

April 29, 2024

Ellen G. Cooper
Chairman, President and Chief Executive
Officer
Lincoln Financial Group
150 North Radnor-Chester Road
Radnor, PA 19087

Dear Ms. Cooper,

I am writing to seek information on secretive, back-door rewards and incentives offered by your company to brokers, dealers and agents who sell financial plans and annuities to individuals preparing for retirement. Annuity companies offer these secret payments and rewards to agents in exchange for promoting their products – even if they are not in the best interest of clients. This type of bad advice causes Americans to lose billions of dollars each year on low-quality or high-cost investment products pushed onto them by advisers with conflicts of interest.¹

These types of harmful incentives are exactly the reason why the Department of Labor’s (DOL) Retirement Security Rule—finalized last week—would require financial professionals to act in the best interest of their clients.²

The desire to keep rewarding agents and brokers with secret payments in exchange for their business appears to be the reason why the financial industry, including the American Council of Life Insurers (ACLI) – a trade organization that includes your company³ – is opposing this consumer protection rule.⁴ Given this opposition, it is imperative that the American public understand what is at stake, and that you provide information on the incentives that you offer financial advisors to sell your products.

¹ Obama White House Archives, “The Effects of Conflicted Investment Advice on Retirement Savings, February, 2015, https://obamawhitehouse.archives.gov/sites/default/files/docs/cea_coi_report_final.pdf; Office of Senator Elizabeth Warren, “Villas, Castles, and Vacations: Americans’ New Protections from Financial Adviser Kickbacks, High Fees, & Commissions are at Risk,” February 2017, https://www.warren.senate.gov/files/documents/2017-2-3_Warren_DOL_Rule_Report.pdf.

² The White House, “The Retirement Security Rule – Strengthening Protections for Americans Saving for Retirement,” October 31, 2023, <https://www.whitehouse.gov/cea/written-materials/2023/10/31/retirement-rule/>; Department of Labor, “BIDEN-HARRIS ADMINISTRATION ANNOUNCES RULE TO PROTECT RETIREMENT SAVERS’ INTERESTS BY UPDATING INVESTMENT ADVICE FIDUCIARY DEFINITION,” press release, April 23, 2024, <https://www.dol.gov/newsroom/releases/ebsa/ebsa20240423>.

³ ACLI, “Member Companies List,” updated January 12, 2023, <https://www.acli.com/about-acli/membership/member-list>.

⁴ ACLI, “Labor Department’s Proposed Fiduciary-Only Regulation Hinders Progress on Americans’ Retirement Security,” press release, January 10, 2024, <https://www.acli.com/posting/nr24-003>.

My staff’s preliminary review reveals a deeply troubling pattern of secretive incentives. It found that at least 43 annuity and insurance companies are offering agents secret perks in the form of vacations and cash bonuses in 2024 in exchange for their business.⁵ These incentives present a conflict of interest for agents and financial advisers that creates a clear incentive for them to recommend and sell products that may not be the best fit for the clients and customers who rely on their advice.

Examples of vacation perks offered by annuity companies in 2024 include:

- A “luxurious and relaxing getaway to a 5+ star private resort” in Playa Mujeres, Mexico, offered by Liberty Bankers Insurance Group, where the agent and their guest can experience “all the Caribbean has to offer” for six days – if they sell \$200,000 worth of products.⁶
- A “luxury Danube river cruise” where agents are invited by the SILAC insurance company to explore Passau, Salzburg, Vienna, and Budapest.⁷
- A five-day escape to “one of the most privileged locations on the white sands of Punta Cancun” for Washington National, where, “[s]hielded from the open sea by the shores of Isla Mujeres, the Grand Fiesta Americana Coral Beach Cancun offers calm, warm and swimmable waters and irresistible tropical weather.”⁸
- A one-week vacation in Australia, offered by Sentinel Security Life.⁹

Annuity companies also offer cash bonuses to agents who meet a certain sales threshold, creating incentives for agents to sell these products regardless of whether they are best for their customers. For example, Americo Financial Life and Annuity Insurance Company offers a 10 percent cash bonus on agents’ life businesses, plus an extra 25 percent credit “for sales of our Instant Decision Term Series products.”¹⁰ Oceanview offers bonuses starting at \$2,250 for “any new policy with a minimum premium of \$300k and a tenor of 6 years or longer.”¹¹

These perks and bonuses reveal why the DOL’s Retirement Security Rule is needed to protect consumers and small investors who need to make every dollar count and who can ill-afford to risk their retirement security to harmful conflicts of interest. The remainder of this letter contains additional background and questions on your practices with regard to kickbacks and agent payments.

