Honorable Mention

By Editorial Staff *Wed, Jan 20, 2021*

Life sales show new life in 2020, MIB Index shows; 'Excessive fee' lawsuit against Penn's 403(b) plan settles for $13 million; Metro-area businesses are expected to recover from Covid-related slump sooner than rural counterparts: Principal Financial.

Life sales show new life in 2020

US life insurance application activity ended 2020 up 4%, the highest annual year over year growth rate on record, according to the year-end **MIB Life Index**. December 2020 was up 3.7% over December 2019, the highest year-over-year growth rate for the month of December since 2011.

Growth in 2020 was largely driven by younger age groups with full year activity over 2019 increasing among ages 0-44 by +7.9% and +3.8% for ages 45-59. In contrast, activity for ages 60+ fell 1.7%. In the previous two years, the 60+ age group experienced growth while the 44-and-under group saw declines.

Month-over-month, December 2020 was down 9.5% from November, representing an expected, though somewhat stronger than usual, seasonal decline. Year-over-year, application activity increased in all but 2 months in 2020.

The year began strong with February experiencing a record 5.6% year-over-year growth. But activity in March and April declined (by 2.2% and 3.0%, respectively). Activity returned to growth in May and produced year-over-year growth months in July (14.1%), August (9.1%), September (4.4%) and October (7.6%) and then again in December (3.7%).

Based on information provided to MIB, growth was seen across all face amounts up to and including $2.5M, with double-digit growth in face amounts above $5m. However, activity by face amount varied greatly among age groups.

Activity for those ages 0-44 increased across all face amounts, with double-digit growth in policies over $250k and up to and including $1m as well as over $5. In contrast, activity for age 71 and older increased only in face amounts over $5m, decreasing in all other categories.

Information provided to MIB showed overall growth across all product types. Data suggests that younger applicants <30 years old favor indexed or interest-sensitive products. Those ages 61 and older are concerned about guaranteed value. Universal Life applications for ages 0-44 increased 11.2%. Increases in Traditional Whole Life for ages 61+ grew 7% 8%. Term applications for those over ages 61 decreased with age.

Lawsuit against Penn's 403(b) plan settles for $13 million

More than four years after they filed a complaint alleging that the University of Pennsylvania's 403(b) retirement plan charged "excessive fees," attorneys for some 20,000 employees and retirees participating in the plan have filed a preliminary settlement approval motion.

The settlement terms include the creation of a $13 million settlement fund for the plaintiffs and substantial non-monetary relief, including a requirement that Penn conduct a Request for Proposal for bids on recordkeeping fees, a fixed fee for administrative services, and to prohibit recordkeepers from cross-selling its financial products to plan participants. Additionally, Penn agreed to a three-year monitoring period.

"Sweda et al. v. The University of Pennsylvania et al.," was filed in 2016 in the US District Court for the Eastern District of Pennsylvania by the St. Louis law firm of Schlichter Bogard & Denton, which specializes in such suits. This case was among the first ever filed against a university over excessive fees.

Plan participants alleged that Penn breached its fiduciary duty under the Employment Retirement Income Security Act ("ERISA") by, among other things, permitting the plans to charge participants excessive recordkeeping fees and retaining underperforming investments in the plans' lineups.

Schlichter Bogard & Denton pioneered excessive fee 401(k) and 403(b) litigation. In 2009, the firm won the first full trial of a 401(k) excessive fee case against ABB. The firm's Tibble v. Edison is the only 401(k) excessive fee case to be argued before the United States Supreme Court. On May 18, 2015, the firm won a unanimous 9-0 decision.

Metro-area businesses expect to recover sooner than rural counterparts: Principal

Owners of small and medium-sized businesses, especially in rural communities, report more uncertainty about when and how they may recover from the prolonged economic impacts of COVID-19, according to a new report based on the Principal Financial Well-Being Index.

"Survey participants are more concerned and cautious about the economic outlook than in September of 2020," a Principal release said. While almost half (46%) of businesses surveyed said they are “fully operational,” about one in every four businesses said they’re uncomfortable with their current cash flow situation. About 70% expect their finances to improve, hoping that vaccines and government support may alleviate the situation.

The most recent survey results highlight discrepancies between how rural and metro small and medium-sized businesses are being impacted by the continued economic challenges of COVID-19. Less than a quarter of rural businesses reported being fully operational compared to almost half of metro respondents. A third of rural businesses believe their local economy is declining in comparison to 18% of metro businesses. And 61% of rural businesses feel unsupported or impartial to federal government policies or initiatives designed to help their businesses2 compared to 36% of metro counterparts3.

A majority of rural business owners expects recovery to take two years or more. Most metro-area business owners expect recovery within the next year. Overall, businesses are focused on improving customer satisfaction (30%), offering a new product or service (22%), and creating or improving their website, apps and social media channels (15%).

Although 70% of the respondents said they made no changes to their benefits packages, (81% were businesses with less than 500 employees), many indicate they intend to add or increase “telehealth” services (31%), Employee Assistance Programs (28%), and childcare support (27%) in 2021.

Some may cut other benefits to make room for those. Of businesses with two to 499 employees, 15% are willing to decrease or drop long-term care insurance; 18% of firms with 500 or more employees are willing to give up hospital indemnity (18%).