CARLTON FIELDS

Life Insurers Win Dismissal of Class Action Challenging Death Benefit Payment Practices

August 20, 2013

August 20, 2013 -- The U.S. District Court for the District of Massachusetts has dismissed a putative class action challenging life insurance companies' retention of life insurance proceeds until the beneficiary submits a claim and proof of the insured's death. The complaint alleged that plaintiff's mother was the insured under a policy purchased from John Hancock Life Insurance Company (USA) and John Hancock Life & Health Insurance Company (together, "Hancock"), and that Hancock acted unreasonably in failing to investigate whether the insured had died. According to the complaint, Hancock had access to several resources that could provide information concerning when its insureds had died, including the Social Security Administration's Death Master File ("DMF"). The complaint alleged further that "[i]nsurance companies like Defendants can and do routinely consult the DMF," but that Hancock used the DMF only to determine when to stop paying benefits, but never to determine when such payments must start. Based on these allegations, the complaint asserted claims for (i) violation of the Massachusetts Consumer Protection Act, (ii) unjust enrichment, (iii) conversion, (iv) breach of fiduciary duty, and (v) declaratory relief. In dismissing the complaint, the court relied on "established principles of insurance law," including that an insurance policy may require a beneficiary to furnish proof of death before paying policy proceeds. The court found that "Hancock's practice of requiring the life insurance policy beneficiary to submit proof of death before payment comports with both Massachusetts and Illinois law." As a result, plaintiff's claim that Hancock engaged in unfair and deceptive conduct in violation of state consumer protection laws failed. The court concluded that the same established principles of insurance law undermined the unjust enrichment, conversion, and declaratory relief claims. Because the insurance policy and state law permitted Hancock to hold policy proceeds until proof of death was provided, plaintiff could not establish that Hancock's actions violated "fundamental principles of justice, equity, and good conscience" sufficient to state an unjust enrichment claim. Nor could plaintiff "show a right to immediate ownership or possession of the policy proceeds" necessary to state a conversion claim. Plaintiff's claim for declaratory relief was found similarly counter to established law. Finally, the court found that plaintiff had alleged no special circumstances that would create a fiduciary relationship.

The court also rejected plaintiff's argument that a Global Resolution Agreement ("GRA") between Hancock and the unclaimed property administrators of several states altered Hancock's obligations under established law. In addition to noting that this issue was not raised in plaintiff's complaint, the court held that nothing suggests Hancock and the states intended plaintiff to be a third party beneficiary of the GRA. The decision in *Richard Feingold, individually and as a representative of a class of similarly-situated persons v. John Hancock Life Insurance Company (USA) et al.* can be found here.

Authored By

Stephanie A. Fichera

Irma Reboso Solares

Related Practices

Life, Annuity, and Retirement Litigation