Insurance Times: Settlement in Sears retirees' lawsuit over life policies reportedly reached June 26, 2001, Vol. XX No. 13

'Multimillion dollar' settlement slows policy reductions

by Lisa Marie Pane Associated Press

WARWICK, R.I. — A tentative settlement has been reached in a federal lawsuit filed by retirees who claimed Sears, Roebuck and Co. unfairly cut the value of their life insurance policies, a lawyer for the retirees and the company said. Peter N. Wasylyk, an attorney for the retirees, declined to discuss details but said part of it would slow the pace by which the value of the retirees' life insurance policies was reduced.

He described it as a "multimillion-dollar" settlement that affects as many as 80,000 retired former employees of the department store chain.

Sears also declined to disclose details of the agreement, which must be approved by a federal judge in U.S. District Court in Chicago, possibly by the end of the year.

"After all the bitterness" between the company and its retired employees over the issue, ``the Sears family is reunited," Wasylyk said. "It's a true compromise."

"Some retirees felt disenfranchised by the company's change in life insurance," Sears Chairman and Chief Executive Officer Alan J. Lacy said in a written statement. "Our retirees are an important constituency of the company. We believe this agreement is a positive step to further strengthen our relationship with them."

In 1997, 38 retired employees sued the department store chain, seeking to get the full value of their life insurance policies restored.

Sears, based in Hoffman Estates, Ill., said that workers who retired since Jan. 1, 1978, would see the value of their company-paid life insurance plans drop from an average of \$17,000 to \$5,000 over 10 years.

If retirees wanted to maintain the previous value, they were told to buy replacement insurance that would become more expensive as they grew older.

The dispute became so contentious that many retirees cut up their store credit cards, boycotted the store and staged protests.

Sears said the change would allow it to save \$60 million each year for 10 years.

Marie A. George, of Warwick, retired from Sears in 1986 after 15 years as a personnel assistant. A decade later, she got a letter from Sears informing her that the life insurance policy she thought was fully paid for by the company as part of her retirement was about to be slashed by about \$11,800.

"I read that letter in disbelief," she said. "It was incredible."

Then, she picked up the phone and called Wasylyk, who happens to be her son-in-law.

"It is a fair closing and it's also a major battle won for employees and people who follow us," George told a group of retired Sears employees from Rhode Island gathered at a restaurant in Warwick. "Sears knew you were a force to be reckoned with."

Several of the former employees said that when they retired, they left with the understanding their life insurance policies had been paid by Sears, and there would be no need to buy additional insurance.

By the time they found out the value was to be reduced, they were older and buying backup insurance would be prohibitively expensive, they said.

"I was totally shocked," said Leonard Johnson of Warwick, a customer service representative at several of Sears' Rhode Island stores. "I remember when I retired, I told my wife, 'Well, I'm covered for \$30,000. I won't take out any more." Then, it was reduced to \$5,000, "which wouldn't be enough to be buried," Johnson said.

Sears said it has consistently informed employees and retirees of its right to change all benefits, including the life insurance policies.

Wasylyk and some of the Rhode Island retirees specifically pointed to Lacy, who was elevated to head the company in October 2000, as a key in reaching a deal. He took over for Arthur Martinez, who retired.

"He reached out to us," said Leo Finneran, president of the Providence Club of Retired Sears Employees who retired in 1983. "He was one of us and the former president wasn't."

The agreement was endorsed by the National Association of Retired Sears Employees.

"I commend Sears management for their sincere efforts to bring the family back together," said Everett L. Buckardt, chairman of NARSE. "This agreement is a positive gesture and goes a long way toward doing just that."