

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

SUSAN SCHOFIELD,)	
)	
Plaintiff,)	2:06-cv-00117-GEB-GGH
)	
v.)	<u>ORDER</u>
)	
METROPOLITAN LIFE INSURANCE)	
COMPANY, et al.,)	
)	
Defendants.)	
_____)	

The hearing on the Ninth Circuit’s remand order, in which the Ninth Circuit reversed entry of summary judgment in favor of Defendants in this Employee Retirement Income Securities Act (“ERISA”) action, was held February 9, 2009. The Ninth Circuit held Plaintiff Schofield prevails on her claim for long term disability (“LTD”) benefits under the applicable ERISA plan (“the Plan”), since “the terms of the plan [required] [Defendant Metropolitan Life Insurance Co. (“MetLife”)] . . . to determine whether Schofield was able to earn more than 80% of her predisability earnings at her ‘Own Occupation.’”

Schofield’s “occupation was acknowledged . . . to be a Certified Registered Nurse Anesthetist (CRNA).” Since “[a]n independent physician hired by MetLife reviewed [Schofield’s] records

1 and concluded . . . she could not perform her job as a CRNA," MetLife
2 was required "to follow the Plan definition of 'Own Occupation'" when
3 determining whether Schofield was entitled to LTD benefits. However,
4 "MetLife failed to follow the Plan definition of 'Own Occupation' when
5 it found the medical records supported the conclusion that Schofield
6 could perform 'more-sedentary nursing duties that fall within the
7 category of her Own Occupation.'"

8 The terms of the LTD Plan explain "Disabled": "'Disabled' or
9 'Disability' means that, due to sickness, pregnancy or accidental
10 injury, you are receiving Appropriate Care and Treatment from a Doctor
11 on a continuing basis; and, (1) during your Elimination Period and the
12 next 24 month period, you are unable to earn more than 80% of your
13 Predisability Earnings or Indexed Predisability Earnings at your Own
14 Occupation for any employer in your Local Economy; or (2) after the 24
15 month period, you are unable to earn more than 80% of your Indexed
16 Predisability Earnings from any employer in your Local Economy at any
17 gainful occupation for which you are reasonably qualified taking into
18 account your training, education, experience and Predisability
19 Earnings." The Ninth Circuit held "MetLife incorrectly applied the
20 80% earnings test," stating, "[t]he Plan's definition of 'disability'
21 required MetLife to determine whether Schofield was able to earn more
22 than 80% of her predisability earnings, and MetLife did not follow
23 this definition."

24 Therefore, the Ninth Circuit concluded MetLife abused its
25 discretion in denying Schofield's claim and remanded this case for
26 determination of "the amount of retroactive benefits to be awarded"
27 and for consideration of "whether Schofield is entitled to attorney's
28 fees and prejudgment interest."

1 Schofield misconstrues the scope of the remand, arguing it
2 includes a directive on how her entitlement to benefits under the "any
3 gainful occupation" provision of the LTD Plan is to be determined.
4 This provision is applicable after the 24-month period of disability
5 covered by the "Own Occupation" provision. "[O]n remand a lower court
6 is bound to follow the appellate court's decision as to issues decided
7 explicitly or by necessary implication. However, the lower court is
8 so bound only as to issues addressed by the appellate court." U.S. v.
9 Garcia-Beltran, 443 F.3d 1126, 1129 (9th Cir. 2005). Since the remand
10 does not direct the district court on how Schofield's request for
11 benefits under the "any gainful occupation" provision of the LTD Plan
12 is to be determined, the district court has discretion concerning the
13 resolution of this issue. U.S. v. Cote, 51 F.3d 178, 181-82 (9th Cir.
14 1995) (stating "because the mandates did not contain an order
15 dismissing the cases or an order directing acquittal, a second trial
16 was not necessarily prohibited"). Since MetLife abused its discretion
17 when denying Schofield's claim under the "Own Occupation" provision,
18 and therefore did not reach the issue of Schofield's entitlement to
19 benefits under the "any gainful occupation" provision, this issue will
20 be remanded to MetLife "for a factual determination under a proper
21 construction of the terms of the plan." Saffle v. Sierra Pac. Power
22 Co. Bargaining Unit Long Term Disability Income Plan, 85 F.3d 455, 461
23 (9th Cir. 1996) ("We now make it explicit, that remand for
24 reevaluation of the merits of a claim is the correct course to follow
25 when an ERISA plan administrator, with discretion to apply a plan, has
26 misconstrued the Plan and applied a wrong standard to a benefits
27 determination.")

