

## **Summary Judgment Win for Insurer in “Stable Value” Interest Rate Setting Case**

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In July, MetLife obtained a win in the Northern District of Illinois when the court granted summary judgment in its favor on a claim that it had breached the duty of good faith and fair dealing in setting interest rates for a retirement plan. Plan participants, employees of manufacturer Midco International, received interest annually pursuant to a declared rate set by defendant MetLife. The contract gave MetLife complete discretion in setting the interest rate. After MetLife transferred Midco’s business to Great West as part of an indemnity reinsurance transaction, Great West assumed responsibility for setting the declared rate — which, due to Great West’s more conservative investment strategy, began decreasing. Thereafter, Midco sued, alleging that MetLife’s delegation of the rate-setting authority breached its duty of good faith and fair dealing.

Applying Illinois law, the court analyzed whether MetLife had acted unreasonably, without a proper motive, arbitrarily, or contrary to the parties’ reasonable expectations. Although Midco claimed that it expected MetLife would not delegate the rate-setting authority and that any changes regarding the rate would be disclosed, the court found no evidence to support that understanding. For example, there were no communications between the parties suggesting such an expectation, nor could Midco have inferred as much from the language of the contract given MetLife’s complete discretion as to rate-setting. Absent any evidence regarding the parties’ expectations, the court explained that Midco could have attempted to show the reinsurance arrangement with Great West itself deviated from general practices or that MetLife had no legitimate business reason to enter the transaction; however, the only evidence in that regard was from MetLife’s expert indicating the opposite. The court further noted that MetLife had no fiduciary duty to disclose the delegation of the rate-setting authority, nor was there any evidence that Great West’s investment strategy was unreasonable. As such, the court found MetLife had not acted in bad faith and granted summary judgment in its favor.

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