

DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

The Lincoln National Life Insurance Company
NAIC #65676

1301 South Harrison Street
Fort Wayne, IN, USA 46802-3425

As of

August 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of August 31, 2024 on

The Lincoln National Life Insurance Company

is a true and correct copy of the document filed with this Department.

Attest By:



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 26 day of August, 2025.

Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF THE

The Lincoln National Life Insurance Company

AS OF

August 31, 2024

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 26 day of August, 2025.


Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Number 65676-24-528 and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

The Lincoln National Life Insurance Company
NAIC #65676

The examination was performed as of August 31, 2024.

The examination was conducted at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The examination was announced as a follow-up to a previously issued targeted market conduct examination to review the Company's practices in the individual life insurance annuity marketplace in Delaware. The examination focused on the Company's annuity and life insurance business in the following areas of operation: Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

All the exceptions noted were in the areas of Producer Licensing, Underwriting and Rating, and Claims.

The following exceptions were noted:

- **9 Exceptions**

- **18 Del. C. § 1716(b). Notification to Insurance Commissioner of termination.**

- *(b) Termination without cause. — An insurer or authorized representative of the insurer that terminates the appointment, employment or contract with a producer for any reason not set forth in § 1712 of this title shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner. Upon written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination.*

The Company failed to notify the Insurance Commissioner of the producer termination within 30 days following the effective date of the termination.

- **32 Exceptions**

- **18 Del. C. § 1716(d) Copy of notification to be provided to producer.**

- *(1) Within 15 days after making the notification required by subsections (a), (b) and (c) of this section, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in § 1712 of this title, the insurer shall provide a copy of the notification to the producer at that producer's last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.*

The Company failed to mail a copy of the termination notification to the producer at his or her last known address in 28 files, and the mailing was not timely in four files.

This is a repeated finding from the examination conducted as of June 30, 2020, where 66 exceptions were noted.

- **2 Exceptions**

18 Del. C. § 2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The Company used an application form that was not filed in Delaware.

- **1 Exception**

18 Del. Admin. C. § 1210-9.1.1 Delivery of Illustration and Record Retention

9.1.1 If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this regulation, shall be submitted to the insurer at the time of policy application. A copy also shall be provided to the applicant.

The Company failed to provide proof of the agent's certification and applicants signed and dated acknowledgement of the illustration used.

- **4 Exceptions**

18 Del. Admin. C. § 1210-9.2.1 Delivery of Illustration and Record Retention

9.2.1 If no illustration is used by an insurance producer or other authorized representative in the sale of a life insurance policy or if the policy is applied for other than as illustrated, the producer or representative shall certify to that effect in writing on a form provided by the insurer. On the same form the applicant shall acknowledge that no illustration conforming to the policy applied for was provided and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer at the time of policy application.

The Company failed to provide proof of a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

- **1 Exception**

18 Del. Admin. C. § 1210-9.2.2 Delivery of Illustration and Record Retention

9.2.2 If the policy is issued, a basic illustration conforming to the policy as issued shall be sent with the policy and signed no later than the time the policy is delivered. A copy shall be provided to the insurer and the policy owner.

The Illustration provided was signed after the Policy delivery date.

- **1 Exception**

18 Del. Admin. C. § 1204-5.2.1 Replacement of Life Insurance

Where replacement is involved, the agent or broker shall:

5.2.1 Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant.

The notice regarding the replacement form was dated after the application date.

- **13 Exceptions**

18 Del. Admin. C. § 1204-7.1.2.2 Duties of Insurers That Use Agents and Brokers

Each insurer that uses an agent or broker in a life insurance or annuity sale shall:

7.1.2 Where a replacement is involved:

7.1.2.1 Require from the agent or broker with the application for life insurance or annuity:

7.1.2.1.1 A list of all the applicant's existing life insurance or annuities to be replaced.

7.1.2.1.2 A copy of the Replacement Notice provided the applicant pursuant to section 5.2.1. Such existing life insurance or annuity shall be identified by name of insurer, insured and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number, shall be listed.

