



# Case Alert

## **Pennsylvania Supreme Court Rules that Insurance Salesman had No Fiduciary Duty to Policyholders**

On June 20, 2017, the Pennsylvania Supreme Court ruled that a life insurance salesman had no fiduciary duty to his customers where the customers retained decision-making authority regarding which policies to purchase. In *Yenchi v. Ameriprise Fin., Inc.*,<sup>1</sup> the Court returned a 4-2 verdict, overturning the lower court's finding that it was possible that a fiduciary relationship existed between the parties.

The suit arose from a series of transactions between Eugene and Ruth Yenchi and Bryan Holland, a financial advisor for IDS Life Insurance Corporation.

The relationship began when Holland cold-called the Yenchis and asked to meet with them regarding their "financial stuff." For a fee of \$350, Holland met with the Yenchis on several occasions and counseled them regarding their insurance needs. On Holland's advice, the Yenchis cashed out several existing policies and purchased a whole-life policy for Mr. Yenchi and a deferred variable annuity in Mrs. Yenchi's name.

Several years later, the Yenchis had their portfolio independently reviewed and discovered that the life insurance policy was underfunded and that the annuity would not mature until nineteen years after Holland said it would.

The Yenchis claimed that Holland had breached a fiduciary duty when he recommended that they purchase the insurance policy and the annuity. They argued that they had put their trust in Holland, who held himself out as an expert in financial and retirement planning matters, and that, by contrast, they only had high school educations and no experience working with a financial advisor.

The Court disagreed, finding that there was "no evidence to establish that the Yenchis were overpowered, dominated or unduly influenced in their judgment by Holland." The court placed particular emphasis on the fact that the Yenchis never ceded any decision-making authority to Holland and that they exercised independent judgment in following some of his recommendations while rejecting others.

This case stands as a reminder to policyholders that insurance intermediaries often have a relationship with insurance companies and do not always have the policyholder's best interests in mind. Less-experienced purchasers should seek advice from a broker or other insurance professional who focuses on representing policyholders as opposed to insurance companies.

For more information about this case contact Austin Moody at [adm@sdvlaw.com](mailto:adm@sdvlaw.com) or 203-287-2120.

<sup>1</sup> No. 8 WAP 2016, 2017 WL 2644473 (Pa. June 20, 2017).