⁵ Data on file with the office of Senator Warren.

⁶ Liberty Bankers, “2024 Agent Incentive Trip,” https://drive.google.com/file/d/1rxx4vNyg9DOY_QZX6Pzhqo894dasq3Hl/view.

⁷ SILAC Insurance Company, “SILAC Inner Circle,” https://drive.google.com/file/d/1wqZ9E8ZUsE8KGM_kyuwB2AVVRw1IR_Em/view.

⁸ Washington National Insurance Company, “Cancun is Calling,” <https://drive.google.com/file/d/1KCeCzYIL24iZ8sngDk0VeOkFrJWgxmJl/view>.

⁹ Sentinel Security Life Insurance Company, “Sentinel Success Summit,” https://drive.google.com/file/d/1Ju8QgZTqcH_66_1lw0P0oLQIX10eGbVm/view.

¹⁰ Americo, “Celebrate Your Success,” <https://drive.google.com/file/d/1HdIOpHO3UZtAzmbMsKRVsLEKizepPjft/view>.

¹¹ Oceanview Life and Annuity Company, “Catch a 75bps bonus,” <https://drive.google.com/file/d/1he8GH67geoFlRrqZCx0CHM5NwoiKSJko/view>.

Background: The Department of Labor’s Retirement Security Rule Would Expand Protections for Individuals Receiving Financial Advice from Retirement Advisors

On April 23, 2024, the Biden Administration finalized a rule to close outstanding loopholes in the law and “require that financial advisers provide retirement advice in the best interest of the saver, rather than chasing the highest payday.”¹² The new DOL rule, titled the Retirement Security Rule, would require that advisors’ recommendations to purchase any investment product are always made in savers’ best interest.¹³

The Retirement Security Rule is poised to save Americans billions of dollars. Conflicts of interest among brokers cost retirement savers as much as 20 percent of their retirement income over a lifetime, and conflicted advice on fixed-index annuities alone can cost savers as much as \$5 billion every year.¹⁴ Unlike doctors, lawyers, certified public accountants, some fee-based financial advisers and certain retirement advisers, agents and advisers selling annuities can legally put their own financial interests ahead of the interests of the person they are advising.

A 2020 Harvard working paper found that variable annuity sales are “roughly five times more sensitive to brokers’ financial interests than investors’,” motivated by commissions for selling annuities that can be over 10 percent of investors’ premium payments: “brokers earn higher commissions for selling inferior annuities.”¹⁵

The Retirement Security Rule would put an end to these practices.

The Financial Services Industry Fiercely Opposes the DOL’s Retirement Security Rule

Upon the DOL’s release of the final Retirement Security Rule last week, the insurance industry immediately clapped back.¹⁶ Big financial services firms – who earn immense profits from the abusive tactics that the rule is designed to eliminate – are the rule’s fiercest opposition.¹⁷ Indeed,

¹² The White House, “FACT SHEET: President Biden to Announce New Actions to Protect Retirement Security by Cracking Down on Junk Fees in Retirement Investment Advice,” October 31, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/10/31/fact-sheet-president-biden-to-announce-new-actions-to-protect-retirement-security-by-cracking-down-on-junk-fees-in-retirement-investment-advice/>; Department of Labor, “BIDEN-HARRIS ADMINISTRATION ANNOUNCES RULE TO PROTECT RETIREMENT SAVERS’ INTERESTS BY UPDATING INVESTMENT ADVICE FIDUCIARY DEFINITION,” press release, April 23, 2024, <https://www.dol.gov/newsroom/releases/ebsa/ebsa20240423>.

¹³ *Id.*

¹⁴ The White House, “FACT SHEET: President Biden to Announce New Actions to Protect Retirement Security by Cracking Down on Junk Fees in Retirement Investment Advice,” October 31, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/10/31/fact-sheet-president-biden-to-announce-new-actions-to-protect-retirement-security-by-cracking-down-on-junk-fees-in-retirement-investment-advice/>.

¹⁵ Harvard Business School, “Conflicting Interests and the Effect of Fiduciary Duty — Evidence from Variable Annuities,” Mark Egan, Shan Ge, and Johnny Tang, 2020, p. 3, https://www.hbs.edu/ris/Publication%20Files/21-018_258d3c19-c099-4447-9589-304fcfddd885.pdf.

