



## Group Life Insurance Claims by a Teacher's Beneficiary Are Subject to ERISA Preemption: *Woods v. American United Life Insurance Company*

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On ERISA preemption grounds, a federal court has ruled against state law claims asserted by the beneficiary of a former school teacher who sought benefits from a group life insurance policy. *Woods v. American United Life Insurance Company*, No. 1:15-cv-859 (N.D. Ala. November 13, 2015), illustrates how a governmental employee's life insurance benefits may fall within the scope of ERISA when sponsored by a non-governmental "employee organization" and be subject to the full weight of ERISA.

Background. The plaintiff-beneficiary (Laresea) was the daughter of Corine Woods (Corine), who was a teacher for the Talladega County School System in Alabama. Through the county, Corine enrolled in 2003 in a group term life insurance policy written by the defendant, American United Life Insurance Company ("AUL"), and issued to Educator Benefits Corporation, a wholly-owned subsidiary of the Alabama Education Association ("AEA"). AEA was an "employee organization" within the meaning of ERISA section 3(4), and, in essence, a teacher's union, not part of the state or local government in Alabama. Corine originally obtained \$50,000 in coverage, and later increased this to \$60,000. She named Laresea as her beneficiary under the policy.

Corine retired from her teacher's employment in June 2012, and then submitted an application to continue her existing AUL coverage. The application also gave her the choice to convert the coverage to an individual insurance policy, but she chose to continue the coverage as it existed, paying the premiums directly to AUL. She died in July 2012.

Laresea submitted a claim for the policy benefits, but was denied. Initially AUL asserted that Corine had not applied to continue her coverage, but later admitted that the benefits should have been paid, though only for \$50,000, instead of the increased level of \$60,000. Laresea then filed suit in federal court, based on "diversity of citizenship" jurisdiction, and asserted claims against AUL under Alabama state law for breach of contract, fraud, suppression or concealment, bad faith, deceit and negligent hiring/training. She demanded punitive or extra-contractual damages in addition to the policy benefits,

and asked for a jury trial.

AUL filed a motion to dismiss the state law claims on the ground that ERISA preempted them, to dismiss the claims for punitive or extra-contractual damages on the ground that ERISA did not allow them, and to strike the demand for jury trial as unavailable under ERISA.

The Court's Ruling. The court agreed that Laresea's claims were subject to dismissal.

Although ERISA does not cover plans sponsored by governmental employers (see ERISA section 4(b)(1)), it does apply to plans sponsored by "employee organizations" such as AEA (see ERISA section 4(a)(2)), and the group insurance policy sponsored by AEA was such a plan. Laresea did not dispute this. She did contend, however, that ERISA did not apply to her mother's coverage once Corine had retired and was no longer employed. The court rejected her argument, for the facts showed that Corine had not converted the AUL coverage to an individual life insurance policy but instead had chosen to continue her existing coverage under the AEA-sponsored group policy. ERISA therefore still applied at the time she died.

Because ERISA applied to the claim for the benefits, all of Laresea's state law claims were preempted. All of her claims "related to" an ERISA-regulated plan within the meaning of ERISA's preemption provision, section 514(a), since all of them related to the availability and amount of benefits payable to Laresea under the AEA plan and required reference to its terms. The deceit or concealment allegedly practiced by AUL also related directly to the AEA plan and to whether Corine had chosen continuation coverage under its terms. All of Laresea's state law claims were therefore preempted and subject to dismissal.

The court readily concluded likewise that punitive and extra-contractual damages are not available under ERISA, nor is trial by jury available in a case seeking ERISA benefits. Laresea's claims for those damages and for a jury trial were thus also subject to dismissal.

As in many other ERISA cases with facts supporting preemption of claims for plan benefits, the court did not throw Laresea out of court but allowed her two weeks to reframe her claim under ERISA. It remains to be seen how that claim will be resolved.

The Significant Lessons. The *Woods* case has two practical lessons. First, a plan participant's status as a governmental employee is not decisive as to whether that person is covered by an ERISA-regulated plan. Members enrolled in plans sponsored by non-governmental employee organizations, like Corine Woods, have protection under the statute, but, conversely, ERISA's civil remedies and preemption provisions embrace their claims for benefits under those plans. Second, the facts of any post-employment claim under an ERISA plan must be studied closely, for, as here, a participant's choice to continue existing group life insurance plan coverage and not convert it to individual coverage means that ERISA can continue to control a subsequent benefit dispute.

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