Portfolio Media. Inc. | 111 West 19th Street, 5th Floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

John Hancock Signs $91M Deal To End Life Insurance Row

By **Kat Greene**

Law360 (July 20, 2018, 10:23 PM EDT) -- John Hancock Life Insurance Co. agreed to pay more than $91 million to end a proposed class action alleging the company was jacking up life insurance policy rates by using the wrong mortality rate calculations, according to filings Friday in New York federal court.

The insurance company agreed to end the two-and-a-half year suit by shelling out a cash payment that will be distributed to the plaintiffs without anyone having to make a claim, an element that the policyholders said would benefit the older customers that make up the proposed class.

In their motion for preliminary approval, the policyholders noted that early on in the case, U.S. District Judge Paul Gardephe had raised an eyebrow at the proposed class' claims, wondering whether the company's promise to base the cost of insurance rates on John Hancock's mortality expectations was enforceable in court.

"The $91.25 million settlement fund will be used to compensate tens of thousands of elderly insureds, and is a remarkable result for an alleged breach of a contractual promise that this Court had preliminary concerns about being 'awfully vague' and 'almost sounds illusory,'" the policyholders said.

Up to $1 million from the settlement pool can be used to handle notice and administration costs, and class counsel may seek reimbursement of expenses and up to one-third of the settlement's total in fees, according to the paperwork filed Friday.

The suit was initially filed in New York federal court in December 2015 by 37 Besen Parkway LLC, a policy owner that took issue with what it said were excessive costs for its insurance, and with allegedly excessive premiums for a rider applied to insured people who reach age 100.

The cost of insurance charges John Hancock was issuing to its policyholders were spiked because the company wasn't lowering those charges even as nationwide mortality rates improved, according to the original complaint.

Because the insured people were living longer than originally anticipated by John Hancock when the company first priced policies for the proposed class members, those rates should have gone down, according to the suit. But the company didn't lower its prices.

And the company charges additional premiums for customers once they hit 100 years of age under a socalled “Age 100 Rider” that permitted the company to charge the policyholder more while they’re younger than 32, and less once they’d crossed the century line, according to the suit.

But according to the complaint, the company charged those steeper premiums to customers even after they’d turned 33.

The suit dragged out as the policyholders sorted through evidence from John Hancock that included computer records so old, an expert had to be brought in to write a software program to access them, according to the settlement papers. But after months of talks, the parties agreed to shake hands in May and hammered out the details of their deal, eventually reaching the agreement shown to the court on Friday, according to filings in the case.

Glenn Bridgman of Susman Godfrey LLP, who represents the proposed class, said he was glad to have reached a deal for the policy owners.

“This was a long, hard-fought, complex litigation,” he said in a statement. “We are fortunate and thankful to be able to provide substantial monetary relief to the class’ life insurance policy holders.”

A representative for John Hancock didn’t immediately respond to a request for comment after business hours on Friday.

The policyholders are represented by Glenn C. Bridgman, Steven G. Sklaver, Seth Ard and Rohit Nath of Susman Godfrey LLP.

John Hancock is represented by Motty Shulman, Alan Vickery, John Francis LaSalle III, Yotam Barkai and Joseph Kroetsch of Boies Schiller Flexner LLP.

The case is 37 Besen Parkway LLC v. John Hancock Life Insurance Co., case number 1:15-cv-09924, in the U.S. District Court for the Southern District of New York.

--Editing by Breda Lund.