7.1.2 Where a replacement is involved:

7.1.2.2 Send to each existing insurer a written communication advising of the replacement or proposed replacement of the policy. The communication should include the information obtained pursuant to section 7.1.2.1 above and a Summary or Ledger Statement describing the proposed new policy. This written communication shall be made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity contract is issued, whichever is sooner.

The written communication advising of the replacement to the existing insurer was not provided in five files, was untimely in seven, and the replacement notice was not enclosed in one file.

This is a repeated finding from the examination conducted as of June 30, 2020, where 4 exceptions were noted.

- **1 Exception**

18 Del. Admin. C. § 1204-7.1.1 Duties of Insurers That Use Agents or Brokers

7.1 Each insurer that uses an agent or broker in a life insurance or annuity sale shall:

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7.1.1 Require with or as a part of each completed application for life insurance or annuity, a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction.

The Company failed to provide proof of a signed agent's statement as to whether the agent knew that a replacement was involved in the transaction.

This is a repeated finding from the examination conducted as of June 30, 2020, where 5 exceptions were noted.

- **1 Exception**

18 Del. C. § 1715. Appointments.

(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

The Company accepted an application from a producer that was not appointed by the Company within 15 days from the date the application was submitted.

This is a repeated finding from the examination conducted as of June 30, 2020, where 8 exceptions were noted.

- **1 Exception**

18 Del. C. § 1703. License required.

A person shall not sell, solicit or negotiate insurance in this State for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter.

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The Company accepted an application from a producer that was not licensed for a variable annuity line of authority on the date the application was signed.

This is a repeated finding from the examination conducted as of June 30, 2020, where 2 exceptions were noted.

- **1 Exception**

18 Del. Admin. C. § 1214-5.2 Producer Training

5.2 A producer who engages in the sale of annuity products shall complete a one-time four (4) credit training course approved by the Department of Insurance and provided by the Department of Insurance-approved education provider.

5.2.1 Producers who hold a life insurance line of authority on the effective date of this regulation and who desire to sell annuities shall complete the requirements of this subsection within six (6) months after the effective date of this regulation. Individuals who obtain a life insurance line of authority on or after the effective date of this regulation may not engage in the sale of annuities until the annuity training course required under this subsection has been completed.

The Company failed to provide proof that the producer completed the annuity product required one-time four (4) credit training.

- **2 Exceptions**

18 Del. C. § 320. Conduct of examination; access to records; correction.

(c) Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination

The Company failed to provide the requested information.

- **2 Exceptions**

18 Del. Admin. C. § 902-3.1.5 Prohibited Unfair Claims Settlement Practices

Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

The Company failed to affirm and/or pay the claim within 30 days after proof of loss statements were received.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§ 318-322 and covered the experience period of January 1, 2021, through August 31, 2024, unless otherwise noted.

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The scope of the examination includes, but is not limited to, the Company's practices and procedures relating to Company Operations and Management, Complaints Handling, Marketing and Sales, Producer Licensing, Policyholder Services, Underwriting and Rating, and Claims Handling.

The focus of the examination was a re-examination of the examination conducted in 2020 to verify if the Company made the appropriate fixes to all 10 recommendations including but not limited to agent/producer licensing, agent/producer notification of the terminations, timely communication with consumers and processes are in place to confirm appointments.

The review also included the Company's practices in the life insurance and annuity marketplace surrounding underwriting, complaints, claims – both paid and denied, and marketing and sales. In addition, the review included the verification of the Annuity Replacements for those individuals over 65. During the course of the examination, the Scope of the examination was expanded to include a review of the Company's use of Artificial Intelligence (AI) in the Underwriting and Claims processing, if applicable.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company. The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted.

However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

The Lincoln National Life Insurance Company was founded in Fort Wayne, Indiana, on June 12, 1905. The Company conducts business in all States except New York. The founders of the Company envisioned an insurance company rooted in dependability and honesty. To convey this spirit of integrity, they adopted the name of the nation's 16th President, Abraham Lincoln, to represent the ideals that the new company was founded upon. Robert Todd Lincoln, the President's only surviving son, gave written permission to the Company's founders to use his father's name and likeness in July 1905.

