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The U.S. Supreme Court recently issued a decision that provides some welcome guidance to insurers and employers sponsoring ERISA employee benefit plans. The Court upheld a three-year limitations period in a long term disability plan. The terms of the plan required participants to file a lawsuit to recover benefits within three years after "proof of loss." *Heimeshoff v. Hartford Life & Accident Ins. Co.*, No. 12-729, 571 U.S. ___ (Dec. 16, 2013). The Court ruled that because ERISA itself does not specify a limitations period, the plan's three year deadline was reasonable and therefore enforceable.

Benefit Plan Participant Filed Lawsuit After Benefits Were Denied

Julie Heimeshoff, a senior public relations manager for Wal-Mart Stores, was a participant in a long term disability plan administered by Hartford Life & Accident Insurance Company (Hartford). In 2005, she filed a claim for disability benefits following a diagnosis of lupus and fibromyalgia. On her claim form, her rheumatologist listed her symptoms as extreme fatigue, significant pain and difficulty in concentration. Hartford denied her claim after her rheumatologist failed to respond to its requests for more information. In 2006, Heimeshoff provided Hartford with an evaluation from another physician who also determined that she was disabled. Hartford retained a physician to review Heimeshoff's records who concluded that she was able to perform the activities of her sedentary job. Hartford again denied her disability claim.

After granting Heimeshoff an extension to the appeal deadline to provide additional evidence and retaining two additional physicians to review her claim, Hartford issued its final denial of benefits on November 26, 2007. On November 18, 2010, Heimeshoff filed suit in district court seeking review of her denied claim under ERISA's judicial review provision, known as ERISA Section 502. Hartford and Wal-Mart asked the court to dismiss her suit because she did not file the case within the limitations period provided for in the plan, namely within three years after the time that written proof of loss is required to be furnished to Hartford. The district court agreed that the lawsuit was untimely and dismissed her case. On appeal, the Second Circuit affirmed. The U.S. Supreme Court agreed to hear the case in order to resolve a split among the Courts of Appeal on the enforceability of an ERISA plan's contractual limitations period.

ERISA Contractual Limitations Provisions Should Be Enforced As

Written

The long-term disability plan at issue stated that legal action against Hartford could not be taken more than three years after the time that written proof of loss is required to be furnished according to the terms of the policy. Written proof of loss is necessarily due before Hartford and the participant complete the internal review process and before a plan participant is notified of a final denial of benefits which is necessary before filing a lawsuit in court. The result of this contractual limitations period is that a participant has less than three years to file a lawsuit in court after learning that their benefit claim has been finally denied.

In reviewing whether to enforce this limitations period, the Supreme Court relied on well-established precedent which states that in the absence of a limitations period provided by a controlling statute, a provision in a contract may validly limit the time for parties to bring an action on such contract to a period less than that prescribed in the general statute of limitations as long as the shorter period is reasonable. The Court noted that ERISA does not specify a statute of limitations. Consequently, the Court ruled that a participant and a plan may agree by contract to a particular limitations period as long as it is reasonable.

Heimeshoff argued that the contractual limitations period at issue was not reasonable because it began to run before a claimant could exhaust the internal review process which is required before seeking judicial review. The Court unanimously disagreed, concluding that the three-year limitations period from the date that proof of loss is due was not unreasonably short and therefore, was enforceable. Although Hartford's administrative review process took longer than usual, Heimeshoff still had approximately one year to file suit before the limitations period was up. Because Heimeshoff filed her lawsuit more than three years after her proof of loss was due, as required contractually by the plan, her complaint was time barred. Therefore, the Court upheld the dismissal of Heimeshoff's suit.

Significance for Employee Benefit Plans

The Court's decision is welcome news for insurers and employers who want efficient resolution of ERISA claims disputes. Plan documentation should be reviewed, and where appropriate, language should be added or clarified to provide a reasonable limit on the time a participant has to bring a lawsuit to challenge a denied claim for benefits.

Substantive changes in the law subsequent to the date of this publication might affect the analysis or commentary. Similarly, the analysis may differ depending on the jurisdiction or circumstances. If you have specific questions as to the application of the law to your activities, you should seek the advice of your legal counsel.