¹⁶ NAIC, “NAIC Releases Statement on the Final DOL Fiduciary Rule,” news release, April 23, 2024, <https://content.naic.org/article/naic-releases-statement-final-dol-fiduciary-rule>.

¹⁷ Consumer Federation of America, “DOL Retirement Security Proposal: Setting the Record Straight,” <https://consumerfed.org/wp-content/uploads/2024/02/CFA-Countering-Misinformation-About-the-DOL-Retirement-Security-Rule-Proposal.pdf>

industry groups have attempted to discredit it by spreading misleading information through biased surveys, studies, and dramatized video advertisements “purporting to show negative impacts on small savers and substantial costs for industry,” which in reality are “thinly veiled lobbying tools designed to preserve the very profitable status quo.”¹⁸ But the industry’s claims are false – the rule would fill glaring holes in the law that allow advisors to reap bonuses and benefits for steering Americans toward inappropriate and high-cost annuities.

As this new investigation reveals, this industry has a particular self-interest in opposing the rule. Insurers and annuity companies are some of the worst abusers of the loopholes in current law that allow them to make secretive payments to sales agents that incentivize them to act against the best interests of their customers.

Annuity Companies Continue to Offer Perks and Kickbacks to Financial Advisors

In 2015, I opened an investigation into the rewards and incentives that the fifteen largest annuity companies offered to brokers and dealers selling annuities to families and small investors.¹⁹ This investigation revealed, “a widespread practice of offering agents kickbacks in exchange for promoting certain annuities and other insurance industry products and that such kickbacks are effectively concealed from customers.”²⁰ It showed that “kickbacks may benefit the agent and the company, but they do so at the expense of their customers. And loopholes in the law make these kickbacks perfectly legal.”²¹

Although the Obama Administration at that time tried to end these abuses,²² these efforts were ultimately derailed by industry groups and the Trump Administration.²³

Now, as the Biden Administration’s Department of Labor again attempts to end these tactics, my staff conducted a new review of the use of these practices. It shows that insurance and annuity providers continue to offer a vast range of perks in the form of vacations and cash bonuses: from all-inclusive cruises and luxurious getaways in the Caribbean, to \$50,000+ cash bonuses.²⁴ I

¹⁸ *Id.* p. 1; ACLI, “Protect Retirement,”

https://consumerprotection.life/?utm_source=Twitter&utm_medium=Social&utm_campaign=HarderToSave_Video_010924_Paid&utm_content=LowMiddle&twclid=2-6185bj6f8ay3h61038ljo40ga; ACLI, “Labor Department’s Proposed Fiduciary-Only Regulation Hinders Progress on Americans’ Retirement Security,” press release, January 10, 2024, <https://www.acli.com/posting/nr24-003>.

¹⁹ Letters from Senator Elizabeth Warren to Fifteen Largest Annuity Companies in the U.S., April 28, 2015, <https://www.warren.senate.gov/files/documents/AnnuitiesLetters.pdf>.

²⁰ Office of Senator Elizabeth Warren, *Villas, Castles, and Vacations: How Perks and Giveaways Create Conflicts of Interest in the Annuity Industry*, October 2015, p. 1, https://www.warren.senate.gov/files/documents/2015-10-27_Senator_Warren_Report_on_Annuity_Industry.pdf.

²¹ *Id.*

²² Bloomberg Law, “Obama-Era Fiduciary Rule Vacated by the Fifth Circuit,” March 15, 2018, Carmen Castro-Pagan, <https://news.bloomberglaw.com/employee-benefits/obama-era-fiduciary-rule-vacated-by-the-fifth-circuit>.

²³ K&L Gates, “Here We Go Again: DOL Proposes New Fiduciary Rule,” November 8, 2023, <https://www.klgates.com/Here-We-Go-Again-DOL-Proposes-New-Fiduciary-Rule-11-8-2023>.

²⁴ Liberty Bankers Insurance Group, “2024 Agent Incentive Trip,” https://drive.google.com/file/d/1rxx4vNyq9DOY_QZX6Pzhqo894dasq3Hl/view; SILAC Insurance Company, “SILAC Inner Circle,” https://drive.google.com/file/d/1wqZ9E8ZUsE8KGM_kyuwB2AVVRw11R_Em/view;

remain concerned that these incentives present a conflict of interest for agents and financial advisers that could result in these agents providing inappropriate advice about annuities to investors and selling products that may not meet the retirement investment needs of their buyers.

