MassMutual to settle class action lawsuit with $100 discounts

By Brendan McKenna
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The Massachusetts Mutual Life Insurance Co. will offer about 3 million policyholders a $100 discount on their next insurance purchases if a settlement proposed in a New Mexico State District Court is approved.

Policyholders would get certificates to buy more MassMutual products, including life insurance, disability insurance, long term care insurance, and annuities. The certificates could also be exchanged for a $30 check, according to the proposal that could bring to a close a four-year dispute over MassMutual’s policy pricing.

The nationwide class action lawsuit alleged that MassMutual did not adequately disclose to policyholders the additional fees it charged when policyholders chose to pay their annual premiums in installments. MassMutual admits no wrongdoing in the settlement.

Santa Fe District Court Judge Art Encinas has set a fairness hearing, which may see some legal fireworks, for June 20, 2002. An earlier settlement, proposed in November 2000, was withdrawn when hundreds of policyholders and the Trial Lawyers for Public Justice (TLPJ) objected, calling the deal an abuse of the class action process.

Paul Bland, a staff attorney for the TLPJ, says that the most recent settlement proposal looks a lot better. “On its face this settlement appears greatly improved,” he says.

The first settlement proposal, which would have paid nothing to the class members, provided more than $350,000 to the two policyholders representing the class, plus $5 million in cash, $250,000 a year for life, and a $3 million life insurance policy to the attorney who filed the suit — one of the worst settlement proposals he’d ever seen, says Bland.

Under the terms of the new proposal, attorneys’ fees would be spread among at least five law firms and would not exceed $10.5 million. The two class representatives would split no more than $30,000.