

Press Release

Company Punished for Severance Agreements That Removed Financial Incentives for Whistleblowing

FOR IMMEDIATE RELEASE

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Washington D.C., Aug. 16, 2016 — The Securities and Exchange Commission today announced that a California-based health insurance provider has agreed to pay a \$340,000 penalty for illegally using severance agreements requiring outgoing employees to waive their ability to obtain monetary awards from the SEC's whistleblower program.

According to the SEC's order, Health Net Inc. violated federal securities laws by taking away from departing employees who wanted to receive severance payments and other post-employment benefits the ability to file applications for SEC whistleblower awards. Health Net added the provision in August 2011 after the SEC adopted a rule to prohibit any action to impede someone from communicating with the SEC about possible securities law violations. Health Net removed the SEC-specific language from its severance agreements in June 2013, but retained restrictive language that removed the financial incentive for reporting information until finally amending the agreements to strike all such restrictive language last year.

"Financial incentives in the form of whistleblower awards, as Congress recognized, are integral to promoting whistleblowing to the Commission," said Antonia Chion, Associate Director of the SEC Enforcement Division. "Health Net used its severance agreements with departing employees to strip away those financial incentives, directly targeting the Commission's whistleblower program."

Health Net consented to the SEC's cease-and-desist order without admitting or denying the findings. The company agreed to make reasonable efforts to inform former employees who signed the severance agreements from Aug. 12, 2011, to Oct. 22, 2015, that Health Net does not prohibit former employees from seeking and obtaining a whistleblower award from the SEC under Section 21F of the Securities Exchange Act. Health Net further agreed to certify to Enforcement Division staff that it has complied with this undertaking.

The SEC's investigation was conducted by Jennie B. Krasner and supervised by Ricky Sachar and Ms. Chion.

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Related Materials

- [SEC order](#)