Through a series of acquisitions beginning in 1914 through the end of the Great Depression, the Company expanded by adding more than \$250 million of insurance in force to its ledger. From 1905 to 1955, Lincoln grew to become the ninth largest life insurance company in the United States.

The Company has undergone its most dramatic transformation during the last 20 years. Its holding company, Lincoln National Corporation, realigned its business operations, divested its property casualty and reinsurance operations, acquired Delaware Investments and added life and annuity operations from CIGNA and Aetna. In 2006, Lincoln merged with Jefferson Pilot Financial. Lincoln acquired Liberty Life Assurance Company of Boston in 2018 and changed the name to Lincoln Life Assurance Company of Boston (LLACB) in 2019. LLACB merged with and into The Lincoln National Life Insurance Company effective October 1, 2021.

Today, through its various business segments, the Company sells a wide range of wealth protection, accumulation and retirement income products and solutions. Through its Individual Annuity Operations, the Annuities segment provides tax-deferred growth and lifetime income opportunities for its clients by offering individual fixed annuities, including indexed annuities, and variable annuities. The Life Insurance segment offers wealth protection and transfer opportunities through both individual and survivorship versions of universal life, indexed universal life and variable universal life, as well as term life insurance and a linked-benefit product (which is a universal life insurance policy linked with riders that provide for long-term care costs).

Through the Retirement Plan Services Operations, the Company offers a broad range of products focused on retirement income security through its Defined Contribution, Executive Benefits and Group Protection businesses. The Defined Contribution business provides employer-sponsored fixed and variable annuities; the Executive Benefits business offers corporate-owned universal and variable universal life insurance and bank-owned universal and variable universal life insurance. The Group Protection business focuses on offering group term life, disability income and dental insurance primarily in the small to mid-sized employer marketplace for their eligible employees.

Lincoln's products are distributed through its affiliated wholesaler, Lincoln Financial Distributors, and its affiliated retail organization, Lincoln Financial Network – the marketing name for Lincoln Financial Advisors Corporation and Lincoln Financial

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Securities Corporation. Through these distributors, the Company's products are marketed through a large number of financial intermediaries including wire/regional firms, independent financial planners, financial institutions and managing general agents/independent marketing organizations. Lincoln Financial Advisors and Lincoln Financial Securities Corporation were acquired by Osaic, Inc. on May 6, 2024. Lincoln retained all aspects of Lincoln Financial Distributors.

According to the State of Delaware Department of Insurance, The Lincoln National Life Insurance Company is authorized to transact the business of: Chapter 37 Credit Life, Chapter 37 Credit Health, Regulations 1 Variable Annuities, Regulation 44 Variable Life, Section 902 Life, and Section 903 Health Insurance within the State of Delaware as such classes are defined.

As of their 2021 Annual Statement for the State of Delaware, The Lincoln National Life Insurance Company reported individual ordinary life insurance premiums for \$113,867,342 and individual annuity considerations for \$107,017,068.

As of their 2022 Annual Statement for the State of Delaware, The Lincoln National Life Insurance Company reported individual ordinary life insurance premiums for \$114,653,045 and individual annuity considerations for \$81,270,805.

As of their 2023 Annual Statement for the State of Delaware, The Lincoln National Life Insurance Company reported individual ordinary life insurance premiums for \$159,159,636 and individual annuity considerations for \$78,991,991.

COMPANY OPERATIONS AND MANAGEMENT

The Company provided the requested information documenting its management and operational procedures in areas for which they conduct business in the State of Delaware, including:

- The State of Delaware Department of Insurance Certificate of Authority.
- The Company History Narrative.
- The Management Structure narrative, and the Company's Organizational Chart.
- A list of 18 audits conducted during the experience period, eleven of which were requested and reviewed.
- A copy of the Company's Anti-Fraud Plan.
- A list of 1,316 Third Party Entity Agreements, which included Producers Agreements, Selling Agreements, TPA Agreements and Vendor Agreements. A sample of 30 Agreements was requested and reviewed for compliance.
- Documentation to show that the Company is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the Company
- A copy of the Records Management Policy for each year of the examination period.

