

SEC sues 3 former execs of MetLife unit for fraud

Thu Apr 13, 2006 7:44 PM ET

By Jonathan Stempel

NEW YORK, April 13 (Reuters) - The U.S. Securities and Exchange Commission on Thursday accused three former officers of the New England Financial unit of MetLife Inc. <MET.N> of civil fraud for scheming to hide more than \$100 million of expenses, and said two agreed to settle.

In a lawsuit filed with the U.S. district court in Massachusetts, the SEC said Thom Faria, Stephen McLaughlin and William Stickney improperly reclassified non-commission expenses as insurance commissions.

It said the misclassification made New England Financial "appear more efficient, productive and profitable than it actually was," and caused both the unit and MetLife to overstate their net incomes.

In Aug. 2003, MetLife reduced previously reported second-quarter net income by \$31 million, or 5 cents per share, because it accounted incorrectly for expenses at New England Financial, which sells life insurance products to individuals. It also said it replaced Faria as the unit's president.

McLaughlin, a former senior vice president who reported to Faria, and Stickney, a former assistant regional vice president, have agreed to give up ill-gotten gains and pay civil penalties, without admitting wrongdoing, the SEC said.

In addition, McLaughlin agreed to a five-year ban as a company officer or director, the agency said.

The SEC said it will not charge New York-based MetLife or New England Financial "because of MetLife's extensive cooperation" with the agency.

Michael Angelini, a lawyer representing Faria, called the SEC charges "cometely outrageous," and said his client will be vindicated at trial.

Calls to lawyers for McLaughlin and Stickney and to those defendants' homes were not immediately returned.

John Calagna, a MetLife spokesman, said: "It was a MetLife investigation that uncovered this matter.... We took appropriate disciplinary action, including terminations, against individuals who acted improperly." He declined to discuss specific individuals.

MetLife shares on Thursday fell 74 cents to \$49.25 on the New York Stock Exchange. (Additional reporting by John Poirier in Washington, D.C.)