NEWS & RESOURCES

IN ADVANCE OF MAY 19 LIFE INSURANCE CLAIM SETTLEMENT PRACTICES HEARING, FLORIDA OFFICE OF INSURANCE REGULATION ANNOUNCES MULTI-MILLION DOLLAR SETTLEMENT WITH JOHN HANCOCK AS 'FIRST IN THE NATION'

May 18, 2011 | **Florida Office of Insurance Regulation**

In advance of a public hearing scheduled in cooperation with National Association of Insurance Commissioners tomorrow, May 19, 2011, the Florida Office of Insurance Regulation ("OIR") announced today that it had reached a multi-million-dollar settlement **agreement** with John Hancock Life Insurance Company to revise its business practices related to unclaimed property for life insurance products, as well as to its use of the Social Security Administration's Death Master File.

According to the OIR, the agreement is the first of its kind in the nation.

Beginning at 9:30 a.m., tomorrow's OIR public hearing will be evidentiary in nature and evaluate industry practices that involve claim settlement practices, use of the Death Master File and compliance with unclaimed property laws. Investigative subpoenas were issued to **MetLife**, and to **Nationwide**. MetLife will testify first.

The hearing's afternoon session is scheduled to begin at 1:30 p.m.

To view additional tentative hearing attendees, click **here**.

A live Webcast of the hearing will be available through the Florida Channel. To access the Webcast, click **here**.

Today's OIR's news release on the settlement is reprinted below. To view the entire agreement, click **here**.

Should you have any questions or comments, please contact Colodny Fass.

Office Announces Multi-Agency, Multi-Million Dollar Agreement with John Hancock Life Insurance Company

TALLAHASSEE, Fla. – The Florida Office of Insurance Regulation (Office) today announced a multi-agency, multi-million-dollar settlement **agreement** with John Hancock Life Insurance Company (Hancock). Hancock agreed to revise its business practices related to unclaimed property for life insurance products, and to revise its use of the Death Master File, which is a list of everyone who has died as reported to the U.S. Social Security Administration.

"Companies are using the Death Master File to stop company payments for annuities – but do not use this same list to pay beneficiaries of people who have life insurance policies," said Insurance Commissioner Kevin McCarty. "Unfortunately, this appears to be a pervasive industry practice. The Office appreciates that John Hancock stepped-up and agreed to change its processes before any other company. The agreement with John Hancock will send a strong signal to other companies to audit and modify their practices." The agreement today is a result of months of negotiations. California and other states have reached an agreement pertaining to escheatment laws and unclaimed property. Florida's agreement with John Hancock is the first in the nation to resolve issues related to insurance practices, in addition to unclaimed property.

The Office conducted an investigation together with the Office of Attorney General Pam Bondi and the Office of Chief Financial Officer Jeff Atwater's Department of Financial Services (DFS). The DFS has jurisdiction over unclaimed property. During the investigation, authorities examined Hancock's records that were used during the entire time the company used the Death Master File, which lasted for more than a decade.

"It is inconceivable that such large companies are unaware that their policies are cheating hardworking Floridians out of monies they've set aside to prepare for the loss of a loved one," said CFO Jeff Atwater, whose office fought for, and John Hancock agreed, to pay interest directly to beneficiaries as part of the settlement. "The evidence to date reveals that the inexcusable policies and actions of life insurance companies have kept Floridians from collecting money they are rightfully owed. I believe this settlement sends a clear message that deceptive practices will not be tolerated in our state and prevents further delay in returning these monies to the rightful owners."

"Insurance companies should be on notice that Florida will not tolerate practices that deny rightful beneficiaries funds owed under their policies," said Attorney General Bondi. "This agreement will provide restitution for many affected Floridians and hopefully serve as a catalyst for positive change in correcting these practices in the insurance industry."

This selective method of discerning Death Master File information resulted in hundreds of thousands of dollars in lost payments to beneficiaries. In fact, the investigation revealed that there are instances when a policyholder died and years later, the company has not paid the rightful beneficiary, or remitted the benefits to unclaimed property. There is no way to determine precisely how many policyholders and beneficiaries were directly and indirectly affected over the past decade. Regulators anticipate Hancock and other companies will ultimately pay tens of millions of dollars to tens of thousands of beneficiaries nationwide as a result of these examinations.

Hancock denied any wrongdoing, and asserted its intention to enter into the agreement is an effort to modify its future business practices. Hancock agreed to the following:

- Pay $3 million to the three agencies for settlement — $600,000 of this settlement has been waived due to the company's ongoing cooperation.
- Return monies to beneficiaries, which includes interest payments owed since the date of death.
- If a beneficiary cannot be identified, the amount due will be reported to the Unclaimed Property Division of the DFS.
- Establish a $10 million fund to facilitate payment to beneficiaries that cannot be contacted.
- Provide quarterly reports to the Office, to the DFS and to the Attorney General for the next three years, updating information specific to Hancock's implementation of the agreement.

The Office will conduct a follow-up market conduct review three years after execution of the agreement.

The Office believes this practice may affect other insurance companies, and insurance companies operating in other states. However, the Office has not reached agreements with other insurance entities.

Florida is chair of a multi-state National Association of Insurance Commissioners (NAIC) task force investigating life and annuity claims practices. The primary charge of the task force is to coordinate the activities of state insurance regulators in pursuing investigations / settlements regarding possible unfair claims practices. Other states on the task force include California, Iowa, Louisiana, North Dakota, New Jersey, New Hampshire, Pennsylvania and West Virginia.

In cooperation with the NAIC task force, two state insurance departments have scheduled hearings. The Florida Office of Insurance Regulation will hold a public hearing on May 19th in Tallahassee, Florida. Metropolitan Life Insurance Company (Met Life) and Nationwide Life Insurance Company have been subpoenaed to appear at this hearing. The California Department of Insurance, along with the California Comptroller's office will hold a hearing on May 23rd in Sacramento, California. This hearing will also cover the claims settlement practice of Met Life. NAIC task force members will be attending both of these hearings.

CFO Atwater's office has set up a Web page for consumers to access information about the John Hancock settlement, including contact information for the company. Consumers can access this link through **www.myfloridacfo.com**. Any consumers who experience delays or frustrations with the settlement process will have the opportunity to file a complaint online with the CFO's department.

To unsubscribe from this newsletter, please send an email to Brooke Ellis at (bellis@cftlaw.com).

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