IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SANDRIA ALGAYER	:	CIVIL ACTION
	:	
v.	:	
	:	
METROPOLITAN LIFE INSURANCE COMPANY	:	NO. 04-324

MEMORANDUM

Dalzell, J. July 12, 2004

In this action, plaintiff Sandria Algayer seeks the resumption of long-term disability benefits she received for twelve years pursuant to an insurance policy that defendant Metropolitan Life Insurance Company ("MetLife") issued to her former employer, Wang Laboratories, Inc. Algayer's complaint seeks a declaratory judgment under the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., and it also asserts state law claims for breach of contract and violation of Pennsylvania's bad faith insurer statute, 42 Pa. C.S. § 8371.

In the motion for judgment on the pleadings[1] now before us, MetLife argues that ERISA preempts Algayer's state law claims

1. Federal Rule of Civil Procedure 12(c) permits a party to move for judgment "after the pleadings are closed but within such time as not to delay the trial." The movant must demonstrate that there are no issues of material fact and that judgment should be entered in its favor as a matter of law. Jablonski v. Pan Amer. World Airways, Inc., 863 F.2d 289, 290 (3d Cir.1988). In resolving the motion, the court views the pleadings in the light most favorable to, and draws all inferences in favor of, the nonmoving party. Soc'y Hill Civic Ass'n v. Harris, 632 F.2d 1045, 1054 (3d Cir.1980).

and that, in any event, a clause in the policy requiring the insured to initiate lawsuits within a three-year period of limitation bars this action in its entirety. For the reasons provided below, we conclude that the limitation clause applies here, and we therefore grant MetLife's motion without reaching the preemption issue.

Factual Background

According to the complaint, Algayer began working for Wang on April 6, 1986 and became a participant in its ERISA-governed Group Insurance Plan ("Plan"). MetLife administered the Plan from the outset, and after Wang ceased operations in the early 1990s, the insurer also funded it. On February 3, 1987, Algayer left Wang for health reasons. Her physicians diagnosed her with depression neurosis and Epstein Barr Syndrome, and she applied for and received long-term disability benefits under the Plan in 1988.

Pursuant to the Plan, MetLife periodically requested proof of the nature and severity of her disability. Algayer met MetLife's requirements for twelve years. However, on January 18, 2000, MetLife terminated Algayer's benefits for failure to provide satisfactory proof of disability, advised her of her right to appeal the decision, and invited her to submit additional evidence of her disability. Algayer exercised her right of appeal, and on September 1, 2000 MetLife upheld its initial decision in a letter to Algayer's counsel, which also

stated that the denial of the appeal constituted the insurer's final disposition of her claim. Algayer submitted additional proof of disability on April 17, 2002, but MetLife did not respond. She filed the action now before us on January 23, 2004.

Discussion

Under the Plan, a participant receiving long term benefits must provide proof of continuing disability, and MetLife reserves "the right to ask for this proof when and as often as we reasonably choose." The Plan further provides that "[n]o lawsuit may be started to obtain benefits until 60 days after proof is given" and that "[n]o law suit may be started more than 3 years after the time proof must be given." Plan at 16 (Compl. Ex. A). On the basis of the latter provision, MetLife argues that Algayer's complaint is untimely because her contractual period of limitation expired on January 18, 2003, three years after it advised her of her right to appeal the denial of her claim and gave her the opportunity to submit additional proof of disability.

Algayer offers three arguments against this reading of the Plan, each of which we examine in turn.

First, she contends that the time limitation clause only applies when a participant is seeking benefits for the first time. However, it is difficult to square this construction with the Plan's provision that the participant is under a continuing obligation to provide satisfactory proof of disability. Given

this duty, the most straightforward reading of the time limitation clause is that it gives MetLife a sixty-day period in which to review such proof and grants the insured three years to file a lawsuit, regardless of whether it challenges an initial claim denial or a decision to terminate benefits.

Algayer next argues that, if the time limitation clause applies here, the period of limitation commenced on April 17, 2002, when she last submitted proof of her disability. The difficulty with this argument is that, according to the Plan, the participant must commence any lawsuit within three years of the time proof "must be given." Plan at 16 (emphasis added). This phrase means that the period of limitation begins when MetLife demands proof of disability, and it does not contemplate that the participant can unilaterally start the period of limitation by submitting proof long after MetLife has made a final determination to discontinue benefits and given the insured appropriate notice of its decision.

