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Fran Lysiak

AmerUs Is Latest Company Sued Over Alleged Deceptive Annuity Sales to Seniors

LOS ANGELES April 19 (BestWire) — An attorney whose firm recently filed a proposed class-action lawsuit against AmerUs Group Co. and its affiliates in California federal court, charging deceptive sales of deferred annuities to senior citizens, said his firm would continue to sue more life insurers that "take advantage" of the elderly by selling these products that aren't suitable for their financial needs.

Bill Shernoff, with Claremont, Calif.-based Shernoff, Bidart & Darras, contended a "widespread practice" exists in the life insurance industry involving improper sales of deferred annuities to seniors.

On April 11, Edward A. Inferrera and his wife, Gloria A. Inferrera, filed the proposed class action in U.S. District Court for the Central District of California in Los Angeles against Iowa-based AmerUs Group Co. (NYSE:AMH) and its subsidiaries, AmerUs Life Insurance Co., American Investors Life Insurance Co., AmerUs Annuity Group Co. and Family First Insurance Services of California.

The defendants' sales practices violate the federal Racketeer Influenced and Corrupt Organizations Act, or RICO law, and California's elder-abuse law, the suit alleges.

Edward and Gloria Inferrera were 78 and 74, respectively, when they were sold two AmerUs Life deferred annuities, according to the suit. Both annuities sold to the Inferrerers weren't set to mature until 2029, well beyond the couple's actuarial life expectancies when they were sold, the suit claims. The suit alleges that the AmerUs companies schemed to exploit seniors by deceptively marketing estate-planning services through so-called "trust mills" to get seniors' financial information so as to target them as deferred annuity buyers.

Marty Ketelaar, vice president of investor relations for AmerUs, said the company "takes all litigation seriously." However, "we don't believe that this litigation will have any material impact on the company and we intend to defend ourselves vigorously in court," Ketelaar said.

A deferred annuity is an accumulation product in which the buyer invests money and expects the value of the account to grow, depending on the performance of the investment vehicle that is chosen, before using the accumulated account assets during retirement. A deferred annuity imposes substantial surrender charges and/or penalties upon the withdrawal of any portion of the initial investment or accrued interest within its first 10-15 years, which severely limits annuitants' access to their funds (BestWire, Jan. 27, 2005).

In January, Shernoff's firm filed a similar proposed class action against Midland National Life Insurance Co. in California state court (BestWire, Jan, 27, 2005). His firm is planning to file "several more" suits with similar allegations against life insurers in the next couple of months, he said.

Meanwhile, in February, California Insurance Commissioner John Garamendi and Attorney General Bill Lockyer, saying they were acting to put an end to a massive "living trust mill" targeting seniors, sued Family First and American Investors Life Insurance of Kansas in California state court, seeking more than \$110 million in restitution and damages.

Family First and its affiliate, Family First Estate Planning, according to the latest AmerUs complaint, operate the "trust mill," which sells low-cost estate-planning services to seniors.

Shernoff contended that the AmerUs defendants go into seniors' homes "and the first thing they do is say they need all of the couples' financial information so they can make out their will and trust," he said. "So grandma and grandpa bring out their bank accounts and all of their assets, all their paperwork, and put it on the kitchen table for this agent to see. But this agent is actually a licensed insurance agent and his real hidden agenda is to sell them an annuity policy."

Next, the agent "sees how much of a nest egg they have, whether its \$100,000, \$200,000 or their life savings, and he takes that information and gives it to a lawyer...who works for this company," Shernoff said. "The lawyer never sees the client; he just makes up what we call a boilerplate will or trust."

A few weeks later, the agent returns to the couple's home, telling them they need deferred annuities, he said. The agent "sells them on the fact that these annuities are really good for them," Shernoff said, but he contended that deferred annuities aren't good investments for seniors because they don't start an income stream immediately, but rather, 10 to 20 years later.

The plaintiffs seek monetary, punitive and triple damages.

The financial strength of AmerUs Life Insurance Co. is rated A (Excellent) by A.M. Best Co.

AmerUs' stock was trading at \$47.51 a share on the afternoon of April 19, up 2.17% from the previous close.