

Hinshaw Attorneys Secure Victory for Insurer in Case Involving Application of Waiver and Estoppel Under ERISA

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Misty A. Murray, Los Angeles-based partners in the Life, Health & Disability Litigation Practice of Hinshaw & Culbertson LLP, obtained a judgment in favor of a leading insurance company in an ERISA-governed action. By way of the action, the plaintiff sought to recover additional life insurance benefits after the death of her husband, who was also covered under the plan.

The insurer had denied plaintiff's request for additional benefits because the decedent was not eligible for the amount of coverage sought. Specifically, the plan expressly provided that for dependents such as the decedent to qualify for more than \$50,000 in supplemental life insurance coverage, evidence of insurability (i.e., a statement of health) was required. Plaintiff initially completed an enrollment form in August 2013, requesting \$20,000 in supplemental life insurance benefits for herself and the decedent. No statement of health was required because the benefits applied for did not reach the \$50,000 threshold. During the enrollment process, the employer (also the plan administrator) mistakenly indicated that the decedent had \$500,000 in supplemental dependent life insurance benefits (as opposed to the \$20,000 applied for). Based upon that error, the employer deducted premiums for the higher amount from plaintiff's paycheck for a three-month period. Plaintiff did not advise the employer of the erroneous premium deductions but, instead, during a subsequent enrollment period effective January 1, 2014, she elected dependent coverage for the decedent in the amount of \$250,000. Again no evidence of insurability was submitted.

The decedent died on January 10, 2014. After his death, the employer discovered the clerical error, immediately corrected and adjusted the supplemental dependent death benefits to be \$30,000 (which was the maximum benefit for which the decedent qualified), and refunded all premiums mistakenly deducted. The insurer (which was also the claim administrator) then paid the entire \$30,000 benefit due to plaintiff.

After briefing and a bench trial, the court agreed that the plan terms were clear and unambiguous, and that the decedent was not eligible for coverage exceeding \$30,000 because no evidence of insurability was submitted to or accepted by the insurer. Significantly, the court rejected plaintiff's argument that the insurer's denial was barred

by the doctrines of estoppel or waiver. The court also found that the mere receipt of premiums was insufficient to constitute a waiver or estoppel of the plan's terms, and that the insurer could not be held liable for the employer's administrative or clerical errors.

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