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- A listing of the Company's fines and penalties imposed by any State within the last five years. The list included two market conduct examinations that were conducted during the experience period.
- The Company's Annual Statements for 2021, 2022 and 2023, and two Quarterly Statements for 2024.

The documentation was reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

COMPLAINTS HANDLING

A. Individual Life Insurance Consumer Complaints

The Company was requested to provide a list of all consumer complaints received during the experience period. The Company was also requested to provide copies of consumer complaint logs for 2021, 2022 and 2023. The Company provided a universe of 24 consumer complaints received during the experience period. All 24 complaint files were requested, received and reviewed. The Company also provided the complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Department of Insurance during the experience period was compared to the Company's complaint log.

The complaint files and the complaint logs were reviewed for compliance with the State of Delaware Statutes and Regulations including but not limited to, 18 *Del. C.* §2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received since the date of the last examination. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint.

No exceptions were noted.

MARKETING AND SALES

A. Advertising and Sales Policies and Procedures

The Company was requested to provide documentation of the Company's policies and procedures related to advertising and sales. The Company provided their producer training material, replacement procedures, illustration procedures, suitability procedures, product specific training materials, approval process for marketing and sales material, incentives and motivational awards policies, notification procedures for changes in insurance regulations, and procedures to monitor compliance with education

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and training requirements. The advertising and sales policies and procedures were reviewed for compliance with the applicable State of Delaware Statutes and Regulations.

No exceptions were noted.

B. Advertising and Sales Materials – Company Generated

The Company provided a universe of 8,063 pieces of company generated advertising materials utilized in the state during the experience period. The advertising consisted of administrative forms, articles, product guides, biographies, brochures, comparisons, e-burbs, fact sheets, flyers, folders, invitations, letters, marketing promotion materials, postcards, press releases, powerpoints, seminars, surveys, templates, third party material, training material, videos, web content, and worksheets. A sample of 115 pieces of advertising was requested, received and reviewed. The 115 advertising materials were reviewed for compliance with State of Delaware Statutes and Regulations including but not limited to, 18 *Del. C.* §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

C. Advertising and Sales Materials – Producer Generated

The Company provided a universe of 41 producer generated advertising utilized during the experience period. The advertising consisted of emails, mailings, templates, printouts and e-burbs. The entire universe of 41 pieces of advertising was requested, received and reviewed. The 41 advertising materials were reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to, 18 *Del. C.* §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

PRODUCER LICENSING

A. Producer Licensing and Appointments

The Company provided a universe of 1,553 active producers during the experience period. A random sample of 113 producers was selected. The list was compared to departmental records of producers, and the NAIC State Based System (SBS) Lookup Search, to verify the licensing and appointments for compliance with the State of Delaware Statutes and Regulations. In addition, a comparison was made with the producers identified on the applications reviewed in the policy and contract issued sections of the examination. For this examination purposes, producer licensing exceptions found in the other sections of the examination are addressed in their respective sections.

No exceptions were noted.

B. Producer Terminations

The Company provided a universe of 1,702 terminated producers during the experience period. A random sample of 113 terminated producers was selected for review. The producer termination process was reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

9 Exceptions- 18 Del. C. § 1716(b). Notification to Insurance Commissioner of termination.

The Company failed to notify the Insurance Commissioner of the producer termination within 30 days following the effective date of the termination.

Recommendation: It is recommended that the Company review its procedures to ensure that the Insurance Commissioner is notified of the producer termination timely as required by 18 Del. C. § 1716(b).

32 Exceptions- 18 Del. C. § 1716(d) Copy of notification to be provided to producer.

The Company failed to mail a copy of the termination notification to the producer at his or her last known address in 28 files, and the mailing was not timely in four files.

Recommendation: It is recommended that the Company review its procedures to mail a copy of the termination notification to the producer at his or her last known address and timely as required by 18 Del. C. § 1716(d).

