



# ERISA Plan Can't Shrink Deadlines Without Providing Notice, Says 3rd Circuit Court of Appeals

Insights

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The 3rd Circuit Court of Appeals just ruled that an ERISA plan can't shorten the deadline for filing a legal action challenging a denial of benefits unless the participant receives written communication of the plan's altered deadline. *Mirza v. Insurance Administrator of America, Inc.*

With this decision, the 3rd Circuit (hearing cases from Pennsylvania, New Jersey, and Delaware) joins the 1st Circuit (Massachusetts, Maine, New Hampshire, Rhode Island, and Puerto Rico) and the 6th Circuit (Ohio, Michigan, Kentucky, and Tennessee), but breaks from the 11th Circuit (Georgia, Florida, and Alabama), which has come to the opposite conclusion.

## Background

ERISA doesn't contain its own statute of limitations for actions seeking judicial review of the denial of plan benefits. As a default rule, the 3rd Circuit Court of Appeals borrows the most closely analogous state statute of limitations, which is generally the one applying to breach of contract claims. However, ERISA plans may adopt their own, shorter deadline, so long as it is reasonable.

In the case at hand, the ERISA plan had a deadline of one year from the final denial of benefits for participants to pursue any claims in court. The reasonableness of the deadline was not at issue, and the plaintiff, a physician who provided medical treatment to the participant and to whom the participant had assigned her right to benefits, missed the deadline by nearly seven months.

A federal court in New Jersey rejected the claim and dismissed the lawsuit, ruling that the plaintiff had notice of the plan's one-year deadline prior to its expiration.

## Decision From The Appeals Court

On August 26, 2015, the 3rd Circuit Court of Appeals reversed this decision, hinging its decision on a U.S. Department of Labor regulation. That rule requires that written notification of an adverse benefit determination must contain a "description of the plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of the Act following an adverse benefit determination."

The court construed this regulation to require "that adverse benefit determinations set forth any plan-imposed time limit for seeking judicial review." If a plan administrator fails to include this

information, the plan's deadline is inapplicable and courts must instead apply the relevant state statute of limitations.

The final denial-of-benefits letter the plaintiff received in this case did not inform him of the plan's one-year deadline for filing a lawsuit, which was consequently inapplicable. The court ruled that the plaintiff's suit could therefore proceed, since he had filed it well within New Jersey's six-year statute of limitations.

### **Lesson Learned**

The lesson here for plan administrators is simple, but vital: to ensure enforcement of a plan's shortened statute of limitations, the administrator must include in any adverse benefit determination a statement of the plan's deadline for initiating litigation.

If you have any questions about this case, or how it may affect your business, please contact your Fisher Phillips attorney or one of the attorneys in our Employee Benefits Practice Group.

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*This Legal Alert provides an overview of a specific 3rd Circuit decision. It is not intended to be, and should not be construed as, legal advice for any particular fact situation.*

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