A contractual limitations period in an ERISA disability benefits plan that required participants to bring suit within three years after “proof of loss is due” is enforceable, the U.S. Supreme Court has ruled unanimously. *Heimeshoff v. Hartford Life & Accident Ins. Co. et al.*, 134 S.Ct. 604, 187 L. Ed. 2d 529 (2013).

Whether and under what circumstances an otherwise applicable statute of limitations can be contractually shortened where a claim for benefits is made under a plan subject to the Employee Retirement Income Security Act of 1974 has divided the courts of appeals for years. A participant in an employee benefit plan covered by ERISA may bring a civil action under §502(a)(1)(B) to recover benefits. Courts have generally required participants to exhaust the plan’s administrative remedies before filing these suits. ERISA, however, does not specify a statute of limitations for filing such a suit.

*Heimeshoff* is significant for three reasons. First, implicit in the Court’s decision is the recognition that “reasonable” contractual limitations periods are generally enforceable for ERISA claims. According to the Court, “in the absence of a controlling statute to the contrary, a provision in a contract may validly limit, between the parties, the time for bringing an action on such contract to a period less than that prescribed in the general statute of limitations, provided that the shorter period itself shall be a reasonable period” (*quoting Order of United Commercial Travelers of America v. Wolfe*, 331 U.S. 586, 608 (1947)).

Second, the decision also appears to assume, if not specifically hold, that contractual limitations periods for insured ERISA plans (at least where the limitations period is in the insurance policy) are subject to state laws that expressly prohibit contractual limitations periods shorter than a defined period (as opposed to state laws that merely set a default minimum statute of limitations that applies only in the absence of a contractual limitations period).

Finally, the decision overturns the law in certain circuits holding a contractual limitations period cannot begin to run until available administrative remedies have been exhausted. *Heimeshoff* should not have any application to claims of breach of fiduciary duty under ERISA; it is limited to ERISA benefits claim matters. It is certainly possible that the limitations *Heimeshoff* applies will have the effect of increasing ERISA fiduciary claims actions, although the federal courts are wary of benefits claim cases denominated as ERISA fiduciary breach matters.

The Court, referring to state insurance statutes, pointed out that “the vast majority of States require certain insurance policies to include 3-year limitations periods that run from the date proof of loss is due.” On the theory that federal law determines when an ERISA cause of action accrues, some circuits previously held the time for bringing the action does not begin to run until the administrative review process has been completed. In *Heimeshoff*, the Supreme Court held that such a hard and fast rule is inappropriate. Absent unreasonable limitations barring a participant’s ability to assert a claim, it said, the terms of the written plan are paramount and should be enforced. The new rule is more fact-specific. The contractual limitations period, including its commencement date as specified in the policy, should be enforced unless the claimant is left with an unreasonably short period to file suit after the administrative review process ends. The Court recognized that starting the limitations period at the point “proof of loss is due,” which necessarily is before the completion of the administrative review process, “will, in practice, shorten the contractual limitations period.” But the Court nevertheless held that such a requirement is enforceable, provided the claimant is left with a “reasonable” period of time to file suit.

The Court did not indicate what remaining period of time might be unreasonable. Because the plaintiff in *Heimeshoff* had about one year left to file a complaint following the completion of the
review of her claim, 12 months presumably is not “too short” in the run of cases. Relying upon
Heimeshoff, a federal District Court in New Jersey dismissed an ERISA benefits claim as untimely,
finding a nine-month residual period for filing suit after exhaustion of administrative remedies
provided the plaintiff with “ample opportunity to seek judicial review.” Barriero v. NJ BAC Health

In Heimeshoff, the Supreme Court recognized that the district courts retain the discretion to use
appropriate traditional doctrines to free claimants from a contractual limitations provision “in the rare
cases where internal review prevents participants from bringing §502(a)(1)(B) actions within the
contractual period.” The Court observed, “[i]f the administrator's conduct causes a participant to miss
the deadline for judicial review, waiver or estoppel may prevent the administrator from invoking the
limitations provision as a defense.” The Court also suggested that the doctrine of “equitable tolling”
may apply “[t]o the extent the participant has diligently pursued both internal review and judicial
review but was prevented from filing suit by extraordinary circumstances.” (Emphasis added.) These
cases often include allegations of fraud and other extraordinary facts and are likely to define the limits
of Heimeshoff.

If you have any questions about this or other workplace developments, please contact the Jackson
Lewis attorney with whom you regularly work.