

ROBERT L. EHRLICH, JR.
GOVERNOR

STEVEN B. LARSEN
COMMISSIONER

MICHAEL S. STEELE
LIEUTENANT GOVERNOR

DONNA B. IMHOFF
DEPUTY COMMISSIONER

DEBBIE ROSEN MCKERROW
DIRECTOR OF COMMUNICATIONS

STATE OF MARYLAND
MARYLAND INSURANCE ADMINISTRATION
525 St. Paul Place, Baltimore, Maryland 21202-2272
Writer's Direct Dial: 410-468-2004
Facsimile Number: 410-468-2005
e-mail: dmckerrow@mdinsurance.state.md.us

FOR IMMEDIATE RELEASE

**MARYLAND INSURANCE COMMISSIONER ORDERS
\$4 MILLION RETURNED TO MARYLAND CITIZENS**

Baltimore, MD (May 1, 2003) Maryland Insurance Commissioner Steven B. Larsen has announced that in the last 14 months, the Maryland Insurance Administration (MIA) has ordered insurance companies in Maryland to return \$4 million to citizens in the state. Many cases involved individual refunds of more than \$100,000. The restitution comes from overcharges found in the course of routine market conduct examinations of both Property and Casualty and Life and Health companies and investigations of improper sales by insurance agents that are known as agent enforcement actions. Market Conduct examinations and Agent enforcement actions are supervised by Todd Cioni, Associate Commissioner for Compliance and Enforcement.

In announcing the refunds to Maryland consumers, Commissioner Larsen said, "The large amount of money recovered for Maryland consumers once again shows how valuable the Market Conduct Examination and Agent Enforcement staff are to the work done at the MIA. I also want to acknowledge that in many cases involving improper sales by agents the insurance company agreed to refund the customer's money."

Examples of restitution resulting from Agent Enforcement actions include:

- \$157,077 returned to a 72 year old gentleman from Western Maryland. His existing variable annuity had grown from \$90,000 to \$170,000. However, it lost value and stood at \$157,077 when a new agent took what was the man's total life savings and purchased another annuity plus life insurance. Without the MIA stepping in, the man

-More-

\$4 MILLION RETURNED

Add One

would have had tax consequences and would have had to pay surrender charges and prohibitive costs for variable life insurance purchased at his older age. Nationwide Life and Annuity Company willingly refunded the money.

- \$124,606 returned to a 79 year old Eastern Shore resident. The man was convinced by an insurance agent to surrender an existing Metropolitan Life Insurance Company annuity and buy a new annuity. The new annuity paid a five percent bonus but the surrender charges he would have owed by canceling the old annuity would have been more than the bonus. Midland National Life Insurance Company agreed with the MIA's assessment of the transaction and refunded the \$124,606 which Met Life agreed to accept.
- \$122,889 returned to a Baltimore City woman whose home was destroyed by a fire. Her settlement check of \$122,889 was cashed by a public adjuster without her knowledge. She received no proceeds from the settlement check. As a result of the MIA's efforts and the cooperation of Allstate Life Insurance Company, a new check was issued and delivered to the woman.
- \$51,987 refunded by Nationwide Life and Annuity Company to an elderly couple who took their life savings from a CD to fund a variable universal life policy that was unsuitable for them due to the high cost of insurance at their ages and the lack of access to their funds.
- \$82,152 returned to a Harford County senior citizen who was convinced to liquidate his stocks and buy an annuity. After further review, the senior citizen realized what the surrender costs were associated with the annuity. Due to circumstances and the involvement of an unlicensed agent, the American Investors Life Insurance Company refunded the \$82,152.
- \$136,797 was refunded by John Hancock to a number of real estate brokers in four different offices. They were convinced to purchase a plan they believed would invest all of their contributions into mutual funds. They had actually purchased variable life insurance policies, naming a trust as the owner, but never actually examined the policies. John Hancock Life Insurance Company refunded the money.

-More-

\$4 MILLION RETURNED

Add Two

- \$62,295 was returned by John Hancock Life Insurance Company to a recent retiree who was told by an insurance agent in writing that she would earn 12 percent on her investment. She actually purchased a variable annuity. Presented with this evidence, John Hancock refunded the \$62,295.
- \$15,000 was returned, in four separate instances, to people who appealed to the MIA requesting the refund of collateral they assigned to Bail Bond agents. After contact with the insurance carrier and the agents, a total of \$15,000 was returned.
- \$1,517 was returned to a Burtonsville man who refinanced his home and should have received the money in the transaction. Instead the title agency collected the \$1,517. Through the efforts of the MIA, the proper refund was made.

Restitution resulting from Market Conduct Examinations include:

- \$1.1 million to 25,025 policyholders of Union Security Life Insurance Company for overcharges of premiums.
- \$346,047 returned for 2002 from a 1999 Consent Agreement with the Hartford companies which involved policyholders being placed in the wrong premium rating tier. Customers are placed in rating tiers according to their own specialized risk characteristics and because some were placed in the wrong tiers, they were overcharged. Hartford provided a five percent renewal credit to offset the overcharges and agreed in the Consent Agreement to report to the MIA for five years the amount of restitution paid in each year.
- \$85,156 in restitution paid by the Hartford to 158 policyholders because premium increase notices were not issued.
- \$180,000 paid by Transamerica Insurance Finance Company on payments for premium finance agreements for which the underlying policy did not exist.
- \$109,895 returned by the Progressive companies for premiums to Maryland policyholders who did not receive "increase in premium" notices for private passenger automobile policies as Maryland law requires.
- \$61,515 returned to policyholders from the OneBeacon companies for premium overcharges for commercial lines policies.

-More-

\$4 MILLION RETURNED

Add Three

- \$17,600 to policyholders of GEICO insurance because of certain deficiencies in personal injury protection claim payments.
- \$14,517 to policyholders of the Prudential companies because they did not receive appropriate "increase in premium" notices for private passenger auto policies.
- \$10,737 to policyholders of the American Horizon Insurance Company because of inappropriate settlements for personal injury protection and uninsured motorist claims.

In addition to the restitution payments, the companies and agents were fined \$2 million in administrative penalties.