

## High Court Upholds ERISA Plans' Time Limits For Claims

By **Abigail Rubenstein**

*Law360, New York (December 16, 2013, 11:20 AM ET)* -- The U.S. Supreme Court on Monday unanimously ruled against a former Wal-Mart Stores Inc. employee in her Employee Retirement Income Security Act suit, saying that the law allows employee benefit plans to contractually set time limits for participants to bring claims.

An opinion penned by Justice Clarence Thomas, the high court held that the requirement that participants in plans covered by ERISA exhaust the plan's administrative remedies before filing suit to recover benefits does not mean that a plan and its participants cannot agree to a limitations period that starts before the plan has made a final decision to deny benefits.

The justices therefore affirmed the Second Circuit's decision upholding the dismissal of Wal-Mart worker Julie Heimeshoff's ERISA suit against Wal-Mart and Hartford Life & Accident Insurance Co. over the insurer's denial of her claim for long-term disability benefits because it was not filed within the plan's time limit of three years from when a worker submits a proof of loss. The decision rebuffed Heimeshoff's claim that the limitations period ran afoul of ERISA because it started the clock for bringing suit running before a federal claim even existed.

"Absent a controlling statute to the contrary, a participant and a plan may agree by contract to a particular limitations period, even one that starts to run before the cause of action accrues, as long as the period is reasonable," the court said.

The ruling sets out a clear rule that should give employers and other plan sponsors and administrators more certainty in drafting their plans, lawyers who have been following the case told Law360.

"This is one of those cases — and there are a number of them that come before the court every year — where really what you need is a clear rule, and this is a very clear and unanimous ruling," Miriam Nemetz of Mayer Brown LLP said. "It is helpful for plan administrators to have some certainty about how long there is potential for a lawsuit."

And in finding that a limitations period should be enforced in cases challenging the denial of benefits as long as it is reasonable and not otherwise barred by law, the high court reaffirmed the larger principle that the language of the plan controls in ERISA cases, lawyers say.

"The Supreme Court is giving notice to everyone that it is sticking buy what it said in [Cigna Corp. v.] Amara and Conkright [v. Frommert] that it is not permitted to deviate from the written terms of the

plan,” Nicole A. Eichberger of Proskauer Rose LLP.

“Employers and plan sponsors want to know that they can draft plans and that what they put in those plans is going to get enforced free from interference by the courts,” she said.

In Heimeshoff's case, the justices concluded that the three-year limit from proof of loss provided for in the plan was neither unreasonable nor barred by a statute.

Siding with the plan and the company, the justices rejected arguments made by both Heimeshoff and the U.S. government that enforcing the plan's limitations period would undermine ERISA's two-tiered remedial structure, which emphasizes resolving claims internally through the plan's administrative process before the courts get involved.

The justices were not persuaded that plan participants would shortchange their own rights during the internal review process in order to reserve their time for filing suit, saying that since the courts draw on the administrative record, plan participants would not really be motivated to do so. Nor were they convinced that plans would drag out the internal process to shorten the time for participants, noting that such behavior would likely give the participant a defense to the enforcement of the limitations period.

The court's opinion noted that even in Heimeshoff's case, where the administrative process took longer than usual, she was left with a year to file her case before the limitations period ran out.

The limitations period could not therefore be considered unreasonably short, the justices said.

Heimeshoff, a Wal-Mart employee from 1986 to 2005, suffered from lupus and fibromyalgia. In August 2005, she requested long-term disability benefits, according to court papers.

Hartford eventually denied the disability claim, and in September 2007, Heimeshoff appealed that decision. Following that appeal, she allegedly received a final notice of denial in November 2007. She then lodged the ERISA suit in Connecticut federal court in 2010, according to court filings.

The district court dismissed the suit because it had not been filed within the insurance plan's time limit, and the Second Circuit upheld that dismissal, prompting Heimeshoff to turn to the Supreme Court.

But the high court has now sided with Wal-Mart and the plan, resolving a circuit split over the enforceability of the common contractual limitations provision at issue in the case.

“We are pleased with the U.S. Supreme Court’s unanimous decision, which confirms the terms of an employee benefit plan covered by [ERISA] must be enforced as written,” Hartford spokeswoman Kelly J. Carter told Law360.

An attorney for Heimeshoff was not immediately available for comment on Monday.

Matthew W.H. Wessler of Public Justice PC argued the case for Heimeshoff. Heimeshoff is also represented by Steven P. Krafchick and Carla Tachau Lawrence of Krafchick Law Firm; Leah M. Nicholls, Leslie A. Brueckner and Arthur H. Bryant of Public Justice PC; and Peter K. Stris, Brendan S. Maher and Victor O'Connell of Stris & Maher LLP.

Catherine M.A. Carroll of WilmerHale argued the case for Hartford and Wal-Mart. The companies are also represented by Seth P. Waxman, Weili J. Shaw and Ari Holtzblatt of WilmerHale.

Assistant to the Solicitor General Ginger D. Anders argued the case for the government.

The case is Heimeshoff v. Hartford Life & Accident Insurance Co. et al., case number 12-729, in the U.S. Supreme Court.

--Editing by Katherine Rautenberg.

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