

Changing benefits plans? Make transition accurate, timely

Employees have been known to accept jobs based on the benefits alone, or stay put just to avoid losing valuable benefits such as health and life insurance. Of course, these benefits are increasingly expensive to provide, and sometimes employers have to make changes to remain competitive.

Be aware, though, that you need to implement any benefits changes with great attention to detail. Make certain the summary plan description is accurate, and that the underlying insurance documents are also correct.

Recent case: Verdie Blackshear began working at Duplin General Hospital in Kenansville as a nurse. At the time, Blackshear got a copy of the hospital's benefits summary, which said a life insurance policy immediately covered new hourly employees.

Blackshear died a little less than six months later, and her heirs filed a claim for the life insurance. It was then that HR said the summary was mistaken, as was the actual policy it had received from the insurance carrier. The hospital and the carrier claimed all employees had a six-month waiting period. A few weeks later, the insurance carrier amended the policy description to clarify the waiting period and denied coverage based on the mistake.

Blackshear's estate sued, claiming it was not legal to correct such an "error" after a death. The court agreed. An insurance carrier can't avoid paying a claim by correcting a clerical error after an employee's death. The court said that wouldn't be fair. (*Blackshear v. Reliance Standard Life Insurance*, No. 06-2126, 4th Cir., 2007)