Overall, in a preliminary review, my staff identified 43 insurance and annuity providers that are sending illicit perks or payments to agents.²⁵ Examples of vacation perks offered by top annuity companies in 2024 include:

- A “luxurious and relaxing getaway to a 5+ star private resort” in Playa Mujeres, Mexico, offered by Liberty Bankers Insurance Group (LBIG) to agents who earned 200,000 credits in 2023 (credits are earned per one dollar of issued annualized premium). The agent and their guest can experience “all the Caribbean has to offer” for six days.²⁶
- A “luxury Danube river cruise” where the top 60 agents who gained over \$5 million in issued premium in 2023 are invited by the SILAC insurance company to explore Passau, Salzburg, Vienna, and Budapest.²⁷
- A five-night trip to Venice, offered by five insurance companies (American-Amicable Life Insurance Company of Texas, IA American Life Insurance Company, Occidental Life Insurance Company of North Carolina, Pioneer American Insurance Company, and Pioneer Security Life Insurance Company) to their top 40 agents, independent marketing organizations (IMOs), and managing general agents (MGAs).²⁸
- A five-day escape to “one of the most privileged locations on the white sands of Punta Cancun” for Washington National agents exceeding minimum qualification criteria.²⁹ “Shielded from the open sea by the shores of Isla Mujeres, the Grand Fiesta Americana Coral Beach Cancun offers calm, warm and swimmable waters and irresistible tropical weather.”³⁰
- A one-week vacation in Australia for annuity agents with at least 100,000 credits, life agents with at least 65,000 credits, and field marketing organizations (FMOs) and IMOs with a minimum of 400,000 credits, offered by Sentinel Security Life.³¹

Annuity companies also offer cash bonuses to agents, IMOs, and MGAs who sell their plans. These cash bonuses, beyond providing a percentage of agents’ premiums, provide extra incentive for agents to sell particular plans and products, regardless of the best interest of their clients. Some examples of these bonuses include:

Corebridge Financial, “Your QoL BONUS,”

<https://drive.google.com/file/d/10smubyKpcnmSr1MA41t5fEl6ahOStV8i/view>.

²⁵ Data on file with the office of Senator Elizabeth Warren.

²⁶ Liberty Bankers Insurance Group, “2024 Agent Incentive Trip,”

https://drive.google.com/file/d/1rxx4vNvq9DOY_QZX6Pzhqo894dasq3Hl/view.

²⁷ SILAC Insurance Company, “SILAC Inner Circle,”

https://drive.google.com/file/d/1wqZ9E8ZUsE8KGM_kyuwB2AVVRw1lR_Em/view.

²⁸ American-Amicable Group of Companies, “2024 Convention,” <https://drive.google.com/file/d/1vhS9M3Lsp-TqG62mGFT90UON3qI4uvz5/view>.

²⁹ Washington National Insurance Company, “Cancun is Calling,”

<https://drive.google.com/file/d/1KCeCzYlL24iZ8sngDk0VeOkFrJWgxmJl/view>.

³⁰ *Id.*

³¹ Sentinel Security Life Insurance Company, “Sentinel Success Summit,”

https://drive.google.com/file/d/1Ju8QgZTqcH_66_1Iw0P0oLQIX10eGbVm/view.

- Amerigo Financial Life and Annuity Insurance Company offers a 10 percent cash bonus on agents’ life businesses, plus an extra 25 percent credit “for sales of our Instant Decision Term Series products - CBO 100, CBO 50, Term 125, Term 100, Continuation 10, Continuation 25, Payment Protector, and Payment Protector Continuation products from July 10, 2023, through the end of the qualification period.”³²
- Oceanview offers a 75 basis points (bps) bonus for “any new policy with a minimum premium of \$300k and a tenor of 6 years or longer” and includes the company’s Harbourview MYGA, CA Harbourview MYGA, CA Harbourview FIA, Harbourview FIA products.³³
- American National Insurance Company offers up to \$2,500 in bonuses for Signature Performance Indexed Universal Life (IUL) paid policies.³⁴
- Equitrust’s limited-time Bridge® Bucks offer gives agents the chance to win an extra \$4,500 on their next three issued cases of Bridge® — in addition to a 1 percent commission.³⁵ “There’s never been a better time to tell your clients about Bridge® by EquiTrust,” the flyer states.³⁶
- AIG Partners Group (now Corebridge Financial) offers hefty bonuses of up to \$54,000 on net weighted premiums of up to \$300,000.³⁷

