

Incomplete Email Response Causes Employer to Be Liable for Entire Life Insurance Benefit

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PRACTICES Employee Benefits and Executive Compensation

In a recent case, a federal district court in Colorado found an employer breached its ERISA fiduciary duty by not addressing the need to convert life insurance in response to a former employee's inquiry regarding payment for post-employment benefits. In *Watson v. EMC Corp.*, an employee entered into a separation agreement pursuant to which he was entitled to continue all his benefits while his pay continued and then continue only his health benefits after the continuation pay ended. After his pay ended, the former employee emailed the company and asked, "How do I start paying for my benefits at the employee rate for the next year?" The company responded that the former employee would be receiving a bill for his continuing benefits. The employee then died unexpectedly.

The Plaintiff in this case, the deceased employee's spouse, argued that, as a prudent fiduciary, the company should have informed the employee that he needed to convert his life insurance coverage in response to his inquiry. The company argued that the former employee had already been notified that his life insurance coverage would terminate through (i) the separation agreement, (ii) the certificate of coverage, and (iii) the Notice of Group Life Conversion Privilege sent to the former employee by the insurer, which contained instructions to convert the life insurance coverage. In addition, the company argued that it could not have known his email was referring to his then-expired group life insurance policy when he asked how to pay for benefits at the employee rate.

The court found that the former employee was asking about his benefits as a whole and the company had a fiduciary duty to respond to his inquiry with complete and accurate information regarding all benefits, including the information that his life insurance policy would need to be converted or else it would lapse, given that he was still within the eligibility window for conversion. The court stated: "At a minimum, EMC should have explained to Mr. Watson that he would be losing his life insurance benefits if he did not convert the group policy to an individual policy, and pointed Mr. Watson back to the documents explaining how to do so."

The Court awarded the full amount of the lost benefits, \$633,000 (reduced by the amount of premiums that were required to maintain the employee's coverage), to the Plaintiff as appropriate equitable relief under ERISA after concluding that the company breached its fiduciary duty to provide complete and accurate information in response to the employee's inquiry about how to continue his benefits.

The primary take-away from this case is that employers should pay particular attention when responding to benefits-related inquiries from former employees who are still within their life insurance conversion periods. To avoid arguments such as those raised in this case, all such responses should reference the need to convert the policy and direct the former employee to the documents that explain how to do so.

Watson v. EMC Corp., No. 1:19-cv-02667-RMR-STV (D. Colo. May 7, 2025)