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Disability Benefits

Hyundai, Liberty Life Can't Shake Claims By Disabled Veterans Challenging Offsets



Jan. 7 — A proposed class action accusing Liberty Life Assurance Co. of Boston and Hyundai Motor America of improperly offsetting the disability benefits of disabled veterans can proceed in part, although several claims against Liberty Life are subject to dismissal, the U.S. District Court for the Northern District of California held (*Bush v. Liberty Life Assurance Co. of Bos.*, 2015 BL 869, N.D. Cal., No. 4:14-cv-01507-YGR, 1/2/15).

In a Jan. 2 ruling, Judge Yvonne Gonzalez Rogers found that certain of the veterans' claims against Liberty Life—including claims for equitable relief and failure to furnish certain documents—couldn't be brought against the insurer, because such claims were viable only against the designated plan administrator, which was Hyundai.

However, the court allowed several claims for equitable relief to proceed against both Liberty Life and Hyundai, finding that they were based on allegedly misleading omissions and therefore weren't impermissibly duplicative of the participants' claim for benefits.

Veterans' Benefit Offset

According to the complaint, Liberty Life improperly interpreted its long-term disability policy to allow for an offset of participants' disability benefits against the benefits they received from the Department of Veterans Affairs. The named plaintiff, former Hyundai employee James L. Bush, proposed two subclasses—one consisting of veterans participating in a range of Liberty Life plans subject to the offset, and one of veterans who participate in the Hyundai plan.

Liberty Life moved to dismiss several claims against it, arguing that Hyundai alone was the proper defendant, because the automaker served as the plan administrator.

The court agreed that Liberty Life couldn't be held liable for certain failures alleged by the participants, including failures involving the terms of the summary plan description and a failure to adequately provide certain required notifications. According to the court, the participants didn't show how these claims could be maintained against an entity other than the plan administrator.

However, the court allowed the participants' claims of inadequate notice and appeals procedures to move forward against Liberty Life. The court concluded that Liberty Life failed to put forth legal evidence supporting its argument that only plan administrators are responsible for complying with the notice and appeals procedures of the Employee Retirement Income Security Act.

In addition to weighing whether Liberty Life was a proper defendant, the court also considered both defendants' motion to dismiss certain claims for equitable relief—including contract reformation and disgorgement of profits—on the grounds that they were duplicative of the participants' claim for benefits.

The court denied this request, explaining that ERISA permitted the participants to pursue alternative theories and theories of relief early in litigation. Further, the participants adequately pleaded that the summary plan descriptions "misleadingly omitted relevant information about the purported VA benefits offset," the court said.

The participants were represented by Springer & Roberts LLP and Cohen Milstein Sellers & Toll PLLC. Liberty Life was represented by Sheppard Mullin Richter & Hampton LLP. Hyundai was represented by Trucker Huss APC.

For More Information

Text of the opinion is at

http://www.bloomberglaw.com/public/document/Bush_v_Liberty_Life_Assurance_Co_of_Bos_No_14cv01507YGR_2015_BL_8.

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