casualty market conduct examination of **LINCOLN**, pursuant to Section 624.3161, Florida Statutes, in 2003, and as a result, it has been

determined that LINCOLN has violated the following provisions of the Florida Insurance Code and/or Florida Administrative Code, to wit:

Homeowners

Section 624.430, F.S.-Failure to Notify the Office of Insurance Regulation of Line of Business Discontinuance;

Section 627.062, F.S.-Failure to Follow Filed Rating Plan: Changed Renewal Policy Term Without Insured's Consent;

Section 627.062, F.S.-Failure to Follow Filed Rating Plan: Issued Semi-Annual New Business Policies.

Mobile Homeowners

Section 624.430, F.S.-Failure to Notify the Office of Insurance Regulation of Lines of Business Discontinuance;

Section 627.062, F.S.-Failure to Follow Filed Rating Plan: Changed Renewal Policy Term Without Insured's Consent.

Claims

Section 626.451, F.S.-Use of Unlicensed/Unappointed Company Adjusters.

Managing General Agents (MGA)

Section 626.451, F.S.-Use of Unlicensed/Unappointed MGA's.

4. The OFFICE and LINCOLN expressly waive a hearing in this matter, and the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which the parties may be entitled by law. LINCOLN hereby knowingly and voluntarily waives all rights to challenge or to contest this Order, in any forum now available, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

5. LINCOLN agrees that upon the execution of this Consent Order it shall be subject to the following terms and conditions:

- (a) LINCOLN shall pay an administrative penalty of \$134,031 and costs of \$2,500.00 on or before the 30th day after this Consent Order is executed.
- (b) LINCOLN shall henceforth comply with all of the provisions of the Florida Insurance Code and the Florida Administrative Code.
- (c) LINCOLN is hereby placed on notice of the requirements of the above referenced sections of law and agrees that any future violations of these sections by LINCOLN may be deemed willful, subjecting LINCOLN to appropriate penalties.
- (d) LINCOLN must offer an annual renewal policy to those insureds that were offered six (6) month homeowners and mobile homeowners renewal policies that did not accept the renewal offer.
- (e) LINCOLN must offer an annual renewal policy to those insureds that were issued homeowners and mobile homeowners notices of nonrenewal and have not been offered the opportunity for reinstatement.
- (f) LINCOLN must continue renewing all homeowners and mobile homeowners policies until the effective date of the withdrawal plan as approved by the OFFICE.
- (g) LINCOLN must renew homeowners and mobile homeowners policies, which were renewed for six (6) months, for an additional six

(6) month policy term. The rate to be charged for the additional six (6) months will be 45 percent of the annual rate. No fees will be charged.

(h) LINCOLN must complete the process for licensing and appointments of all in-house adjusters within 30 days of execution of Consent Order and provide documentation to the OFFICE.

(i) LINCOLN must, within 30 days of the date of execution of this Consent Order, ensure that all MGA's are licensed and appointed to produce Florida business and provide documentation to the OFFICE.

6. LINCOLN agrees that the failure to adhere to one or more of the above terms and conditions of this Order shall constitute a violation of a lawful order of the OFFICE, and shall be subject to such administrative action as the OFFICE may deem appropriate.

7. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

8. THEREFORE, the agreement between LINCOLN and the OFFICE, the terms and conditions of which are set forth above, is approved.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 30th day of October, 2003.



KEVIN M. McCARTY
Director

By execution hereof, LINCOLN GENERAL INSURANCE COMPANY consents to entry of this Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind LINCOLN GENERAL INSURANCE COMPANY to the terms and conditions of this Consent Order.

LINCOLN GENERAL INSURANCE COMPANY

Corporate Seal

By: GARY C. BHOJWANI

Title: PRESIDENT

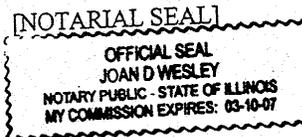
Date: 10/21/03

On OCTOBER 21, 2003 before me, JOAN D. WESLEY, personally appeared GARY C. BHOJWANI, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person or the entity upon whose behalf the person acted, executed the instrument.

Subscribed and sworn to before me this 21st day of OCTOBER, 2003

Signature JOAN D. WESLEY
(Signature of Notary Public)

My Commission Expires: 3-10-07



COPIES FURNISHED TO:

Mr. Gary C. Bhojwani, President
Lincoln General Insurance Company
3350 Whiteford Road
York, PA 17402

Joe Finnegan, Bureau Chief
Office of Insurance Regulation
Bureau of Market Conduct
200 East Gaines Street
Tallahassee, FL 32399-4210

Joanna Mueller
Investigation Manager
Office of Insurance Regulation
Bureau of Market Conduct
200 East Gaines Street
Tallahassee, FL 32399-4210

Richard J. Santurri, Esquire
Office of Insurance Regulation
Legal Services Office
200 East Gaines Street
Tallahassee, Florida 32399