Supreme Court Unanimously Upholds ERISA Plan Limitation Periods

On December 16, 2013, the Supreme Court ruled in *Heimeshoff v. Hartford Life Insurance* (U.S., No. 12-729, 12/16/13), that a contractual limitation period for challenging a denial of benefits under an ERISA-governed plan may be enforceable even if the limitation period commences before a participant has the right to bring suit to enforce her rights under the plan. The decision, which was unanimous, resolves a split in the circuits, providing uniformity for plan sponsors on this issue.

Section 502(a)(1)(B) of ERISA provides that a participant in a plan may bring a civil action in federal court to recover benefits or clarify rights to future benefits due under the plan, but courts have uniformly held that suit can be brought only after the participant has exhausted (or is deemed to have exhausted) the plan's administrative remedies. ERISA does not prescribe a statute of limitations within which participants must bring such an action. In the absence of a federal statute of limitations, courts have borrowed the limitation period from the most closely analogous state law. The question presented in *Heimeshoff* was whether the parties to an ERISA plan can contractually agree that the applicable limitation period will begin to run prior to the date on which the plan's administrative procedures are exhausted (i.e., the first date on which the participant would be permitted to file suit).

In *Heimeshoff*, Walmart executive Julie Heimeshoff filed a claim for long-term disability benefits under Walmart's Group Long Term Disability Plan (the "Plan") administered by Hartford Life & Accident Insurance Co. ("Hartford"). The Plan required that any suit to recover benefits under the Plan be filed within three years after "proof of loss" was due at the beginning of the Plan's internal administrative process. Because proof of loss was due before the Plan's administrative process could be completed, the three-year limitation period in the Plan necessarily began to run before the participant would have been permitted to bring suit under Section 502(a)(1)(B) of ERISA.

The claimant initially filed her claim in August 2005, and the claim was denied. She then followed the plan's internal procedures, making a series of claims and appeals, and Hartford issued its final denial of her claim on November 26, 2007. She ultimately filed suit in the District Court of Connecticut on November 18, 2010, which was more than three years after proof of loss was due, but less than three years following her exhaustion of administrative remedies.

The District Court granted Hartford's motion to dismiss, finding that the three-year limitation in the Plan was enforceable under Connecticut law (the most closely analogous state statute governing limitation periods) and that Ms. Heimeshoff's claim was time-barred. On appeal, the Second Circuit affirmed the decision.

The Supreme Court, while acknowledging that statutes of limitation ordinarily run from when a cause of action "accrues" and a plaintiff can file suit, concluded that the Plan's limitation period was enforceable because the participant and plan agreed by contract to a particular limitation period that began other than when the cause of action accrued. Citing *Order of United Commercial Travelers of America v. Wolfe*, 331 U.S. 586 (1947), the Court noted that parties to a contract may limit the period for bringing an action under the contract to a period shorter than that prescribed in the general statute of limitations, as long as that shorter period is itself a reasonable period and there is no controlling statute to the contrary. The Court concluded that, taking into account the average administrative review process for an ERISA claim, a three-year limitation period was reasonable and that there was no controlling statute dictating a contrary result. In its decision, the Court emphasized that it is especially appropriate to enforce a contractual limitation provision as drafted in a written ERISA plan, which is the source of many of the plan sponsor's obligations to the participant as well as a participant's right to enforce those obligations, including by bringing suit under Section 502(a)(1)(B). The Court also found that enforcement of the three-year limitation period did not undermine ERISA itself, noting that traditional doctrines such as waiver, estoppel and tolling would still be available if the plan sponsor were to use an internal administrative process to prevent participants from accessing the courts by running out the contractual limitation period.

If you would like to discuss the potential impact of *Heimeshoff v. Hartford Life Insurance* on your plan, please contact your regular Ropes & Gray attorney.