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Hall v. Midland Group

2000 U.S. Dist. LEXIS 16751 (E.D.Pa. November 17, 2000)

- **Class Action** - Court approves settlement of class action claims alleging excessive and unauthorized premiums for force-placed hazard insurance on residential properties
- **Force-Placed Insurance** - Class settlement approved in claim involving force-placed hazard insurance

The U.S. District Court for the Eastern District of Pennsylvania approved a proposed class settlement of claims by mortgagors challenging the force-placement of hazard insurance on residential properties with mortgages serviced by the defendants, Midland Group and Midland Mortgage Company. The proposed class alleged that the insurance premiums, assessed by agencies owned by Midland affiliates, were excessive and unauthorized. The proposed class encompassed a 20-year period and consisted of three subclasses. Over objections filed by members of an overlapping class action filed in the Southern District of Georgia, the court approved the settlement, finding it fair, adequate and reasonable.

The \$1.75 million recovery fund, the court said, resulted in a fund equivalent to 16.3% of the commissions realized on the insurance premiums. The proposed class consisted of more than 43,000 members. The settlement fund included costs and attorney's fees. The total requested costs, approved by the court, were \$18,348. The requested attorney's fees, representing 20% of the settlement fund, were \$350,000. The lodestar was calculated at \$173,453. The court calculated that the lodestar was subject to a 2.19 multiplier to reach the amount requested and that this was reasonable. However, the court did not award the amount of fees requested. Apparently, the plaintiff class had an opportunity to settle at some point during the litigation for \$1.5 million exclusive of costs and attorney's fees. The proposed settlement with a fee award of \$350,000 resulted in \$1.4 million for distribution to the class. Because the court did not receive a satisfactory explanation as to why the former settlement offer was rejected, it approved an attorney's fee award of only \$250,000, with the difference of \$100,000 being added to the common fund to make up the difference between \$1.4 and \$1.5 million.