

Breach of Fiduciary Duty by Employer for Issuing Inaccurate SPD

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A participant sued both his employer and the insurance company with respect to a long-term disability (**LTD**) policy that had been purchased by the employer. The participant alleged an ERISA breach of fiduciary duty for the failure to increase LTD benefits in accordance with the terms of the summary plan description (**SPD**). The U.S. Court of Appeals for the Sixth Circuit ruled that the employer (1) functioned as an ERISA fiduciary when it prepared and distributed the SPD to participants, and (2) breached its fiduciary duty by furnishing the participant with a misleading SPD. In particular, the SPD provision describing the annual increase in benefits did not refer to the other sections of the SPD on which the employer and the insurer had relied to deny the benefits increase. Also, the insurer's self-serving interpretation of the SPD to deny increased benefits was determined to constitute a breach of the insurer's ERISA fiduciary duty. The court remanded the case back to the district court with instructions to grant the increase in benefits to the participant. The lesson from this case is that inaccurate SPDs can lead to unexpected liabilities for employers; thus, it is critical that SPDs be carefully drafted, including accurate descriptions of the plan's exclusions from coverage and appropriate references to such exclusions in the description of covered benefits. *Stiso v. Int'l Steel Group*, No. 13-3503 (6th Cir. Mar. 25, 2015).