

**Tax & Employee Benefits Department**

September 15, 2016

**NOTICE TO CLIENTS AND FRIENDS**

**FAILURE TO PROVIDE TIME LIMIT FOR FILING ACTION IN NOTICE OF BENEFITS DENIAL HELD TO RENDER CONTRACTUAL LIMITATION PERIODS INAPPLICABLE BY FIRST CIRCUIT**

Recently, the United States Court of Appeals for the First Circuit (the “Court of Appeals”) held in SANTANA-DÍAZ v. METROPOLITAN LIFE INSURANCE COMPANY (2016 WL 963830), that a plan administrator’s failure to include the time limit for filing a suit challenging its denial of a participant’s request for long term disability (“LTD”) benefits was a violation of the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Therefore, instead of the term included in the LTD plan document, Puerto Rico’s limitation period for contractual disputes (15 years), applied to the claim.

***Background***

The plaintiff, Mr. Santana-Díaz (the “Plaintiff”), an employee of Shell Chemical Yabucoa, Inc. (“Shell”), participated in Shell’s employee long-term disability benefit plan (the “Plan”), provided through a group insurance contract with the Metropolitan Life Insurance Company (“MetLife”) as the Plan’s administrator. The Plaintiff started receiving LTD benefits under the Plan on December 2008, but MetLife denied continued benefits after a 24-month limit on LTD benefits for mental health disabilities. In response to this determination, the Plaintiff submitted additional medical information to support his claim for extending the LTD benefits.

Upon the expiration date of the LTD benefits under the Plan, MetLife issued two (2) letters to the Plaintiff denying his extension request. MetLife’s denial letters informed the plaintiff that he could bring a civil action contesting the denial of the LTD benefits under the Plan, but neither letter included a deadline for filing such claim. Notwithstanding this, the Plan document provided that no legal action of any kind could be filed more than three (3) years after proof of disability was filed. The Plaintiff filed a suit challenging MetLife’s denial of his LTD claim. MetLife argued that the suit was filed late pursuant to the Plan’s provisions. Although, the District Court ruled in MetLife’s favor, the Court of Appeals overruled the decision.

***Holding***

The Court of Appeals held that when a plan administrator fails to include the limitation period for beginning a claim in court in a benefits denial letter, it violates ERISA regulations, as *Labor Reg. 2560.503-1(g)(1)(iv)* requires that a plan administrator must provide “written or electronic notification of any adverse benefit determination” that includes 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”. Accordingly, as MetLife failed to include the time limit for filing suit in its final denial letter, the limitations period included in the Plan was inapplicable.

In consequence of the above, the Court of Appeals recalled that in absence of a contractual limitation period within the employee benefit plan itself, the forum’s state most closely analogous statute of limitation applies to ERISA Claims (see also *Santaliz-Rios v. Metro. Life Ins. Co.*, 693 F.3d 57, 59 (1st Cir.2012)). Therefore, as ERISA claims to recover benefits arise from a contract between an employer and its employees, Puerto Rico courts have applied the fifteen (15) year statute of limitations for contract claims.

***Implications to Retirement Plans***

Puerto Rico administrators of ERISA plans must include in the issued benefits denial letters the time limit applicable for filing a lawsuit upon a denial of benefits. Failure to do so may trigger the jurisdiction’s applicable statute of limitations (15 years in PR) despite any stated contractual term.

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