Employer?Ã‡Ã–s Fiduciary Liability for Failing to Provide Life Insurance Conversion Notice

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An employee went out on long-term disability leave due to a brain tumor. The employee and his wife had a meeting with the employer?ÃÃs benefits team, during which the couple was told ?ÃÂ£everything would remain the same,?ÃÂ¥ including how to keep their benefits the same during and after the leave period. However, conversion of the employee?ÃÃs life insurance coverage after his leave expired was not discussed. The employee was mailed a leave packet describing the continuation of benefits during leave; it stated that life insurance could be continued for the duration of the leave, that a conversion policy may be available, and to contact the benefits department for specific details. When the life insurance benefit claim was submitted after the employee?ÃÃs death, the benefits employee indicated that the employee was still on a FMLA leave of absence, and life insurance coverage was still in effect at the time of death, when in fact it had expired. The life insurance company notified the benefits employee that coverage had terminated when the FMLA leave terminated. The benefits employee was under the mistaken impression that the insurer would send a conversion notice to the employee, when in fact it was the employer?ÃÃs responsibility. According to the Summary Plan Description, the insurer as the ?ÃÂ£claims fiduciary?ÃÂ¥ did not have fiduciary responsibility with respect to plan administration and the employer was the plan administrator. In addition, the insurer had given the employer a manual that described the employer?ÃÃs responsibility to provide the conversion notice. The wife sued the insurance company and the employer for breach of fiduciary duty under ERISA. The wife settled with the insurer out of court. The federal district court found that the employer?ÃÃs failure to provide the conversion notice was a breach of its fiduciary duty under the plan. The court ruled that the statement regarding conversion in the leave packet was inadequate because it did not state the time limit for applying for a conversion policy, where to get the conversion form, or where to return it. The court further determined that merely making an SPD available on its portal did not satisfy the employer?ÃÃs disclosure obligations under ERISA?ÃÃs requirements, especially considering that when the employee?ÃÃs leave expired so did his access to the portal. The surviving spouse was awarded $750,000 in damages, which was the full death benefit under the life insurance policy, plus additional interest, attorney?ÃÃs fees and costs. The lesson here is that an ERISA plan administrator should not assume that any of its duties have been delegated to an insurer or other third-party unless expressly documented in the operative legal documents. *Erwood v. Life. Ins. Co. of N. Am.*, No. 14-1284 (W.D. Pa. Apr. 13, 2017)

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