

Sixth Circuit Concludes Lack of Proper Delegation Means Benefits Department Did Not Have Discretionary Authority to Decide Claims

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A recent Sixth Circuit decision emphasizes the importance of maintaining correct benefit plan delegations to avoid tussles over the correct standard of review for benefit claims. In this case, the Sixth Circuit concluded that no deference was owed to a claim decision made by a company's benefits department because the plan document neither named the benefits department as the entity with discretionary authority to decide claims nor permitted the benefits committee to delegate its discretionary authority to the benefits department. The case is *Laake v. Benefits Committee, Western & Southern Financial Group Co. Flexible Benefits Plan et al.*, 68 F.4th 984 (6th Cir. 2023).

The case involved a participant who asserted that she was improperly denied disability benefits. As part of her lawsuit, she contended that the denial should be reviewed using a *de novo* standard of review because her claim was decided by the company's benefits department, rather than the benefits committee (the only entity granted discretionary authority to decide claims under the plan). The Sixth Circuit agreed in its majority opinion, noting that while the plan document delegated sole authority to decide claims to the benefits committee, the company's benefits department had adjudicated the plaintiff's claim. That the plan permitted the benefits department to "assist" in plan administration was not the express delegation necessary to permit the committee to further delegate its authority to decide claims to the benefits department.

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The Sixth Circuit’s decision emphasizes the importance of ensuring that plan documents and benefit plan delegations are maintained consistent with how claims are decided “on the ground.” As titles, roles, and organizational structures evolve over time, plan sponsors must ensure that delegations are updated accordingly. Although maintaining proper delegations may seem like a small detail, it became important in the *Laake* case because the asserted lack of proper delegation meant the participant’s claim was reviewed under the *de novo* standard of review (which allows a court to conduct its own analysis of the claim determination with scrutiny), rather than the arbitrary and capricious standard (which allows the claim decision to be overturned only if it was clearly in error).

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