

## **Don't Sign It Until You've Read It: Signature of Subscription Documents Binds Insured to Undesirable Policy Terms**

### *Insurance Law Update*

January 2012 by [Kathryn Metz](#)

### ***United States Court of Appeals for the Seventh Circuit***

In *National Production Workers Union Ins. Trust v. Cigna Corp.*, \_\_\_ F.3d \_\_\_, 2011 WL 6880650 (7th Cir. (Ill.) Dec. 30, 2011), the U.S. Court of Appeals for the Seventh Circuit held that an insured (the "trust") was bound by the terms of an insurance policy despite a conflict between the actual policy terms and those the insured sought when procuring the policy.

The trust had sought group accident and group life insurance with terms that designated it as both the owner of the policy and a beneficiary entitled to 50 percent of a union member's death benefit. The trust's insurance broker omitted the required terms during the procurement of coverage and secured coverage through defendant Life Insurance Company of North America ("LINA") that did not contain the required terms. The trust's chairman signed a group insurance application and subscription agreements accepting LINA's offer of coverage.

The trust made a claim under the policy for 50 percent of the death benefit from a union member's death. LINA refused, referring the trust to the terms of the policy that required LINA to pay the full death benefit to the decedent's beneficiary. The trust then sued LINA and its parent company, Cigna, seeking a declaratory judgment and rescission of the policy. LINA filed a counterclaim for unpaid premium and moved for a summary judgment on the trust's causes of action. The district court found that an enforceable insurance

contract existed as a matter of law, granting LINA's motion for summary judgment and dismissing Cigna for lack of personal jurisdiction.

The Seventh Circuit affirmed. The court found that the trust was bound to the terms of the policy, relying upon the following facts: (1) the trust's chairman signed copies of the insurance application and subscription agreements; (2) the trust paid premiums without objecting to the policy terms; and (3) LINA provided coverage pursuant to the terms of the issued policy. The Seventh Circuit rejected the trust's argument that it never received a final copy of the issued policy, charging the trust with notice of its contents based on its knowledge that LINA had issued it the policy.

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