# Supreme Court Weighs Insurer's Conflict of Interest in Claim Denial

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The Supreme Court struggled last week with how much weight to give an insurance company's potential conflict of interest when it denies an employee's health or disability benefits claim.

The lawyer representing the Ohio woman who sued MetLife Inc. over a disability claim argued that insurance companies have a financial incentive to deny claims. That conflict of interest should weigh heavily in employees' favor when they challenge benefit claims in court, Joshua Rosenkranz said in court papers.

The dispute is being closely watched by insurance companies and business groups. Depending on how the justices rule, the dispute could make it easier for employees to win benefit payments in court.

Disability benefits are a big business. Disability insurance plans cover 28 million Americans, and insurers paid more than $7.2 billion in long-term disability claims to more than 500,000 people in 2006, according to court papers filed by the U.S. Chamber of Commerce, America's Health Insurance Plans and the American Benefits Council.

But many health and disability claims are denied, which can lead to lawsuits. The justices' questions during oral argument echoed the confusion that plagues the issue in lower courts.

Most federal appeals courts consider so-called "dual role insurers" — those that both pay benefits and decide eligible to receive them — to have some conflict of interest. But, the question of how much weight to give that conflict has "befuddled the lower courts," the Legal Aid Society said in a friend of the court brief.

Justice Ruth Bader Ginsburg suggested the question should be, "Has the trustee in fact slipped and taken unfair advantage because of the conflicting interest?"

The case began when Wanda Glenn, 55, of Columbus, sued New York-based insurance provider MetLife Inc. in 2003 after it stopped paying her disability benefits.

"I am not asking for a handout," she said in an interview. "I'd rather be working."

MetLife administered a disability plan for Sears, where Glenn worked for 14 years. Sears, owned by Sears Holdings Corp., is not involved in the case.

MetLife paid benefits for two years but in 2002 said her condition had improved and refused to continue the benefit payments. MetLife saved $180,000 by denying Glenn disability benefits until retirement, her lawyers said in court filings.

Dual arrangements like MetLife's are allowed under ERISA, the Employee Retirement Income Security Act. Approximately 45 percent of all employer health, disability and life insurance plans are administered by such arrangements, Rosenkranz said.

The 6th U.S. Circuit Court of Appeals ordered Glenn's benefits reinstated in September 2006, ruling that MetLife "acted under a conflict of interest" and made a decision that "was not the product of a principled and deliberative reasoning process."

MetLife appealed that ruling to the Supreme Court, arguing that the standard used by the 6th Circuit would "encourage participants with dubious claims to file suit," which in turn would raise the costs of benefit plans to both companies and employers.

It is also more efficient to have a single company perform both functions, MetLife said in court papers, and the resulting cost savings to employers allows them to offer better benefit plans.

Unless there is actual evidence that a company's conflict of interest influenced its decision, MetLife said, the conflict shouldn't carry much weight in the courts.

The Bush administration weighed in on Glenn's side. Solicitor General Paul Clement wrote that MetLife "benefits financially if it denies an employee's claim," which is a "commonsense understanding of what constitutes a conflict of interest."

But Nicole Saharsky, assistant to the Solicitor General, acknowledged there is no formula for a judge to apply.

Meanwhile, Glenn said that MetLife hasn't resumed paying benefits, pending the outcome of the Supreme Court case. She primarily lives off Social Security disability benefits, which MetLife helped her obtain only a month before removing her from its own rolls.

Ginsburg said the Social Security claim could be evidence that the insurer had acted in its own interest, rather than the employee's.

The case is MetLife v. Glenn, 06-923. The court is expected to rule by July.

AP Writer Mark Sherman contributed to this report.