

FIFTH CIRCUIT CONSTRUES AMBIGUOUS DISABILITY PLAN TERMS IN FAVOR OF PLAN PARTICIPANT

Hodgson Russ Employee Benefits Newsletter
July 30, 2021

The Fifth Circuit held that an insurance company must provide long-term disability benefits to a plan participant, despite the fact the participant was on short-term disability leave when the insurance company took over his employer's policy.

In this case, a Louisiana ship pilot was out on short-term disability leave when Reliance Standard Life Insurance Company took over his employer's insurance plan. A short while later, the ship pilot briefly returned to work, but he was reinjured and went back on short-term disability. When those benefits expired, the ship pilot applied for long-term benefits which was denied by Reliance.

Reliance denied the claim based on their policy's transfer provision, which they said showed the ship pilot's coverage under the plan took effect on the first of the month after he returned to work instead of when they took over the plan (despite the fact Reliance approved his second short-term disability benefits). As such, Reliance denied the claim as an excluded preexisting condition based on how they defined it in their plan. When the ship pilot sued, the district court agreed with Reliance and granted summary judgement in their favor.

On appeal, the Fifth Circuit reversed the district court and found in favor of the ship pilot. Its decision was largely based on the maxim *contra proferentem* which stands for the principle that contracts should be construed against the drafter when they are ambiguous. Here, it meant the insurance contract should be given its ordinary and generally accepted meaning, but ambiguous terms should be construed in favor of the ship pilot.

The Fifth Circuit found that the transfer provision drafted by Reliance was ambiguous in multiple respects. For example, the Court noted that the term "active"—a term that was undefined but critical to interpreting the transfer provision—could mean that a party is able and available to work, but not present on that day or it could also mean non-retired. Further, the court found that the definition of "Full-time" and its reference to a "regular work week" was also ambiguous. Hence, when all of these terms were interpreted in favor of the ship pilot, the Court found that the ship pilot was entitled to long-term disability benefits.

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This case illustrates the importance of vigilant drafting. A court is going to interpret any ambiguous contract against the drafter, so it is crucial to make sure terms are defined properly and carefully.

Miller v. Reliance Standard Life Ins. Co., 999 F.3d 280 (5th Cir. 2021).