POLICYHOLDER SERVICE

A. Policyholder Service Policies and Procedures

The Company was requested to provide documentation of the Company's policies and procedures related to policyholder and/or beneficiary services. This was to include the documentation of procedures for locating missing policyholders or beneficiary information, non-forfeiture options communication to the policyholders, provision of annual reports of policy values to the policyholders, and the procedures for handling unearned premium calculation and refund. The Company was also requested to provide documentation that policy loan and surrender requests were processed timely and accurately. The Company provided the requested documentation, which was reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

B. Individual Cash Value Life Insurance Policies Surrendered

The Company provided a universe of 349 cash value life insurance policies surrendered during the experience period. A random sample of 79 policy files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

C. Individual Fixed Annuity Contracts Surrendered

The Company provided a universe of 961 fixed annuity contracts surrendered during the experience period. A random sample of 86 contract files was requested, received, and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

D. Individual Variable Annuity Contracts Surrendered

The Company provided a universe of 535 individual variable annuity contracts surrendered during the experience period. A random sample of 86 contract files was requested, received, and reviewed. The files were reviewed to ensure compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

UNDERWRITING AND RATING

A. Individual Life Insurance Policy Rates

The Company was requested to provide copies of the rates approved for use in Delaware during the experience period. The Company provided four documents, which were reviewed for compliance with any applicable State of Delaware Statutes and Regulations.

No exceptions were noted.

B. Individual Life Insurance Underwriting Guidelines

The Company was requested to provide copies of the underwriting guidelines in use in Delaware during the experience period. The underwriting guidelines were to include the Company's accelerated underwriting and predictive modeling and a detailed description of the processes, if used. The guidelines were also to include a copy of the application, the application denial process, along with a copy of a denial letter, and the application denial appeal process.

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The Company was requested to provide the number of appeals received during the experience period and the number of those appeals that were overturned. The Company was requested to provide a list of health issues that result in an "automatic denial" and also provide actuarial proof that supports the reasons. The Company was also requested to provide a detailed explanation if family history related to any of the diseases (health issues above) is also a reason for denials.

The Company was requested to provide a copy of the Company's written Artificial Intelligence (AI) Program and an explanation whether artificial intelligence was being used within the scope of the examination.

The Company was requested to provide an explanation whether the universal life insurance policies were marketed as long-term investment that could provide retirement income.

The Company provided copies of the underwriting guidelines. The guidelines were reviewed to ensure that underwriting guidelines were in place and being followed in a uniform and consistent manner.

The Company provided copies of the life insurance applications and application supplements as requested. The Company indicated that the decline process is based on multiple factors, which were named. The Company did not provide a list of the application denial appeals received and indicated that any appeals are not formally tracked. The Company indicated that if a client disagreed with the declination, the case would be processed as a complaint. The complaints received and reviewed did not include any application declination appeals.

The Company provided a listing of health issues that result in "automatic denials". The Company explained that coverage is provided for applicants with mortality risks up to Table 8 (300% standard mortality rates) depending on product type and underwriting process. The Company indicated that applications that present mortality risks beyond this level are not approved. The Company also indicated that coverage denial is not based on family history.

The Company provided a description of the Automated Underwriting (AU), Accelerated Underwriting (lab-free) and Predictive Model processes used.

The Company provided an overview of the Company's Artificial Intelligence (AI) program but indicated that Lincoln does not currently use any AI in Underwriting or Claims processing for individual life insurance and annuities.

The Company indicated that all of the Index Universal Life (IUL) Insurance and Variable Universal Life (VUL) Insurance products that Lincoln offers are suitable for long-term investment. Some of these products are specifically designed for cash value accumulation and marketed as long-term investments that can provide retirement income, while others are marketed primarily for death benefit protection, but can also grow cash value that can be accessed throughout the life of the policy.

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The guidelines, and all the information provided, were reviewed to ensure that underwriting guidelines were in place and being followed in a uniform and consistent manner and that no underwriting practices or procedures were in place that could be considered discriminatory in nature or specifically prohibited by statute or regulation.