A review of these companies’ public-facing websites indicates that these perks are not clearly disclosed to prospective clients. In Oceanview’s Fixed Indexed Annuity brochure, for example, the company directs prospective clients to “reach out to your agent if you have any questions about our Company’s products or their features” in the “Disclosures” section,³⁸ and Sentinel Security Life’s Guaranteed Income Annuity brochure contains no mention of vacation perks offered to agents.³⁹ Additionally, many of the materials reviewed by my staff advertising agent perks and giveaways contained explicit instructions not to distribute the pamphlets to the public. For example, a Washington National brochure advertising an all-inclusive trip to Cancun for qualifying agents contains instructions to withhold the material from clients: “For agent information only. This material should not be distributed to the public or used in any solicitation.”⁴⁰ It appears that consumers are not adequately informed that their agent may be subject to conflicts of interest. Furthermore, disclosure would be insufficient to mitigate the impacts of these conflicts of interest on consumers.

³² Amerigo, “Celebrate Your Success,”

<https://drive.google.com/file/d/1HdIOpHO3UZtAzmbMsKRVslEKizepPjft/view>.

³³ Oceanview Life and Annuity Company, “Catch a 75bps bonus,”

<https://drive.google.com/file/d/1he8GH67geoFIRrqZCx0CHM5NwoiKSJko/view>.

³⁴ American National Insurance Company, “Go For the Gold,” [448043a4-6f20-4ebd-baed-9104e6bd3f03.pdf](https://drive.google.com/file/d/448043a4-6f20-4ebd-baed-9104e6bd3f03/pdf).

³⁵ Equitrust, “Bridge® Bucks,” <https://drive.google.com/file/d/1jj97bys8y2jNRB4PC-M9zNDA-5WHuG53/view>

³⁶ *Id.*

³⁷ Corebridge Financial, “Your 2023 QoL Bonus,”

<https://drive.google.com/file/d/10smubyKpcnmSr1MA41t5fEl6ahOStV8i/view>.

³⁸ Oceanview Life and Annuity Company, “Harbourview Fixed Indexed Annuity,” <https://oceanviewlife.com/wp-content/uploads/2023/05/HV-FIA-Oceanview-Client-Brochure.pdf>.

³⁹ Sentinel Security Life Insurance Company, “Guaranteed Income Annuity,”

<https://www.sslco.com/img/pdf/SSLGIABR-OT-062923.pdf>.

⁴⁰ Washington National Insurance Company, “Cancun is Calling,”

<https://drive.google.com/file/d/1KCeCzYIL24iZ8sngDk0VeOkFrJWgxmJI/view>.

Conclusion and Questions

These secret kickbacks hurt consumers by incentivizing agents to sell certain products because they will earn a bigger cash bonus or fancier vacation, not because they are in the best interests of their customers. Other industries have ended this practice entirely: in 2003, for example, the securities industry ended non-cash compensation arrangements in which brokers and dealers were allowed potential conflicts of interest in the stocks and bonds that they recommended for clients.⁴¹ But the annuity industry has refused to end these practices. These kickbacks are a perfect example of why the Biden Administration’s Retirement Security Rule is needed, and will benefit consumers.

To address my ongoing concerns about these incentives, I ask that you please provide the following information by May 13, 2024:

1. A list of all incentives—including cash awards, cruises or other vacations, electronics, jewelry, and any other items of value—that are awarded by your company to agents, brokers, FMOs, or other sellers or middlemen involved in sales of your annuity products.
2. Documents and information provided to agents, brokers, FMOs, or other sellers or middlemen involved in sales of your annuity products describing the incentives and the qualifications for earning those incentives.
3. Information on the number and total value of each of these incentives awarded to agents, brokers, FMOs, or other sellers or middlemen involved in sales of your annuity products, and the total value of each of those incentives.
4. A copy of your company policies for disclosing and describing sales incentives and conflicts of interests to annuity purchasers.
5. A list of any lobbying activity by your company related to the Retirement Security Rule, Regulation Best Interest, and state lobbying relating to National Association of Insurance Commissioners (NAIC) model rules and regulations around annuity sales, as well as the total expenses that your company has incurred in efforts to weaken the DOL’s Retirement Security Rule.

Sincerely,


Elizabeth Warren
United States Senator

⁴¹ FINRA, “Gifts, Gratuities and Non-Cash Compensation,” December 2014, <https://www.finra.org/sites/default/files/p602010.pdf>.