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Third Circuit Says ERISA Administrative Appeal Denial Letters Must State Plan-Imposed Time Limits

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The Third Circuit recently held that ***ERISA*** administrative appeal denial letters must include plan-imposed time limits for commencing a lawsuit challenging the claim denial, and the failure to provide such notice warranted setting aside the plan's limitation period. ***Mirza v. Ins. Adm'r. of Am., Inc.***, 2015 WL 5024159 (3d Cir. Aug. 26, 2015). The ERISA claims regulation provides that adverse determination letters must provide a "description of the plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action" for benefits. 29 C.F.R. § 2560.503-1(g)(1)(iv). Consistent with the First and Sixth Circuits' rulings on this issue, the Third Circuit determined that the regulation's "time limit" notice requirement applies not only to periods pertaining to when a participant may file an administrative appeal, but also to a plan-imposed limitation period for commencing a lawsuit after an appeal is denied. In so ruling, the Court reasoned that not requiring such notice would permit administrators to "hide the ball" because participants are more likely to read and rely on adverse determination letters than lengthy plan documents. Having found that such notice is required, the Court determined the proper remedy was to set aside the plan's limitation period and to replace it with the most analogous state law period, which the parties agreed was New Jersey's six-year limitation period applicable to breach of contract claims.

Our Perspective: Given that three circuits already have ruled consistently on these issues, plan fiduciaries should make sure that administrative appeal denial letters specifically set forth plan-imposed time limits. Furthermore, given the courts' tendency not to penalize participants for failure to consult SPDs and plan documents when pursuing a claim for benefits, plan sponsors and administrators should consider whether there is other information pertinent to the claims process to which they should affirmatively alert participants when determining claims for benefits.

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