Eleventh Circuit Affirms Summary Judgment Because ERISA Plan Included Unambiguous Reservation of Rights Language

March 9, 2022

In *Klaas v. Allstate Ins. Co.*, Allstate sponsored an employee welfare benefit plan subject to ERISA that paid life insurance premiums for certain retirees. Allstate made various representations that this benefit would continue for the remaining lives of the retirees. In 2013, Allstate informed the retirees that it would stop paying their life insurance premiums. The retirees sued alleging Allstate violated ERISA by no longer paying those premiums after making representations that the benefit would continue for a lifetime. The Eleventh Circuit affirmed the district court's ruling, holding that no ERISA violation occurred because Allstate's plan documents contained a *no-vesting clause and an unambiguous reservation of rights provision* that gave Allstate the right to modify or terminate retiree life insurance at any time.

This case is a good reminder to pay careful attention to what insurers and third-party administers put into your plan documents. Unlike retirement plans subject to ERISA, employee health, life insurance, and other welfare benefits do not vest statutorily under ERISA; however, welfare benefits may vest contractually if the plan documents, or perhaps a collective bargaining agreement for union employees, so provides. It is important that the welfare plan document and its associated summary plan description contain an unambiguous reservation of rights provision providing that the plan may be amended or terminated by the plan sponsor, in whole or in part, at any time in its complete discretion and without any obligation to provide advance notice to any participant. Absent other compelling facts and circumstances, this type of "reservation of rights" provision is typically sufficient under ERISA to permit the plan sponsor to amend or terminate the plan's coverage with respect to both current and future participants. This case also highlights the importance of adopting a "wrap-around" plan document for employee health and other welfare benefit plans subject to ERISA. The wrap plan document needs to include other employer protective provisions that either do not exist or may be ambiguously drafted in the documents being "wrapped."

The Eleventh Circuit's opinion is available here.

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