28

1 The parties also dispute whether the benefits Schofield
2 received through Social Security Disability Insurance ("SSDI") are to
3 be offset from the retroactive benefits owed to Schofield for the "Own
4 Occupation" disability period. The Plan provides that a claimant's
5 benefits under the Plan is "reduced by Other Income Benefits" and
6 defines "Other Income Benefits" as including benefits received under
7 "the Federal Social Security Act." (ADMIN 17.) Since MetLife has a
8 duty under 29 U.S.C. § 1104(a)(1)(D) to apply the Plan "in accordance
9 with the documents and instruments governing the plan," SSDI benefits
10 Schofield received during the "Own Occupation" disability period shall
11 be offset.

12 Further, the parties dispute the amount of SSDI benefits
13 Schofield received during the "Own Occupation" disability period.
14 Each party submits an expert's declaration on this issue. Schofield
15 objects to Defendants' expert's averment that Schofield's SSDI
16 benefits were "\$1655.00 per month," arguing Defendants' expert has not
17 shown how he arrived at this amount. (Suter Decl. ¶ 6.) Since
18 Defendants' expert does not provide the basis for his conclusion,
19 Schofield's objection is sustained.

20 Schofield's expert also assumes without explanation that
21 Schofield's monthly SSDI benefits payment was \$1,630 after the first
22 18 months of disability. (Busco Supp. Decl. ¶ 13.) However, letters
23 from the Social Security Administration to Schofield, submitted by
24 Schofield's expert, show the following: Schofield was retroactively
25 awarded a total of \$23,235 for the first 18 months of disability; then
26 awarded \$1,722 per month for the next 5 months; and thereafter awarded
27 \$1,663 per month. (Busco Decl. Exh. F.) The amounts shown in the
28

1 letters from the Social Security Administration will be used to
2 determine the offset amount.

3 The parties also dispute whether prejudgment interest should
4 be awarded, and if so, what interest rate should be applied. "A
5 district court may award prejudgment interest on an award of ERISA
6 benefits at its discretion." Blankenship v. Liberty Life Assurance
7 Co. of Boston, 486 F.3d 620, 627 (9th Cir. 2007). "Generally, the
8 interest rate prescribed for post-judgment interest under 28 U.S.C.
9 § 1961 is appropriate for fixing the rate of pre-judgment interest
10 unless the trial judge finds, on substantial evidence, that the
11 equities of that particular case require a different rate.
12 Substantial evidence is defined as such relevant evidence as a
13 reasonable mind might accept as adequate to support a conclusion."
14 Id. at 628 (citations and quotations omitted). Prejudgment interest
15 may be awarded to "compensate a plaintiff for the losses [she]
16 incurred as a result of [the defendant's] nonpayment of benefits."
17 Id. (citation and quotation omitted).

18 Schofield argued at the February 9 remand hearing that a
19 simple prejudgment interest rate of 10% should be awarded in light of
20 her declaration, in which she avers due to MetLife's denial of her
21 benefit claims, she became almost destitute for the next three to four
22 years: she was forced to sell her custom house, her health insurance
23 with her employer was discontinued, she had to use her credit cards
24 which charged a high interest rate of 14% or more, she could only
25 afford to rent rooms in friends' houses, and had to move approximately
26 seven times during this time period.

27 Defendants object to Schofield's declaration, arguing it is
28 inadmissible because MetLife has discretion to decide Schofield's

1 entitlement to benefits under the plan and the Court must confine its
2 review of MetLife's decision to evidence in the administrative record.
3 However, Defendants do not support their objection with applicable
4 authority. Therefore, the objection is overruled.

5 Schofield's declaration shows she is entitled to prejudgment
6 interest at a simple rate of 10% as part of her compensation for the
7 losses she suffered as a result of MetLife's denial of her disability
8 benefits.

9 Accordingly, the amount of retroactive benefits owed to
10 Schofield after offsetting Schofield's SSDI benefits, and awarding her
11 including prejudgment interest for the "Own Occupation" disability
12 period, is \$181,435.71. This is based on the following: the parties
13 agree Schofield's monthly benefits under the Plan before the offset is
14 \$6,581.6; this amount is offset by her monthly State Disability
15 Insurance benefits of \$2,123.33, from September 2001 to March 2002;
16 this amount is further offset by her SSDI benefits, which is shown by
17 the Social Security Administration's letters to be \$23,235 from
18 September 2001 to February 2002, and \$1,722 per month from March 2002
19 to July 2002, and thereafter \$1,663 per month; prejudgment interest is
20 calculated at a simple rate of 10%, calculated individually for each
21 payment, based on the time period between each payment due date and
22 the date on which this Order is entered.

23 The issue concerning Schofield's entitlement to benefits
24 under the "any gainful occupation" provision of the Plan is remanded
25 to MetLife for a benefit determination which shall be made within

26 //

27 //

28 //

1 ninety days from the day on which Metlife receives Schofield's written
2 response to MetLife's request for a completed evaluation form.

3 Dated: February 9, 2009

4
5 
6 _____
7 GARLAND E. BURRELL, JR.
8 United States District Judge
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28