

Penn Mutual Life Insurance Company	BL2102 – Traditional Life Insurance	
EL0401 – Suitability, Disclosure & Fiduciary	USD – 110,000,000.00 LOSS	USD – US Dollar
US – UNITED STATES	North America	

Penn Mutual pays USD 110 million to settle claims it improperly withheld dividends from policyholders

Penn Mutual Life Insurance Company has agreed to pay USD 110 million (EUR 101.3 million) to a class of policyholders to settle claims it improperly withheld surplus funds instead of distributing them as dividends.

The lawsuit was filed on 12 October 2012, when Daniel and Edith Harshbarger, both Penn Mutual policyholders, claimed that Penn Mutual had cheated its policyholders out of more than USD 5 million over 18 years. According to the complaint, Pennsylvania state law requires life insurance companies to return all surpluses over a "safety fund" limit to its policyholders. This limit is capped at 10 per cent of the company's financial reserves, unless the state Insurance Commissioner grants an exception. Pennsylvania state law also requires all policies delivered in Pennsylvania to contain language explaining that all surpluses, exceeding the limit will be divided amongst the policyholders.

The lawsuit claimed that Penn Mutual did not seek an exemption and had repeatedly failed to return its surpluses.

The Harshbargers therefore accused Penn Mutual of breaching its obligations to its policyholders and violating Pennsylvania's Unfair Trade Practices and Consumer Protection Law.

Penn Mutual claimed that the legal provision the lawsuit was based upon had been implicitly repealed through legislation and non-enforcement by the Pennsylvania Department of Insurance.

The lawsuit was stayed in April 2014 pending an administrative investigation by the Pennsylvania Department of Insurance into the regulatory issues raised by the case. The Pennsylvania Insurance Commissioner has given contingency approval to the settlement deal.

The class consists of approximately 239,000 customers who held whole life insurance policies issued by Penn Mutual between 1 January 2006 and 31 December 2015. The dividends will be automatically paid out to the class. Class counsel has indicated it will seek no more than USD 10 million in fees and USD 700,000 in costs. Class members will receive benefits in proportion with the cash surrender values of their settlement policies.

The settlement requires final approval. The settlement proposal does not include an admission of guilt by Penn Mutual.

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Event	Published in Media 25/Apr/2017	Date of Occurrence – From 01/Jan/2006	Date of Occurrence – To 31/Dec/2015	Discovery Date 12/Oct/2012	Date of Recognition / Settlement 25/Apr/2017
Loss Amount USD USD 110,000,000.00	Loss Amount EURO EUR 101,302,300.00	Provision No	Boundary Risk Other Risk		
Industry Event N/A	Scenario MISSEL - Mis-Selling & Business Practices	Product PD9999 - Insurance Product	Process PC9999 - Insurance Process		
Parent Company N/A	ORX Member No	Role of Firm LS0308 - Not Identifiable	AMA Status N/A		
Cause 1 RC0301 - Inadequate process/control design	Cause 2 N/A	Cause 3 N/A			
Counterparty LS0212 - Not Identifiable	Jurisdiction / Choice of Law LS0101 - United States of America	Environmental Volatility LS0406 - Not Identifiable			