No exceptions were noted.

C. Policy Forms

The Company provided a list of 389 life insurance and annuity forms in use during the experience period. A random sample of 79 policy forms was requested, received and reviewed. The forms provided were reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to 18 *Del. C.* § 2712, Filing, approval of forms. For this examination purposes, form exceptions found in the other sections of the examination are addressed in their respective sections.

No exceptions were noted.

D. Individual Cash Value Life Insurance Policies Issued as New

The Company provided a universe 236 individual cash value life insurance policies issued as new during the experience period. A random sample of 79 policies was requested, received and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception – 18 *Del. C.* § 2712. Filing, approval of forms.

The Company used an application form that was not filed in Delaware.

Recommendation: It is recommended that the Company review its procedures to ensure that all forms used are filed in Delaware as required by 18 *Del. C.* § 2712.

1 Exception - 18 *Del. Admin. C.* § 1210-9.1.1 Delivery of Illustration and Record Retention

The Company failed to provide proof of the agent's certification and applicants signed and dated acknowledgement of the illustration used.

Recommendation: It is recommended that the Company review its procedures to ensure that all illustrations are signed as required by 18 *Del. Admin. C.* § 1210-9.1.1.

4 Exceptions - 18 *Del. Admin. C.* § 1210-9.2.1 Delivery of Illustration and Record Retention

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The Company failed to provide proof of a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery.

Recommendation: It is recommended that the Company review its procedures to ensure that a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery is provided as required by 18 *Del. Admin. C.* § 1210-9.2.1.

1 Exception - 18 *Del. Admin. C.* § 1210-9.2.2 Delivery of Illustration and Record Retention

The Illustration provided was signed after the Policy delivery date.

Recommendation: It is recommended that the Company review its procedures to ensure that all illustrations are signed no later than the time the policy is delivered as required by 18 *Del. Admin. C.* § 1210-9.2.2.

E. Individual Cash Value Life Insurance Policies Issued as Replacements

The Company provided a universe of 55 individual cash value life insurance policies issued as replacements during the experience period. All 55 policies were requested, received and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 *Del. Admin. C.* § 1204-5.2.1 Replacement of Life Insurance

The notice regarding the replacement form was dated after the application date.

Recommendation: It is recommended that the Company review its procedures to ensure that all notice regarding replacement forms is presented to the applicant not later than at the time of taking the application as required by 18 *Del. Admin. C.* § 1204-5.2.1.

10 Exceptions - 18 *Del. Admin. C.* § 1204-7.1.2.2 Duties of Insurers That Use Agents and Brokers

The written communication advising of the replacement to the existing insurer was not provided in five files, was untimely in four files, and the replacement notice was not enclosed in one file.

Recommendation: It is recommended that the Company review its procedures to ensure that the written communication advising of the replacement to the existing insurer is sent,

timely and includes the mandatory information, as required by 18 *Del. Admin. C.* § 1204-7.1.2.2.

F. Individual Fixed Annuity Contracts Issued as New

The Company provided a universe of 271 fixed annuity contracts issued as new during the experience period. A random sample of 79 contracts was requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exception was noted:

1 Exception - 18 *Del. Admin. C.* § 1204-7.1.1 Duties of Insurers That Use Agents or Brokers

The Company failed to provide proof of a signed agent's statement as to whether the agent knew that a replacement was involved in the transaction.

Recommendation: It is recommended that the Company review its procedures to ensure that a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction is included with or as a part of each completed application for life insurance or annuity as required by 18 *Del. Admin. C.* § 1204-7.1.1.

G. Individual Fixed Annuity Contracts Issued as Replacements

The Company provided a universe of 191 individual fixed annuity contracts issued as replacements during the examination period. A random sample of 79 contracts was requested, received and reviewed. The contract files were reviewed to determine compliance with the State of Delaware Laws and Regulations.

The following exceptions were noted:

2 Exceptions – 18 *Del. Admin. C.* § 1204-7.1.2.2 Duties of Insurers That Use Agents or Brokers

The Company failed to make the written communication advising of the replacement to the existing insurer within 7 working days.

