

SPITZER AND SERIO ANNOUNCE SETTLEMENT WITH NATION'S LARGEST DISABILITY INSURER

Multi-state settlement with UnumProvident imposes sweeping reforms that will protect disabled workers nationwide

New York State Attorney General Eliot Spitzer and New York State Insurance Superintendent Gregory V. Serio today announced that their offices, together with other state insurance regulators, reached a landmark settlement with UnumProvident Corporation ("UnumProvident") and five of its subsidiaries – Unum Life Insurance Company of America, The Paul Revere Life Insurance Company, Provident Life and Casualty Insurance Company, Provident Life and Accident Insurance Company and First Unum Life Insurance Company.

The settlement resolves issues relating to investigations into UnumProvident's claims handling practices conducted by the New York State Attorney General's Office, the New York State Insurance Department, state insurance regulators conducting a multi-state examination led by Massachusetts, Maine and Tennessee on behalf of all the other states, and the United States Department of Labor. The investigations focused on assertions that UnumProvident had inappropriately denied claims for benefits under individual and group long-term disability insurance policies. These investigations and the resulting settlement are unrelated to the separate investigations into the payment of contingent commissions, steering and bid-rigging in the insurance industry.

The settlement announced today requires UnumProvident and its subsidiaries: (1) to reassess approximately 200,000 claims that previously had been denied; (2) to completely restructure their claim handling procedures to ensure objectivity and fairness; and (3) to pay a \$15 million fine. An outline of the specific terms of the settlement is attached.

"This settlement sends a strong message to disability insurance companies that improper denials of disability claims will not be tolerated," said Attorney General Spitzer. "These claim denials involved vulnerable workers – those whose illnesses and injuries prevented them from continuing their employment. I am very pleased that these individuals will have their claims reviewed, and that UnumProvident will now implement the structural reforms necessary to ensure that future claims are handled appropriately."

"This settlement agreement gives thousands of current and former policyholders an opportunity to have their denied claims reassessed as part of a process over which regulatory authorities will have strict oversight," Superintendent Serio said. "Today's agreement also requires the parent company and its subsidiaries to implement the management and corporate reforms necessary to ensure that future disability claims are handled properly."

The reassessment process covers the vast majority of persons whose claims for group or individual long-term disability benefits were terminated or denied after January 1, 2000.

UnumProvident and its subsidiaries are required to provide notice to those individuals of their rights under the agreement.

In addition, individuals whose disability claims were denied between 1997 and 2000 can also apply to participate in the claim reassessment process. Spitzer and Serio urged these individuals to contact UnumProvident at 1-866-278-4641 and ask that their claims be reassessed.

UnumProvident officials estimate that the settlement will result in expenditures of over \$100 million in restitution to policyholders and in structural reforms to improve compliance and monitoring. Some of the structural reforms must remain in place for at least two years, while others are permanent. The review process and restitution payments will provide claimants with a more expedient method of obtaining recoveries, and simultaneously will reduce the companies' exposure to litigation judgments and other costs.

If UnumProvident fails to implement the required changes in a timely manner as stipulated by the agreement, it will be subject to penalties of \$100,000 per day until compliance is achieved. In addition, failure to meet acceptable levels of accuracy in making disability claim determinations will result in a penalty of \$145 million.

The Attorney General's investigation was handled by Deputy Attorney General Dan Feldman, Assistant Attorney General Joy Feigenbaum and Assistant Attorney General Mel Goldberg, under the direction of Consumer Bureau Chief Thomas Conway.

The New York State Insurance Department's investigation was handled by Deputy Superintendent and General Counsel Audrey Samers, Deputy General Counsel Susan Donnellan, Assistant Deputy Superintendent and Chief Examiner Life Bureau Jeffrey Angelo and Deputy Chief Life Bureau Gail Keren.

Outline of UnumProvident Settlement Agreement

Under the terms of the settlement, UnumProvident and its subsidiaries have agreed to:

- reassess the claims of approximately 200,000 individuals whose claims for group or individual long-term disability benefits were denied;
- restructure their claim handling procedures to ensure that all future claims are reviewed in a fair and objective manner, including an agreement to:
 - select medical examiners based solely on merit, and ensure that those examiners review all relevant records before reaching a determination;
 - require personnel making impairment determinations to certify that their determinations were based upon a review of all the relevant evidence;

- prohibit company personnel from trying to influence the outcome of disability claim appeals; and
 - grant significant weight to findings of disability by the United States Social Security Administration;
- improve employee training;
- create a new Regulatory Compliance Unit to monitor the companies' compliance with applicable laws and regulations;
- conduct periodic audits of the new claim reassessment process, to ensure compliance with the terms of the settlement;
- create a toll-free confidential hotline through which company employees can report concerns about claims handling processes;
- appoint three new independent members to the Board of Directors of UnumProvident, add one new independent member to the Audit Committee, and create a new Regulatory Compliance Committee of the board;
- permit enhanced monitoring and examinations by state insurance regulators, paid for by the companies; and
- pay a \$15 million fine to be divided among participating states.

For a free consultation, call 800-446-7529 or email gkantor@kantorlaw.net.