

Supreme Court Upholds Reasonable Statute of Limitations in ERISA Plans

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Plan sponsors should review and, if necessary, revise plan claims procedures to take advantage of added clarity recently provided by the Supreme Court in *Hartford Life & Accident Insurance Co.* In *Hartford*, the Supreme Court ruled that contractual statutes of limitations in ERISA plan documents are enforceable if such limitations are reasonable in duration and don't conflict with a controlling statute.

Hartford arose from a provision in an insurance policy for Wal-Mart's group long-term disability plan (the "Plan") that required that any suit to recover benefits under ERISA be filed within three years after "proof of loss" became due under the Plan. The participant in the case filed a claim for long-term disability benefits with the Plan's administrator—the Hartford Life and Accident Insurance Co. ("Hartford"). After the participant exhausted the Plan's mandatory administrative review process, Hartford issued its final denial. Almost three years after this final denial, but more than three years after proof of loss was due, the participant filed a claim for judicial review pursuant to ERISA. Hartford and Wal-Mart moved to dismiss on the ground that the claim was untimely. The District Court granted the motion and the Second Circuit affirmed. The Supreme Court also affirmed the decision and, in so doing, made two important rulings:

- That a plan can provide for a limitations period that begins to run before a final determination on appeal is made under a plan.
- That unless a limitation period is unreasonably short or there is a controlling statute to the contrary, courts must give effect to a plan's limitation period.

The Supreme Court did not provide a bright line test to determine whether a limitation period is reasonable. The Supreme Court did note, however, that in the present case, the Plan's limitation period provided the participant with approximately one year to file suit after exhausting the Plan's claims procedures (including applicable delays).

Although this case dealt with a disability plan, the Supreme Court's findings do not appear to be limited to such plans. Therefore, plan sponsors should review all plan documents to determine if limitation provisions are warranted. If such plans already contain limitation provisions, employers should ensure that the limitations are reasonable. Doing so may limit exposure to untimely claims and may increase uniformity for plans that provide benefits across state lines where, in the absence of plan limits, courts tend to apply the most analogous state statute of limitations.

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