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Policy holders receive \$1.4M

A solo practitioner in Baltimore has secured more than \$1.4 million in settlement claims against an insurance company related to allegations the company misled policy holders by telling them premiums would be owed only for a few years and then would be covered by the company's investment income.

Attorney Martin H. Schreiber II said the money, which was paid to his four clients, was part of the nationwide 2005 settlement Massachusetts Mutual Life Insurance Co. reached with a class of policyholders who said they were charged — and paid — premiums for years beyond the date their sales agents had said the payments would “vanish.” The alleged misrepresentations occurred between Jan. 1, 1983 until Dec. 21, 2003, according to the settlement.

MassMutual admitted no wrongdoing in agreeing to the settlement, which was approved by the U.S. District Court for New Jersey in February 2005.

Schreiber said his clients fortunately followed his advice and each returned a court-issued notice informing them of the settlement and inviting them to apply for a share of the \$130 million MassMutual had put aside under the settlement's terms.

But many policyholders simply threw away the notice, an 18-page document in small type, regarding it as junk mail and not realizing the potential recovery it offered, Schreiber said.

The decision of many potential claimants to disregard the notice or not participate in the claims process left more money in the kitty for those who did respond with meritorious claims, such as Schreiber's clients.

An experienced attorney

Under terms of the settlement, any of the \$130 million pot left over after submitted claim requests were paid was to be added on a pro rata basis to individuals who did file

successful claims. Schreiber said his clients received a bonus of almost 30 percent over the make-whole compensation they were entitled to for having paid excess premiums.

“I'm sure there are many people who could have participated in the claims review process but didn't understand how much they stood to gain ... if they submitted a claim, and that's a shame,” Schreiber said.

But Schreiber's clients, whom he declined to name, had an advantage over potential claimants who failed to realize the significance of the document, issued by the New Jersey federal court.

The clients were wealthy and did not handle their life insurance policies personally but held them in a trust administered by a law firm. That firm, DLA Piper in Baltimore, received documents related to the policies, including the court-issued notice of settlement.

The firm recognized the importance of the legal document, titled “Notice of Class Action,” said Jonathan D. Eisner, who chairs DLA Piper's trusts and estates practice group. But the firm was loathe to be involved in filing a settlement claim against an insurance company, as such involvement might present a conflict of interest because DLA Piper has insurance-company clients, added Eisner, a friend of Schreiber's from when they were students at the University of Maryland School of Law in the early 1990s.

Eisner said he confidently submitted the claim forms to Schreiber and told him he could contact the clients about submitting claims. Schreiber, Eisner said, had knowledge, experience and success in pressing “vanishing premiums” claims against insurance companies, including the case *Cooper v. Berkshire Life Insurance Co.*

In that case, the Court of Special Appeals in 2002 permitted a policyholder, represented by Schreiber, to proceed with his misrepresen-

tation lawsuit against the company. The litigation was later resolved out of court.

“We thought his level of expertise was the right way to go for our clients,” Eisner said. “He knew his way around the area.”

No easy task

Schreiber said his clients had bought their life insurance in mid-life and sought multimillion-dollar policies, a combination that yielded high premiums. One of the clients, for example, paid more than \$211,000 annually on a \$10 million policy and another paid \$68,530 annually on a \$5 million policy, Schreiber added.

The premium payments did not vanish as promised, and the policyholders kept paying, he said.

“I knew this [settlement] could be very valuable for people who had bought large policies,” said Schreiber, who charged his clients an hourly fee and did not collect a contingency.

The clients received settlements of \$471,085, \$414,821, 394,319 and \$150,362, for a total of more than \$1.4 million, he said. The settlements were either paid to the client directly or credited to his or her life insurance as premium payments, with his or her insurance coverage increasing, accordingly. For example, the client who received \$471,085 had that money credited as a premium payment, resulting in an increase of \$1,113,020 in insurance coverage, Schreiber said.

Responding to the court notice and justifying the request for compensation to the “neutral claim evaluator,” as called for under the settlement, was not an easy process, Schreiber said. He and his clients had to search for documents substantiating the claim that they had paid premiums beyond the number of years MassMutual allegedly said payments would be required, he added.

“It was a fairly laborious process,” he said.