



High Court Limits Timing Of Certain ERISA Claims

Insights

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The U.S. Supreme Court unanimously upheld a contractual clause that limited a participant's ability to file a lawsuit pursuant to a long-term disability (LTD) policy. The contractual limitation was three years from the date proof of loss was required. The decision confirms that there is no requirement under the Employment Retirement Income Security Act (ERISA) that such a contractual clause be based on the time period after administrative remedies are exhausted and a participant is actually able to bring a lawsuit.

The decision allows employers to include reasonable statute of limitations clauses in their ERISA plans based on start dates other than the exhaustion of administrative remedies. *Heimeshoff v. Hartford Life & Accident Insurance Co.*

Background

Julie Heimeshoff was employed by Wal-Mart from April 1986 to June 2005. At the time of her departure, she was Senior Public Relations Manager. Six months before she left, Heimeshoff began exhibiting symptoms of fibromyalgia and lupus. By June, her condition was so severe that she had to leave work.

In August 2005, Heimeshoff filed a claim with Hartford Life & Accident Insurance Co. for long-term disability benefits. Hartford requested analysis of her condition from her doctor in October and November, but the doctor failed to provide it. In December of 2005, Hartford denied her claim for lack of information. In May 2006, Heimeshoff hired a lawyer to help her collect benefits. In November 2006, after several evaluations by other doctors, Hartford denied Heimeshoff's claim again, finding that her conditions did not meet the policy's definition for total disability. Heimeshoff appealed the decision, but Hartford denied her claim for a final time in November 2007.

Heimeshoff sued in district court, alleging that by denying her claim, Hartford had violated ERISA. The district court dismissed the suit, finding Heimeshoff's claim was time barred because the plan unambiguously prohibited legal action more than three years after proof of loss was required. Heimeshoff argued the three-year statute of limitations should instead run from the date when Hartford denied her claim for the final time, in other words, upon exhaustion of her administrative remedies.

Heimeshoff appealed the district court's decision, and the U.S. Court of Appeals for the 2nd Circuit affirmed in an unpublished summary order.

Legal Analysis

To frame the issue, the Court cited to a prior decision, *Order of United Commercial Travelers of America v. Wolfe*, which held that a “contractual limitations provision is enforceable so long as the limitations period is of reasonable length and there is no controlling statute to the contrary.”

Heimeshoff brought her claim under Section 1132 of ERISA, which creates a cause of action for beneficiaries of an ERISA plan to recover benefits, enforce rights, or clarify rights to future benefits. But ERISA does not contain a specific limitations period for challenging the denial of benefits. Instead, courts look to the most nearly analogous state limitations statute. In this case, the lower court looked to Connecticut law, which allows parties to contractually agree on a statute of limitations period as long as the period is at least one year. As the Court noted in its opinion, the parties did not dispute this point.

The important question tackled by the Court is whether a statute of limitations specified by an ERISA plan for bringing a claim may begin to run before a claimant has exhausted her administrative remedies and can actually bring a legal action. The Court found it can, noting that it is “unlikely that enforcing limitations periods that begin to run before the internal review process is exhausted will endanger judicial review.” As evidence, the Court points out that administrators who delay internal review processes in bad faith will allow participants immediate access to judicial review, and it is very rare for internal review processes administered in good faith to last three years.

Heimeshoff’s arguments could not overcome the precedent set by *Wolfe* because the statute of limitations is of reasonable length and there is no controlling statute to the contrary. The Court noted that the principle that contractual limitation provisions should generally be enforced is particularly relevant in this context, because “ERISA authorizes a participant to bring suit ‘to enforce his rights under the terms of the plan.’”

Significance For Employers

For employers who maintain ERISA health and welfare plans, this decision confirms that there are no requirements under ERISA with respect to when a reasonable statute of limitations can begin to run. Employers should check their plan documents to ensure that any limitation on a participant’s ability to bring a lawsuit is reasonable, and that the limitation is spelled out unambiguously in the policy. It is also a good idea to include such language in denial of claim letters.

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