

Insurers Subject to ERISA Liability

In June 2011, the Ninth Circuit Court of Appeals held that damaged parties may hold insurers, benefit plans, and plan administrators liable for denial of benefits under the Employee Retirement Income Security Act (ERISA), overturning 26 years of precedent.¹ Section 1132(a)(1)(B) of ERISA outlines eligible defendants in matters related to an inappropriate denial of benefits, and previous rulings suggest that eligible defendants are limited to a benefit plan or benefit plan administrators. The Ninth Circuit's ruling expands the scope of liability in ERISA claims.²

In *Cyr v. Reliance*, Laura Cyr filed an ERISA claim against Reliance Standard Life Insurance Company (Reliance). Cyr claimed that due to a retroactive change in her salary, a previously filed and approved benefits payment needed to be adjusted. In the suit, Cyr named the plan manager, Reliance, as a defendant, which has traditionally been beyond the scope of ERISA liability. The Court allowed Cyr to include the insurance company as a defendant, despite the fact that Cyr's complaint did not identify Reliance as the plan administrator.³

The District Court granted Reliance's motion for summary judgment, stating that only the plan or plan administrator may be held liable under the ERISA statute. As a third-party insurer, the Court considered Reliance an improper defendant to Cyr's claim.⁴ The District Court later reversed this decision, citing case law that allowed lawsuits against certain insurers functioning as the plan administrator.⁵ Although Cyr's claim did not identify Reliance as the plan administrator, the Court found they were acting as such and were held liable under the law.⁶ Ultimately, the District Court ruled in Cyr's favor, concluding that Reliance was the party responsible for paying legitimate benefits claims to the employee.⁷

The Ninth Circuit Court of Appeals committee upheld the lower court's decision, emphasizing that ERISA "[Section 1132(a)(3)] makes no mention at all of which parties may be proper defendants—the focus, instead, is on redressing the 'act or practice which violates any provision of [ERISA Title I].'" 29 U.S.C. § 1132(a)(3)

(emphasis added)."⁸ The opinion further noted that other ERISA provisions do specifically list those who may be considered eligible defendants. In its published decision, the Ninth Circuit expressly invalidated prior contradicting decisions within its jurisdiction.⁹

The implications of the June 2011 ruling may reach beyond Cyr's award of attorney fees, costs, and pre-judgment interest.¹⁰ Courts outside the Ninth Circuit may apply *Cyr v. Reliance Standard Life* as the new standard for similar cases.¹¹ Further, this decision may lead to an increased number of ERISA claims naming an insurer as the defendant for denial of employee benefits, and may also alter the methods by which insurers protect themselves from liability, especially among those who act as plan administrators.¹²

¹ "Ninth Circuit Broadens Scope of Entities that Can Be Sued for ERISA Plan Benefits" By Darren Nadel and Kalisha Chorba, Little Mendelson, P.C., ASAP, June 2011.

² "Ninth Circuit En Banc Opinion Overturns Precedent, Holds That Insurers Can Be Held Liable Under ERISA" By Michael Maddigan, American Health Lawyers Association, June 30, 2011, <http://www.healthlawyers.org/Pages/NinthCircuitEnBancOpinionOverturnsPrecedent,HoldsThatInsurersCanBeHeldLiableUnderERISA.aspx> (Accessed 7/15/2011)

³ "Ninth Circuit Broadens Scope of Entities that Can Be Sued for ERISA Plan Benefits" By Darren Nadel and Kalisha Chorba, Little Mendelson, P.C., ASAP, June 2011.

⁴ *Cyr v Reliance Standard Life*, No. 07-56869 Opinion (9th Cir. June 22, 2011), p. 8500.

⁵ *Cyr v Reliance Standard Life*, No. 07-56869 Opinion (9th Cir. June 22, 2011), p. 8500.

⁶ *Cyr v Reliance Standard Life*, No. 07-56869 Opinion (9th Cir. June 22, 2011), p. 8500.

⁷ "Ninth Circuit En Banc Opinion Overturns Precedent, Holds That Insurers Can Be Held Liable Under ERISA" By Michael Maddigan, American Health Lawyers Association (2011), p. 2.

⁸ *Cyr v Reliance Standard Life*, No. 07-56869 Opinion (9th Cir. June 22, 2011), p. 8503.

⁹ *Cyr v Reliance Standard Life*, No. 07-56869 Opinion (9th Cir. June 22, 2011), p. 8504.

¹⁰ *Cyr v Reliance Standard Life*, No. 07-56869 Opinion (9th Cir. June 22, 2011), p. 8500.

¹¹ "Ninth Circuit En Banc Opinion Overturns Precedent, Holds That Insurers Can Be Held Liable Under ERISA" By Michael Maddigan, American Health Lawyers Association (2011), p. 2.

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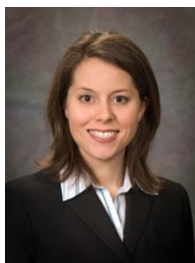
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