Met Life resolves suits over practices

● The insurer admits no wrongdoing in agreeing to pay out as much as $1.7 billion to current and former policyholders.

By ALBERT B. CRENSHAW
The Washington Post

Metropolitan Life Insurance Co., the nation's second-largest life insurer, agreed Wednesday to pay as much as $1.7 billion to settle lawsuits by policyholders who said they were tricked into buying policies that ended up costing them far more than they expected.

The settlement, which must still be approved by a federal court, covers 7 million current and former policyholders. It encompasses three class-action suits and more than a dozen other suits pending against the company.

"This settlement provides a fair resolution to issues that have been the subject of protracted litigation and that have affected much of our industry," Robert H. Benmosche, the company's chairman, said in a statement.

The company admits no wrongdoing as part of the settlement.

Plaintiffs' attorney Melvyn I. Weiss of Milberg Weiss Bershad Hynes & Lerach in New York called it "a very good settlement because everybody will get a significant benefit." Some policyholders will get cash while others will get enhanced death benefits, which will add up to "billions and billions" of dollars of additional insurance, he said.

The case is another in a series of legal actions against top writers of life insurance, growing out of sales practices in the 1980s and early '90s. In this case, as in others, the carriers are accused of deceiving customers and policyholders about the

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characteristics of policies the companies were selling.

Prudential Insurance Co. of America, the nation's largest life insurer, and New York Life, the fourth largest, have both recently settled cases involving sales practices.

Among the complaints against Met Life are that its sales representatives misled customers about so-called "vanishing premium" policies. These were policies for which the customer was to pay premiums for a period of time, after which the policies' internal investment earnings were projected to be sufficient to make future premium payments unnecessary.

However, the projections we based on the high interest rates the early 1980s, and when rates c clined the policy premiums failed vanish.

The company was also accused persuading policyholders to surre der older policies and buy new one incurring unnecessary addition sales charges, a process known in tl industry as churning.

The Met Life settlement will go b fore a federal judge for approval at hearing on Dec. 2. The insurer w send letters explaining the offer policyholders and annuity contra holders on Aug. 27. Met Life ha about 9 million individu policyholders.