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TOPIC: *ERISA Administrative Discretion and Fiduciary Liability*

CITATION: [*Evans v. Prudential Insurance Company of America & Huntington Ingalls Industries, Inc.*](#) Civil No. 1:14cv169-HSO-RHW, 2016 WL 796128 (U.S.D.C. SD MS Feb. 26, 2016).

SUMMARY: A Mississippi federal court granted summary judgment in favor of the insurance company and plan administrator of an employer sponsored group life insurance plan when the insurer paid death benefits in accordance with what later turned out to be disputed beneficiary information provided to it by the employer. The court denied summary judgment in favor of the employer, finding that there were issues of material fact regarding the employer’s practice and procedure for maintenance of beneficiary information, and communication of that information to the insurance carrier.

RELEVANCE: While the standard under the Employee Retirement Income Security Act of 1974 (ERISA) for challenging the decisions of a plan administrator is generally limited to a determination of whether the plan administrator acted arbitrarily or capriciously, a breach of fiduciary claims suit may be heard where the court finds there to be genuine issues of material fact regarding whether the employer fulfilled its fiduciary obligations under the plan. This is such a case.

FACTS: Larry McNair was a participant in a group life insurance plan as an employee of a division of Northrop Grumman Corporation. The division was later acquired by Defendant, Huntington Ingalls Industries. In 1990, McNair completed a paper beneficiary designation form designating his son, plaintiff Rynell Evans, as his beneficiary.

McNair retired in 2004. In 2010, Northrop decided that it would “no longer honor paper beneficiary designation forms.” This change was announced to retirees in an insert to the 2011 Retiree Enrollment Benefits Guide which was mailed to McNair stating:

If you previously designated a beneficiary on paper, that designation will not be honored starting January 1, 2011. If you are married and you do not name a specific beneficiary(ies) online through My Benefits Access or by calling the Northrop Grumman Benefits Center (NGBC), your life insurance benefit automatically will be paid to your surviving spouse.

McNair did not name a beneficiary online nor call the telephone number provided. In 2012, after Northrop was acquired by Ingalls, he was again notified by mail that prior paper beneficiary designations were not effective and, again, McNair took no action to name a beneficiary under the new required procedure.

McNair died July 10, 2013. Ingalls, which was responsible for providing the insurer and plan administrator Prudential Insurance Company of America with beneficiary information, informed Prudential that there was no valid beneficiary designation on record. Ingalls did not provide a copy of McNair’s original paper beneficiary designation to Prudential. Acting on the information provided by Ingalls, Prudential followed the plan’s default payout procedures and paid the death benefit to McNair’s surviving spouse on August 15, 2013.

In a letter dated November 8, 2013, plaintiffs’ counsel contacted Prudential to assert that McNair’s son, the plaintiff in this case, was the proper beneficiary under the plan. Prudential responded that benefits had already been distributed according to the terms of the plan. Plaintiff alleged that he had previously contacted Ingalls on July 22, 2013, and at Ingalls’ direction, had faxed Ingalls a copy of the 1990 paper beneficiary designation. Ingalls, however, never notified Prudential of that designation.

The court granted summary judgment in favor of Prudential, concluding that the plaintiff has the burden of proof to show that Prudential abused its discretion as the plan administrator. As to Prudential, there was no genuine issue of material fact because Prudential had properly delegated to Ingalls the responsibility to maintain beneficiary designations and had appropriately relied on the information provided to it by Ingalls. There was no evidence that Prudential had been informed of the 1990 paper designation.

With regard to the claims against Ingalls, however, the court *denied* summary judgment, concluding that there were issues of material fact regarding a possible breach of fiduciary duty. The evidence raised questions regarding whether Ingalls had acted as a reasonable fiduciary in changing the acceptable form of beneficiary designation and informing McNair of his obligation to make a new beneficiary designation, as well as failing to notify Prudential of the 1990 paper beneficiary designation and the plaintiff's claim. The court held that the plaintiff has standing under ERISA to make a claim for breach of fiduciary duty and denied Ingalls's motion for summary judgment.

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