



## **Life Insurance Companies Slapped with Fines for Illegal and Unethical Practices**

On August 17, 2012, four of the largest life insurance companies doing business in Minnesota were fined for allegedly steering death-benefit beneficiaries to place the money in accounts set up and managed by those same companies, rather than taking the lump sum benefits to which they were entitled.

The companies involved were each fined \$200,000, and they were required to change their claim forms. Also, they were required to change their policy to make the lump sum cash payouts as the default option for death-benefit payouts.

The four companies subject to the fine and consent order are Prudential, John Hancock, MetLife, and ING. Unfortunately, while the state regulators were able to collect fines from these companies, the consumers who were affected by the practices received no compensation.

Insurance policy holders should understand that every contract of insurance has implicit within it a duty of good faith and fair dealing. Insurance companies know that the duty is part of every insurance contract, but they often fail to adhere to their obligation to treat policyholders and beneficiaries with good faith. Whenever an insurance company engages in practices in which the insurance company places its own selfish financial interests ahead of those of policyholders and beneficiaries when handling the evaluation, investigation, and payment of claims, there's usually a [violation of the duty of good faith and fair dealing](#).

In the context of these four life insurance companies, who together hold approximately \$19 billion nationally in approximately 680,000 death-benefit accounts, the action which was taken by Minnesota state regulators likely represents only a good first step for insurance policyholders and beneficiaries in addressing this problem.

If you feel that your [insurance claim has been wrongfully denied](#) or manipulated by an insurance company, [send me an email](#) or [give me a call](#). I'd be happy to take a look at your policy.