



Fourth Circuit Finds Plan Administrator May Have Triggered Fiduciary Status

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In a recent Fourth Circuit case, *Dawson-Murdock v. Nat'l Counseling Grp., Inc.* 2019 WL 3308535 (4th Cir. July 24, 2019), the Court of Appeals has allowed a beneficiary to sue her deceased husband's employer for breach of fiduciary duties because of its status as the plan administrator and because of its vice president's statements regarding her claim for insurance benefits.

The spouse of a deceased employee alleges her husband's employer breached its fiduciary duties under the Employee Retirement Income Security Act of 1974 (ERISA) in administration of a group life insurance plan in which plaintiff's husband had enrolled and for which the employer was the "named fiduciary." The district court dismissed the plaintiff's claims, concluding the employer's relevant actions were not taken in a fiduciary capacity.

Facts

Employees who want to enroll in the employer's life insurance plan must pay a premium to the employer, who in turn forwards the premium payment to the insurance company. As part of remitting payments, the employer is obligated to regularly inform the insurance company about employees including who are eligible for insurance coverage and whether coverage has changed or ended. Enrollment in the plan is limited to full-time employees. While working full-time for the employer, the plaintiff's late husband elected \$150,000 in life insurance coverage through the plan.

In March 2016, the employee stopped working full-time and began working part-time. However, the employer never informed him about whether he remained eligible to participate in the plan, even though the plaintiff continued to collect his premium payments. In addition, the employer never informed the employee about the option to convert his coverage from a group insurance policy to an individual insurance policy.

The employee passed away six months later and his surviving spouse filed a claim for his life insurance benefit. Two months after filing her claim, the employer's vice president of Human Resources (the "executive") notified the plaintiff that the insurance company had denied her claim, but assured her that the employer would pay her claim and that she would not need to deal with the insurance company going forward. A few days later, the plaintiff received a letter from the insurance company denying her claim due to her husband's part-time status and because he failed to convert his coverage to an individual insurance policy.

From October 2016 through February 2017, the executive made numerous representations about the employer's intention to pay the plaintiff's claim and advised her that she did not need to do anything else, including appealing the claim denial. Based on these representations, the plaintiff did not appeal the insurance company's denial of her claim for benefits. Finally, on February 21, 2017, the employer informed the plaintiff that it would not pay her claim.

District Court

In January 2018, the surviving spouse filed her complaint against the employer. In the plaintiff's first ERISA claim, she alleged that the employer breached its fiduciary duty to her late husband because the employer failed to inform him about his ineligibility under the plan and neglected to notify him about the option to convert his coverage to an individual insurance policy. In the second ERISA claim, the plaintiff alleged that the employer breached the fiduciary duty owed to her, as a plan beneficiary, when the executive advised her to not appeal the denial of her benefits claim.

The employer moved to dismiss the complaint, arguing that neither it nor its executive were acting as an ERISA fiduciary when they took action on the plaintiff's claim. Instead, the employer maintained that they were acting only in an administrative capacity, which did not satisfy the definition of a "fiduciary" under ERISA. The district court agreed and granted the employer's motion to dismiss.

Appeal to the Fourth Circuit

The Fourth Circuit, in respect to the plaintiff's first claim, cited precedent that established that when a plan administrator is responsible for verifying employee eligibility for participation in an employee benefit plan, that administrator acts in a fiduciary capacity with regard to that obligation. Further, a plan administrator also acts in a fiduciary capacity when it conveys (or fails to convey) material information to a plan participant concerning the retention of eligibility for a benefit plan when that administrator is aware that the participant wishes to maintain his participation in that plan.

With regard to the plaintiff's second claim, the Fourth Circuit explained that in a prior decision it has previously recognized that conveying information about plan benefits in order to assist plan-related decisions can constitute fiduciary activity. Accordingly, the Fourth Circuit found that the executive's conduct on behalf of the employer, as plan administrator, created discretionary activity in the administration that may have amounted to fiduciary activity under ERISA. Thus, the plaintiff sufficiently alleged the employer's fiduciary status in relation to her ERISA claims, and the Fourth Circuit vacated the lower court's dismissal and remanded the case for further proceedings.

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