Finally, Algayer argues that, even if the three-year clause applies here, we should view the Plan as an installment contract and treat each missed payment as an independent breach of duty subject to its own limitation period. On this theory, Algayer could sue for future benefits as well as benefits for the three-year period before she initiated this suit on January 23, 2004. We acknowledge that this approach to disability insurance plans enjoys some support and grows out of the longstanding rule that "the application of a separate limitations period to each

payment in a series [is] 'the standard rule for installment obligations.'" Pierce v. Metropolitan Life Ins. Co., 307 F.Supp.2d 325, 330 (D.N.H. 2004), quoting Bay Area Laundry & Dry Cleaning Pension Trust Fund v. Ferbar Corp. of Calif., 522 U.S. 192, 208 (1997). Indeed, as Algayer points out, an older decision of our Court of Appeals applied the rule in an action under Pennsylvania law alleging the breach of a life insurance policy with disability benefits. See Aetna Life Ins. Co. v. Moyer, 113 F.2d 974, 981 (3d Cir. 1940). More recently, however, the Court has held that the general rule governing installment contracts does not apply when an employer or insurer has completely repudiated an obligation to make periodic payments to an employee or plan participant, and the period of limitation instead begins at the time of repudiation.[2] See Henglein v. Colt Industries Operating Corp., 260 F.3d 201, 214 (3d Cir. 2001); Lang v. Continental Assurance Co., 54 Fed. Appx. 72, 74-75 (3d. Cir. 2002), citing Dinerstein v. Paul Revere Life Ins. Co., 173 F.3d 826, 29 (11th Cir. 1999) (holding under Florida law that period of limitation for claim that insurer wrongfully reduced disability benefits commenced when insurer began making lower payments, because "the issue is not whether the total amount due under a particular installment was fully paid, but rather whether it was owed in the first place").

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2. Although these cases concern statutory periods of limitation, the same logic would govern a contractually-defined period of limitation.

Algayer suggests that this action is distinguishable from Henglein and similar cases because she is challenging the discontinuance of benefits rather than the initial denial of a claim. This is a distinction without a difference. In both situations, the period of limitation serves the interest of finality and avoids the evidentiary problems that would inevitably emerge if a claimant could delay litigation for years or decades. Here, for example, Algayer stopped work in 1987, and the Plan entitles her to benefits until she is sixty-five. See Plan at 6. If we were to treat the Plan as an installment contract, she could wait until the month before her sixty-eighth birthday, sue for the benefits she purportedly should have received in the month before her sixty-fifth birthday, and force MetLife to litigate the question of whether any disabilities she happens to experience at retirement age are related to the conditions that caused her to stop working a quarter century earlier. To put MetLife in such a position would entirely subvert the purpose of the limitation period and would therefore reflect an unreasonable interpretation of the clause at issue here. Accord Gluck v. Unisys Corp., 960 F.2d 1168, 1181 (3d Cir. 1992) (noting, in analogous context, that "[a] claim for an ERISA violation affecting the retirement benefit of a twenty-year old employee might accrue 45 years later, when the benefit would be 'due and payable.' Although the doctrine of laches might preclude the action, we are unwilling to open the door to a 48-year limitations period.").

Conclusion

We therefore conclude that the Plan's three-year clause is applicable here and bars Algayer's claims. MetLife triggered the period of limitation on January 18, 2000 when it gave Algayer a final opportunity to submit proof of her disability, and the insurer unequivocally notified her on September 1, 2000 that it had decided to deny her claim for the resumption of benefits. At the latest, then, Algayer knew in September of 2000 that her only remaining option was to file suit within the limitation period set forth in the Plan. Algayer's unilateral decision in 2002 to submit additional proof did not reset the clock because, at that point, MetLife reasonably regarded her case as closed. By the time she filed suit in January of 2004, the limitation period had expired.

An appropriate Order and Judgment follow.

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SANDRIA ALGAYER	:	CIVIL ACTION
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v.	:	
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METROPOLITAN LIFE INSURANCE CO.	:	NO. 04-324

ORDER

AND NOW, this 12th day of July, 2004, upon consideration of defendant's motion for judgment on the pleadings, and in accordance with the accompanying Memorandum, it is hereby ORDERED that:

1. The motion is GRANTED; and

2. This action is DISMISSED.

BY THE COURT:

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Stewart Dalzell, J.

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JUDGMENT

AND NOW, this 12th day of July, 2004, in accordance with the accompanying Memorandum and Order it is hereby ORDERED that:

1. Judgment is ENTERED in favor of defendant Metropolitan Life Insurance Company and against plaintiff Sandria Algayer; and

2. The Clerk of Court shall CLOSE this action statistically.

BY THE COURT:

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Stewart Dalzell, J.