Recommendation: It is recommended that the Company review its procedures to ensure that the written communication advising of the replacement to the existing insurer is made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity contract is issued, whichever is sooner as required by 18 *Del. Admin. C.* § 1204-7.1.2.2.

1 Exception – 18 Del. C. § 1715. Appointments.

The Company accepted an application from a producer that was not appointed by the Company within 15 days from the date the application was submitted.

Recommendation: It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of the date the application is submitted, as required by 18 Del. C. § 1715.

H. Individual Variable Annuity Contracts Issued as New

The Company provided a universe of 716 variable annuity contracts issued as new during the experience period. A random sample of 86 variable annuity contracts was requested, received and reviewed. The contract files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 Del. C. § 1703. License required.

The Company accepted an application from a producer that was not licensed for a variable annuity line of authority on the date the application was signed.

Recommendation: It is recommended that the Company review its procedures to ensure that all applications are accepted from duly licensed producers as required by 18 Del. C. § 1703.

1 Exception - 18 Del. C. § 2712. Filing, approval of forms.

The Company used an application form that was not filed in Delaware.

Recommendation: It is recommended that the Company review its procedures to ensure that all the forms used are filed as required by 18 Del. C. § 2712.

1 Exceptions – 18 Del. Admin. C. § 1214-5.2 Producer Training

The Company failed to provide proof that the producer completed the annuity product required one-time four (4) credit training.

Recommendation: It is recommended that the Company review its procedures to ensure that all producers who engage in the sale of annuity products complete the required one-time four (4) credit training as required by 18 Del. Admin. C. § 1214-5.2.

I. Individual Variable Annuity Contracts Issued as Replacements

The Company provided a universe of 281 individual variable annuity contracts issued as replacements during the examination period. A random sample of 79 variable annuity contract files was requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

1 Exception - 18 Del. C. § 320. Conduct of examination; access to records; correction.

The Company failed to provide the requested information: a completed annuity contract verification form.

Recommendation: It is recommended that the Company review its procedures to ensure that the Company provides all the requested information, as required by 18 Del. C. § 320.

1 Exception - 18 Del. Admin. C. § 1204-7.1.2.2 Duties of Insurers That Use Agents or Brokers

The Company failed to make the written communication advising of the replacement to the existing insurer within 7 working days.

Recommendation: It is recommended that the Company review its procedures to ensure that the written communication advising of the replacement to the existing insurer is made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity contract is issued, whichever is sooner as required by 18 Del. Admin. C. § 1204-7.1.2.2.

J. Individual Cash Value Life Insurance Applications Declined

The Company provided a universe of 68 individual cash value life insurance applications declined during the experience period. All 68 declined application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exception was noted:

1 Exception - 18 Del. C. § 320. Conduct of examination; access to records; correction.

The Company failed to provide the requested information: an application decline letter.

Recommendation: It is recommended that the Company review its procedures to ensure that the Company provides all the requested information as required by 18 Del. C. § 320.

K. Individual Cash Value Life Insurance Policies Cancelled

The Company was requested to provide a list of all policies cancelled during the experience period. The Company indicated that there were no policies cancelled by applicants in their free look periods during the examination period.

No exceptions were noted.

CLAIMS

A. Individual Life Insurance Policy Claims Paid

The Company provided a universe of 524 individual life insurance policy claims received and paid during the experience period. A random sample of 83 claims was requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

B. Individual Life Insurance Policy Claims Denied

The Company provided a universe of four claims received and denied during the experience period. All four denied claims were requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

C. Individual Annuity Contract Claims Paid

The Company provided a universe of 609 annuity claims received and paid during the experience period. A random sample of 83 claims was requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

2 Exceptions - 18 Del. Admin. C. § 902-3.1.5 Prohibited Unfair Claims Settlement Practices

The Company failed to affirm and/or pay the claim within 30 days after proof of loss statements were received.

