“Much Ado About Group Benefits:” Interpreting Benefit Plan Terms Continues To Create Issues For Employers



Soave vs. Stahle Construction Inc. (2023 ONCA 265) highlights that benefit plan interpretation continues to be an issue that impacts employers.

Facts and Trial Court Decision

The Plaintiff was required to participate in the employer’s group benefits plan, including a fully insured long-term disability (LTD) benefits plan. Upon completing a construction site supervising job, the employer asked the Plaintiff to supervise at another site. However, the Plaintiff notified the employer that he required surgery for a hernia. The Plaintiff stopped working in January 2014, and the employer issued Record of Employment indicating that the Plaintiff was on a temporary leave due to illness.

In March 2014 the Plaintiff suffered serious injuries in a motor vehicle accident (MVA). When the Plaintiff tried to access his drug benefits through the employer’s insurance plan, the insurer contacted the employer regarding the Plaintiff’s employment status. The employer stated that the

Plaintiff was no longer employed. The Plaintiff's drug claim was denied. The Plaintiff then applied for LTD benefits and the insurer denied his claim because he was not actively working on the date of his MVA.

The Plaintiff brought an action against the employer claiming that he was still employed at the time of his MVA, and that the employer improperly terminated his group benefits. At trial, the judge found in favour of the Plaintiff. The trial judge ordered the employer to pay the Plaintiff approximately $245,995 in general damages and $2,935 in special damages. It is unclear why the insurer was not included in the proceedings or a party to the proceedings, and whether it would have impacted the outcome (including the employer's liability at the trial court level).

The employer appealed the decision on three grounds.

The Appeal

Ground #1: Refusal to admit insurance contract

The trial judge refused to admit the insurance contract into evidence and instead relied on a benefits booklet prepared by a third-party administrator. The trial judge reasoned that the booklet was the basis of the Plaintiff's claim and the employer's response to that claim. Moreover, the employer did not introduce the contract as evidence until the Plaintiff's cross-examination. The employer had not previously referred to the contract or given notice that it intended to rely on the contract. The Court of Appeal upheld the trial judge's decision, and even suggested that the booklet could be considered a contract, but did not conclude as much.

Takeaways:

- **An employer should review the insurance contract as the basis for analyzing the plan terms.**
- **Supporting plan documents could have legal significance**

and should be reviewed for accuracy relative to the primary plan terms.

Ground #2: No weight on the insurer's letter denying LTD

The trial judge gave no weight to a letter from the insurer saying the Plaintiff's LTD claim was denied due to him not being actively at work at the date of the MVA. The trial judge reasoned that there was no context for the letter. The employer did not introduce any other documentation to support the decision in the letter, such as the Plaintiff's application for LTD, and the insurer was not called as a witness at trial. The Court of Appeal upheld the trial decision.

Takeaway:

- **An employer may not be able to "hide behind" the decision of an insurer without further support.**

Ground #3: Error in finding Plaintiff was eligible for LTD

The trial judge determined that the Plaintiff was on a temporary medical leave in January 2014, and then accepted that the Plaintiff was entitled to LTD due to the MVA which occurred several weeks later.
The Court of Appeal determined that the trial judge erred in interpreting the benefits booklet, which required that an employee be "actively at work". Specifically, the trial judge did not consider whether the Plaintiff's original absence from work was the result of a leave of absence or the result of a disability. The trial judge also did not consider whether the Plaintiff met the eligibility criteria for LTD coverage, which required consideration of whether the Plaintiff was "disabled" within the meaning of that term in the benefits booklet on the date he stopped working or became disabled during a leave for which the employer was required by "legislation, regulation, or case law" to provide benefits. The Court of Appeal sent the case back down to the trial judge for reconsideration.

Takeaways:

- **Even relatively standard provisions in plan documents continue to create interpretation challenges.**
- **The outcome of a challenge could vary by jurisdiction, since, for example, statutory protections for various leaves of absence vary by jurisdiction.**

Conclusion:

This case illustrates the importance of carefully considering the benefit plan terms in the context of each situation, even for plans insured by an insurer. For more information or to discuss a particular matter please contact your regular Fasken lawer.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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