

MEDIA ALERT

SEARS' CHAIRMAN LAMPERT ARBITRARILY TERMINATES RETIREES' LIFE INSURANCE.

On **October 15, 2018**, Sears Holdings filed for bankruptcy protection. At the beginning of February **2019**, Judge Robert Drain of the U.S. Bankruptcy Court for the Southern District of New York approved Sears' Chairman and former CEO Edward Lampert's bid to buy Sears' assets for \$5.2 billion. The company was at least saved temporarily and is still in business for now.

In a **January 17, 2019** letter to retirees, Sears Holdings thanked retirees for their "*dedicated service*" and said that the company looks forward "*to serving our members...just as we have for the past 125 years.*"

But then, on **March 15, 2019**, Sears Holdings, in a gesture of "serving" its retiree population, abruptly cancelled their life insurance benefit that had been paid for by Sears for decades. Most retirees had no notice of this cancellation until several days after March 15 when they received a large white envelope from Sears Holdings informing them that "*after a thorough review of the company's programs Sears Holdings Corporation has made the difficult decision to terminate*" the life insurance coverage issued by Securian Life Insurance Company. What was a promised benefit to Sears' retirees turned into a financial nightmare for many. The average age of the retirees affected by the elimination of the retiree insurance is 80, with some in their 90s.

Retirees worked long and hard during their careers with Sears to build the company into the successful general merchandiser it once was. As a result of this promised benefit, many retirees cancelled their other life insurance and trusted that Sears would honor its commitment for retiree life insurance. They knew that as long as Sears did not liquidate, that their life insurance would be secure.

Now, this trust in a company they worked for has been shattered by the man who lives in a \$40 million Miami mansion, who purchased all of Sears' assets for billions of dollars, and now decided that retirees could pay for their own life insurance. However, Eddy Lampert was not totally heartless. In that notice of cancellation, Sears Holdings informed retirees that, "*We recognize that this situation impacts you and your family.*"

So, the company is offering retirees the option to convert all or a portion of the previous amount of their group coverage that was previously paid for by Sears (not to exceed \$10,000) into a Whole Life policy.

NARSE has heard from many retirees who could not believe that Lampert would abandon retirees. One 91-year-old retiree in particular, who worked for the company 37 years, told NARSE that he would now have to pay in excess of \$3,000 annually to maintain his current coverage! Such a premium is not even competitive in the marketplace.

Historical Update for Chairman Lampert

Evidently, Chairman Lampert is either unaware of, or has ignored the retiree life insurance class action lawsuit settlement agreement dating back to 2001.

As background, then chairman Arthur Martinez in 1997 announced that retiree life insurance benefits would be cut back for all participants who retired after January 1, 1978, at the rate of 10% per year on each retiree's life insurance amount in excess of \$5,000. At the end of 10 years, each retiree would have a \$5,000 life insurance policy, regardless of the original amount.

As a result of this drastic cut-back of employees' promised retirement life insurance, that was earned by employees' contributions and years of dedicated service, a number of lawsuits were filed against Sears by retirees who alleged they had been promised "free" or "paid-up" life insurance for the rest of their lives.

All lawsuits were eventually consolidated in the United States District Court for the Northern District of Illinois and assigned to Judge James B. Moran.

The case was finally settled during Fall 2001. Under the terms of the settlement, the last year of the 10 year reductions would not be implemented and the final amount would be the minimum \$5,000 stipulated and agreed to by Sears plus the amount of the final year of reduction that was not to be implemented.

The retiree life insurance can only be cancelled if Sears liquidates and goes out of business. Sears cannot arbitrarily terminate this insurance as long as the company is still in existence.

What Sears did on March 15, 2019, went contrary to the 2001 settlement agreement and was also a breach of a fiduciary relationship with its retirees.

During the March 24, 2005, special Sears/Kmart merger meetings, NARSE held a press conference where NARSE Chairman Ron Olbrysh said, "*Sears is more interested in corporate greed than corporate governance.*"

NARSE is now considering its options in light of Sears cancelling the retiree life insurance. This was a betrayal of trust by the company that Sears' retirees helped build.