Recommendation: It is recommended that the Company review its procedures to ensure that all claims are affirmed and/or paid within 30 days after proof of loss statements are received as required by 18 Del. Admin. C. § 902-3.1.5.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company review its procedures to ensure that the Insurance Commissioner is notified of the producer termination timely as required by 18 *Del. C.* § 1716(b). (Producer Licensing - Producer Terminations)
2. It is recommended that the Company review its procedures to mail a copy of the termination notification to the producer at his or her last known address and timely as required by 18 *Del. C.* § 1716(d). (Producer Licensing - Producer Terminations)
3. It is recommended that the Company review its procedures to ensure that all forms used are filed in Delaware as required by 18 *Del. C.* § 2712. (Underwriting and Rating - D. Individual Cash Value Life Insurance Policies Issued as New and I. Individual Variable Annuity Contracts Issued as Replacements)
4. It is recommended that the Company review its procedures to ensure that all illustrations are signed as required by 18 *Del. Admin. C.* § 1210-9.1.1. (Underwriting and Rating - D. Individual Cash Value Life Insurance Policies Issued as New)
5. It is recommended that the Company review its procedures to ensure that a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery is provided as required by 18 *Del. Admin. C.* § 1210-9.2.1. (Underwriting and Rating - D. Individual Cash Value Life Insurance Policies Issued as New)
6. It is recommended that the Company review its procedures to ensure that all illustrations are signed no later than the time the policy is delivered as required by 18 *Del. Admin. C.* § 1210-9.2.2. (Underwriting and Rating - D. Individual Cash Value Life Insurance Policies Issued as New)
7. It is recommended that the Company review its procedures to ensure that all notice regarding replacement forms is presented to the applicant not later than at the time of taking the application as required by 18 *Del. Admin. C.* § 1204-5.2.1. (Underwriting and Rating – E. Individual Cash Value Life Insurance Policies Issued as Replacements)

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8. It is recommended that the Company review its procedures to ensure that the written communication advising of the replacement to the existing insurer is sent, timely and includes the mandatory information, as required by 18 Del. Admin. C. § 1204-7.1.2.2. (Underwriting and Rating – E. Individual Cash Value Life Insurance Policies Issued as Replacements, G. Individual Fixed Annuity Contracts Issued as Replacements and I. Individual Variable Annuity Contracts Issued as Replacements)
9. It is recommended that the Company review its procedures to ensure that a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction is included with or as a part of each completed application for life insurance or annuity as required by 18 Del. Admin. C. § 1204-7.1.1. (Underwriting and Rating - F. Individual Fixed Annuity Contracts Issued as New)
10. It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days from the date the application is submitted as required by 18 Del. C. § 1715. (Underwriting and Rating – G. Individual Fixed Annuity Contracts Issued as Replacements)
11. It is recommended that the Company review its procedures to ensure that all applications are accepted from duly licensed producers as required by 18 Del. C. § 1703. (Underwriting and Rating – H. Individual Variable Annuity Contracts Issued as New)
12. It is recommended that the Company review its procedures to ensure that all producers who engage in the sale of annuity products complete the required one-time four (4) credit training as required by 18 Del. Admin. C. § 1214-5.2. (Underwriting and Rating - H. Individual Variable Annuity Contracts Issued as New)
13. It is recommended that the Company review its procedures to ensure that the Company provides all the requested information as required by 18 Del. C. § 320. (Underwriting and Rating – I. Individual Variable Annuity Contracts Issued as Replacements and J. Individual Cash Value Life Insurance Applications Declined)
14. It is recommended that the Company review its procedures to ensure that all claims are affirmed and/or paid within 30 days after proof of loss statements are received as required by 18 Del. Admin. C. § 902-3.1.5. (Underwriting and Rating – C. Individual Annuity Contract Claims Paid)

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The examination conducted by Joseph Krug, CPA, AFE, MCM; Christina Hughart, JD, AIE, MCM; Stephen Misenheimer, AIE, MCM; and Frank Kyazze, MCM, CIE, FLMI, ALHC, MBA, is respectfully submitted.



Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Frank W.K. Kyazze, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority #65676-24-528.



Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC