Fiduciary Not Liable For Money Damages in Action to Recover Death Benefits: Stocks v. Life Insurance Company of North America

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A federal district court recently applied the U. S. Supreme Court's decision in *CIGNA Corp. v. Amara* (2011), in a practical setting that illuminates both the range and the limits of the Supreme Court's decision. In *Stocks v. Life Insurance Company of North America*, No. 11-C-00581 (E. D. Wis. March 8, 2012), the court dismissed a plan beneficiary's attempt to recover money damages from a plan administrator whose alleged breach of fiduciary duty resulted in a failure to pay death benefits under a group life and accidental death and disability plan.

Stocks's husband was employed by Grede II, LLC ("Grede"). Grede sponsored a group life and accidental death and disability plan ("the Plan") for its employees, and Stocks's husband was enrolled in the Plan. Grede was also the plan administrator. The Plan had a conversion privilege permitting participants to convert their group life coverage under the Plan to an individual life insurance policy issued by Life Insurance Company of North America ("LINA") upon termination of the participant's coverage under the Plan. At some point the husband's life insurance coverage under the Plan terminated. Although the husband obtained a $50,000 policy from LINA, Stocks's claim was denied when, following her husband's death, she submitted a claim to LINA for the death benefit payable under the policy.

Stocks then filed suit in Wisconsin state court against both LINA and Grede. Her causes of action against LINA alleged breach of contract, bad faith denial of the insurance claim, and a claim for punitive damages, all arising under state law. Her fourth cause of action was asserted as an alternative claim against Grede, alleging that Grede, as a plan fiduciary, failed to properly inform her husband of his conversion privilege. She claimed that, if LINA were held not to be liable to pay the death benefit under the policy, then she had been damaged "by Grede's breach of fiduciary duty as Plan Administrator of the Plan in an amount not less then the death benefit."

Stocks's case was removed to federal court. Grede then filed a motion to dismiss her fourth cause of action, which triggered certain procedural issues that do not require attention here. Resolving those issues, the district court then took up the question of whether Stocks had alleged a claim against Grede that permitted her to recover the asserted monetary relief.

Stocks relied on the Supreme Court's decision last year in *CIGNA Corp. v. Amara*, in particular the Supreme Court's holding that ERISA Section 502(a)(3) permits a plan participant or beneficiary to recover a money "surcharge" as a type of the "appropriate equitable relief" allowed under that statutory section. Stocks asserted that this holding granted her the right to recover monetary relief from Grede for the alleged fiduciary breach.

The district court disagreed. It noted first that the *CIGNA* case involved a very different factual situation, in which a group of employees alleged that CIGNA had changed its retirement benefits plan without adequately disclosing the changes to the participant employees, that CIGNA intentionally misled the participants about the changes, and that ERISA's Section 502(a)(3) empowered the court to reform the plan to match CIGNA's representations and then enforce the reformed plan by awarding the employees monetary relief in the form of an equitable "surcharge". As the *Stocks* court noted, Stocks's case did not involve any plan reformation; to the contrary, she sought to enforce the Plan as written in order to receive the death benefit due under LINA's policy.

The district court held further that *CIGNA* did not allow the type of relief Stocks sought. *CIGNA* was careful to characterize the monetary surcharge as a remedy within the scope of traditional equitable relief, namely, a form of monetary compensation for a loss resulting from a trustee's breach of duty or to prevent the trustee's unjust enrichment. The monetary remedy in *CIGNA* was thus only an equitable one, not a remedy at law for money damages. The district court concluded that Stocks was saying, in essence, that "if LINA is not obligated to pay ordinary monetary contract damages to Stocks, then Grede is on the hook to pay those damages. This is not the type of equitable monetary compensation envisioned by the Supreme Court in *CIGNA*."

The district court, relying on controlling precedent in its own circuit, also rejected Stocks's attempt to assert a right to be "made whole" for Grede's alleged fiduciary breach. Pursuant to the Seventh Circuit's decision in *Kenseth v. Dean Health Plan, Inc*. 610 F.3d 452 (7^{th} Cir. 2010), the district court held that no such "make whole" relief was authorized.

On the basis of these holdings, the district court granted Grede's motion to dismiss, leaving the case to proceed on the claims asserted against LINA.

The Supreme Court's decision in *CIGNA Corp. v. Amara* will continue to inspire many plan participants and beneficiaries to push the boundaries of that decision's holdings, in an effort to create a broader precedent for the recovery of monetary relief for individual plaintiffs. *Stocks* provides a clear example of where at least part of the boundary of such claims can be set.

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