UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Silvera v. Mutual Life Ins. Co. of New York

884 F.2d 423 (9th Cir. 1989) · Decided August 29, 1989

SUMMARY

The Ninth Circuit held that the City of Oroville established or maintained an employee welfare benefit plan when it purchased a group health insurance policy for its employees. Because the City was a political subdivision of California, the plan qualified as a governmental plan exempt from ERISA. The court reversed the district court's dismissal and directed remand to state court unless another basis for federal jurisdiction existed.

CASE DETAILS

COURT	United States Court of Appeals for the Ninth Circuit
WRITING FOR THE COURT	O'Scannlain, Circuit Judge; Poole; Reinhardt; O'Scannlain
JURISDICTION	Federal
DECIDED	August 29, 1989
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appellants appealed from a final judgment dismissing their state-law claims after the district court certified the dismissal under Federal Rule of Civil Procedure 54(b).
STANDARD OF REVIEW	The court reviewed de novo whether the insurance plan was an ERISA plan and whether the district court properly dismissed the state-law claims.
PRECEDENTIAL VALUE	Published, precedential Ninth Circuit opinion.
PARTIES	Stephen E. Silvera, Evelyn Silvera v. Mutual Life Insurance Company of New York

TOPICS

erisa · insurance coverage · subject matter jurisdiction · federalism · civil procedure

PRACTICE AREAS

ERISA · insurance · federal jurisdiction · civil procedure

QUESTIONS PRESENTED

1. Whether the City's purchase of a group benefits insurance policy for its employees established or maintained an employee welfare benefit plan under ERISA.
2. Whether the plan qualified as a governmental plan exempt from ERISA coverage.
3. Whether the district court's dismissal of the state-law claims should be reversed and the action remanded to state court absent another basis for federal jurisdiction.

HOLDINGS

1. A municipal employer establishes or maintains an employee welfare benefit plan when it endorses and automatically provides a group insurance plan to its employees and pays the premiums directly to the insurer, even though the insurer designs, administers, and underwrites the plan.
2. A group insurance plan purchased by a political subdivision for its employees is a governmental plan within the meaning of ERISA and is exempt from ERISA coverage, notwithstanding that a private insurer designed, administered, and underwrote the plan.
3. The district court's dismissal was reversed, and the action was to be remanded to state court unless another basis for federal jurisdiction could be asserted.

KEY QUOTATIONS

> *"We conclude that it did in this case. Since a "governmental plan" is exempt from ERISA, we must reverse the district court."* (423)

> *"Thus, a straightforward application of 29 C.F.R. § 2510.3-l(j) to the facts of this case forces the conclusion that City did in fact "establish or maintain" an employee welfare benefit plan and, since City is a political subdivision of a state, that plan qualified as a governmental plan under 29 U.S.C. § 1002(32) and was therefore exempt from ERISA coverage pursuant to 29 U.S.C. § 1003(b)(1)."* (426)

> *"Here, a governmental entity purchased a plan on behalf of governmental employees, and by doing so simply delegated a task it otherwise would have undertaken had it chosen to set up a self-funded plan."* (427)

FACTUAL BACKGROUND

The City of Oroville, California, purchased a group benefits insurance policy from Mutual Life Insurance Company of New York for its employees. Stephen and Evelyn Silvera were beneficiaries under the policy and submitted claims arising from the birth and care of their daughter. MONY denied claims totaling approximately $11,500. The City endorsed and automatically provided the plan to its employees and paid the premiums directly to MONY.

PROCEDURAL HISTORY

Appellants filed state-law claims against MONY in California state court concerning the denial of benefits under a group insurance policy. MONY removed the action to federal district court on the ground that ERISA governed the plan and supplied federal-question jurisdiction, then moved to dismiss based on ERISA preemption. The district court dismissed the complaint, permitted amendment, and later certified the dismissal as a final judgment under Rule 54(b). The Ninth Circuit reversed and directed that the case be remanded to state court unless another basis for federal jurisdiction could be established.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Reverse the district court's judgment and remand the case to state court unless another basis for federal jurisdiction can be asserted.

CASES CITED

- Massachusetts v. Morash, 490 U.S. 107, 109 S. Ct. 1668, 104 L. Ed. 2d 98 (1989)
- Kanne v. Connecticut Gen. Life Ins. Co., 867 F.2d 489, 492-93 (9th Cir. 1989)
- Donovan v. Dillingham, 688 F.2d 1367, 1371 (11th Cir. 1982) (en banc)
- Pilot Life Ins. Co. v. Dedeaux, 481 U.S. 41, 45-46 (1987)
- Scott v. Gulf Oil Corp., 754 F.2d 1499, 1502 (9th Cir. 1985)
- Rose v. Long Island R.R. Pension Plan, 828 F.2d 910, 918-20 (2d Cir. 1987), cert. denied, 484 U.S. 1000 (1988)
- Feinstein v. Lewis, 477 F. Supp. 1256, 1262 (S.D.N.Y. 1979), aff'd, 622 F.2d 573 (2d Cir. 1980)
- Otto v. Variable Annuity Life Ins. Co., 814 F.2d 1127, 1135 (7th Cir. 1987), cert. denied, 484 U.S. 1000 (1988)
- Gordon v. Bay County Metro. Transit Auth., 860 F.2d 1079 (6th Cir. 1988) (table)
- Dyer v. Investors Life Ins. Co. of North America, 728 S.W.2d 478, 480 (Tex. App. 1987)
- Credit Managers Ass'n of So. California v. Kennesaw Life & Accident Ins. Co., 809 F.2d 617, 625 (9th Cir. 1987)