



# Department of Justice

**United States Attorney Karen P. Hewitt  
Southern District of California**

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## **METLIFE ENTERS AGREEMENT TO RESOLVE INVESTIGATION AND PAY \$13,500,000 IN CONNECTION WITH IMPROPER PAYMENTS MADE TO SAN DIEGO INSURANCE BROKER**

San Diego, CA - United States Attorney for the Southern District of California Karen P. Hewitt announced today that the Metropolitan Life Insurance Company (MetLife) would pay \$13,500,000 to the federal government based upon its role in making improper payments to a San Diego-based insurance broker. Those payments were not disclosed to MetLife's customers or reported by MetLife as required by the Employee Retirement Income Security Act of 1974, commonly known as "ERISA."

According to the Non-Prosecution Agreement ("Agreement") entered into by the company, MetLife knowingly implemented a program of undisclosed and unreported payments designed to induce the San Diego-based insurance brokerage firm and its CEO to recommend MetLife to the brokerage firm's clients. MetLife's sales force was also instructed to leverage the improper payments to promote MetLife products. The Agreement also calls for MetLife's continuing cooperation on any investigations arising out of the conduct described in the Agreement.

According to the Agreement, MetLife made millions of dollars in improper payments to obtain the business of the brokerage firm's clients. Accordingly, obtaining the business of these major corporate clients became important to MetLife as well as to other competing insurance carriers. ERISA requires the administrators of qualified insurance plans to provide certain specified information (including all commissions and fees paid to insurance brokers in connection with the purchase of group insurance) to the United States Department of Labor, Employee Benefits Security Administration ("DOL") and the Internal Revenue Service ("IRS"). MetLife made these payments without disclosing them to the insurance plan administrator (the "insured"). These improper payments were typically denoted as communication fees, request-for-proposal (RFP) fees, or enrollment fees. These hidden fees were, in turn, generally included in the rates charged by MetLife to insureds.

The United States Attorney's Office in the Southern District of California agreed to a negotiated settlement of this matter based, in part, on MetLife's: (1) timely, voluntary and complete disclosure of the underlying conduct; (2) cooperation with the DOL, IRS, Federal Bureau of Investigation ("FBI"), and United States Postal Inspection Service ("USPIS") in uncovering related

fraudulent conduct; (3) substantial and continuing remedial efforts, including the company's agreement to maintain a set of internal controls, including comprehensive compliance standards and procedures; and (4) MetLife's previous payments to its policy holders.

United States Attorney Hewitt said, "Insurance commission and fee disclosures are designed to promote and ensure transparency. Any effort by an insurance company to conceal the payment of improper fees or commissions will not be tolerated."

"The Labor Department is committed to vigorously enforcing the law to ensure that those who deal with employee benefit plans do not use secret deals and payments to get business at the expense of plan participants," said Phyllis C. Borzi, Assistant Secretary of the Employee Benefits Security Administration. "This case was investigated as part of EBSA's Consultant/Adviser Project, which targets conflicts of interest and concealment of fees that improperly benefit plan advisors and increase the cost of insurance coverage for workers and their families."

"The signed Agreement between the United States Attorney's Office and MetLife is an exceptional example of how federal law enforcement agencies continue to work together to protect policy holders," said Leslie P. DeMarco, Special Agent in Charge, IRS-Criminal Investigation, Los Angeles Field Office. "The \$13,500,000 payment from MetLife will be used to further support law enforcement efforts in a number of areas, including insurance fraud. IRS-Criminal Investigation will be aggressive in supporting any joint effort directed at halting criminal activity that weakens the integrity of our insurance industry and ensure that tighter compliance controls are mandated."

FBI Special Agent in Charge Keith Slotter commented, "Full disclosure in business is essential to the integrity of the American financial system. Companies who do not adhere to open and ethical practices will face similar consequences."

"The Postal Inspection Service remains committed to protecting the integrity of our nation's mail system to safeguard consumers from fraud. This continuing investigation is an example of agencies partnering together to accomplish this goal," said B. Bernard Ferguson, Inspector in Charge - Los Angeles Division, U.S. Postal Inspection Service.

MetLife is headquartered in New York, New York. During the relevant period, MetLife provided, among other things, group life insurance, group long-term and short-term disability insurance and group accidental death and dismemberment insurance.

This matter was handled by Assistant United States Attorneys Lawrence A. Casper and Joseph J.M. Orabona and investigated by the United States. Department of Labor, Employee Benefits Security Administration, the Federal Bureau of Investigation, the Internal Revenue Service - Criminal Investigation, and the United States Postal Inspection Service.

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