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Health System Liable for Employee-Physician's Life Insurance Benefits Due to Failure to Properly Advise

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In *Erwood v. Life Ins. Co. of N. Am.*, a federal court in Pennsylvania recently found a health system liable for the outstanding life insurance benefits of the widow of one of its physician-employees, following the denial of her claim for such benefits by the life insurance provider. Specifically, the Court found that the health-system's failure to advise the employee of his need to convert his employer-sponsored life insurance to an individual plan, in light of his pending death, mandated the payment of the lost life insurance benefits from the health-system itself.

Dr. Erwood worked as a neurosurgeon at WellStar Health System, Inc. He had a total of \$1,000,000 in life insurance under WellStar's Group Life Insurance Program. In late-2011, he was diagnosed with a malignant brain tumor.

From his diagnosis through his passing in mid-2013, Dr. Erwood and his wife continuously discussed all his benefits with WellStar's human resource department, who ensured them that their benefits would "remain the same" throughout the doctor's death. Despite WellStar's reassurances, Ms. Erwood's claim for life insurance benefits was denied upon her husband's death because his life insurance was no longer in force as he neither was an active employee at WellStar nor had he elected to continue (or convert) his policy on an individual basis.

Ms. Erwood sued WellStar under ERISA for the damages she sustained because of the false and misleading information WellStar provided her regarding her husband's life insurance policies. The Court found WellStar liable to Ms. Erwood for the life insurance proceeds, concluding:

1. WellStar acted in a fiduciary capacity to the Erwoods as the plan administrator;
2. WellStar failed to adequately inform the Erwoods about their need to convert the life insurance policies following Dr. Erwood's FMLA leave;
3. WellStar's failure to notify or inform Dr. Erwood of his right (and need) to convert his policies was material;
4. The Erwoods detrimentally relied upon WellStar's inadequate disclosures.

This decision illustrates the need of employers to thoroughly advise their employees on their rights pertaining to employee-sponsored life insurance policies. Employers should be aware of their fiduciary obligations to their employees that arise out of any employee-sponsored life insurance plans, especially if the employer elects to act as a plan administrator.

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