

ADMINISTRATOR'S DELAY COSTS IT DEFERENTIAL STANDARD OF REVIEW

Hodgson Russ Employee Benefits Newsletter
April 27, 2018

Practices & Industries

Employee Benefits

The District Court for the Southern District of Florida ruled that an administrator's delay in rendering a decision on a denied benefit appeal caused it to lose deferential treatment from the reviewing court. In this case, a plan participant waited 231 days without receiving a decision on his appeal of a denied claim for long-term disability benefits before filing his lawsuit. Employee Retirement Income Security Act (ERISA) claims procedure regulations generally require an administrator to make a determination within a 45-day period, with the possibility of one 45-day extension. As a general rule, an Employee Retirement Income Security Act (ERISA) claimant must exhaust available administrative remedies before bringing a claim in federal court. However, when a plan fails to establish or follow reasonable claims procedures consistent with the requirements of ERISA, a claimant need not exhaust because his claims will be deemed exhausted. Here the court noted that the lengthy delay was largely the administrator's fault and that, as a result, the participant was deemed to have exhausted the plan's administrative remedies. Following the Department of Labor's interpretation of the regulation and case law from other circuits, the court determined that the administrator's failure to abide by ERISA's procedural requirements would cause the benefit denial to be reviewed by the court under a less deferential "de novo" standard. Under this standard, a reviewing court may analyze the facts of the case to reach its own decision without giving deference to a plan administrator's decision. Under a "de novo" standard, a court is more likely to reverse a plan's decision to deny a benefit claim. This case serves as a reminder for plan administrators to be familiar with and timely adjudicate claims in accordance with their claims procedures. *Johnston v. Aetna Life Ins. Co.*, (S.D. Fla. 2018).