



Austell v. Raymond James & Assocs.

United States District Court for the District of South Carolina, Greenville Division

June 14, 1996, Decided ; June 14, 1996, Filed and Entered

CA No. 6:95-3983-20

Reporter

1996 U.S. Dist. LEXIS 21810 *

David Austell, Plaintiff, vs. Raymond James & Associates, Inc., Defendant.

Disposition: [*1] Defendant's motion for summary judgment is granted. Austell's motion to strike, or in the alternative, for summary judgment is denied.

Core Terms

continuation of coverage, disability insurance, medical care, summary judgment, disability, disease, disability benefits, group health plan, health insurance, mitigation, sponsors, employee welfare benefit plan, accidental death, defense motion, court finds, dismemberment, contends, earnings, expenses, purposes, requires, insure, terms

Case Summary

Procedural Posture

Plaintiff former employee filed an action against defendant former employer pursuant to the Employee Retirement Income Security Act alleging that the former employer failed to offer him continuation coverage of his disability policy, which the former employee contended was required by the Consolidated Omnibus Budget Reconciliation Act (COBRA). [29 U.S.C.S. § 1161](#). The parties filed cross motions for summary judgment.

Overview

The former employee did not dispute that COBRA made no express mention of continuation coverage for disability insurance. Instead he argued that disability insurance was encompassed in the definition of "medical care" because its purpose was to mitigate disease. Upon review, the court disagreed and granted summary judgment in favor of the former employer. The court determined that [§ 1161\(a\)](#) clearly applied by its

express terms to health plans, not disability plans. Considering the terms with their ordinary meaning, the court found that disability and health insurance had different purposes and covered different losses. Furthermore disability benefits did not fit within the statutory definitions of "medical care." although they insured against the financial loss that often resulted from a disabling medical condition, disability benefits clearly did nothing toward the mitigation of the disease itself. The court found that [§ 1161\(a\)](#) did not apply to disability benefits.

Outcome

The court denied the former employee's motion for summary judgment and granted the former employer's motion for summary judgment with regard to the former employee's action alleging that the former employer failed to offer him continuation coverage of his disability policy as allegedly required by COBRA.

LexisNexis® Headnotes

Insurance Law > Claim, Contract & Practice Issues > Group Policies > Beneficiaries

Labor & Employment Law > Disability & Unemployment Insurance > Disability Benefits > General Overview

Workers' Compensation & SSDI > Social Security Disability Insurance > Disability Determinations > Continuing Disability Standards

Insurance Law > Claim, Contract & Practice Issues > Group Policies > General Overview

Labor & Employment Law > Disability & Unemployment Insurance > General Overview

Labor & Employment Law > ... > Disability Benefits > Scope & Definitions > General Overview

Labor & Employment Law > ... > Disability Benefits > Scope & Definitions > Types of Disabilities

Labor & Employment Law > ... > Disability Benefits > Evidence > General Overview

Pensions & Benefits Law > Consolidated Omnibus Budget Reconciliation Act > General Overview

Business & Corporate Compliance > ... > Pensions & Benefits Law > Consolidated Omnibus Budget Reconciliation Act > Continuation Coverage

Pensions & Benefits Law > Consolidated Omnibus Budget Reconciliation Act > COBRA Definitions

Pensions & Benefits Law > Employee Benefit Plans > Welfare Benefit Plans

Tax Law > Federal Income Tax Computation > Nonbusiness Expenses > General Overview

[HN1](#) [↓] **Group Policies, Beneficiaries**

The Consolidated Omnibus Budget Reconciliation Act requires sponsors of group health plans to provide qualified beneficiaries who would lose coverage because of a qualifying event with the option to elect continuation coverage under the plan. [29 U.S.C.S. § 1161\(a\)](#). A "group health plan" is an employee welfare benefit plan providing medical care, as defined in 26 U.S.C.S. § 213(d), to participants or beneficiaries directly or through insurance, reimbursement, or otherwise. [29 U.S.C.S. § 1167\(1\)](#). "Medical care" includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. *I.R.C. § 213(d)(1)(A)*.

Business & Corporate Compliance > ... > Pensions & Benefits Law > Consolidated Omnibus Budget Reconciliation Act > Continuation Coverage

Labor & Employment Law > ... > Disability Benefits > Evidence > General Overview

Labor & Employment Law > Disability &

Unemployment Insurance > General Overview

Labor & Employment Law > ... > Disability Benefits > Scope & Definitions > General Overview

Labor & Employment Law > ... > Disability Benefits > Scope & Definitions > Types of Disabilities

Pensions & Benefits Law > Consolidated Omnibus Budget Reconciliation Act > General Overview

[HN2](#) [↓] **Consolidated Omnibus Budget Reconciliation Act, Continuation Coverage**

[29 U.S.C.S. § 1161\(a\)](#) clearly applies by its express terms to health plans, not disability plans. Considering the terms with their ordinary meaning, disability and health insurance have different purposes and cover different losses.

Labor & Employment Law > ... > Disability Benefits > Scope & Definitions > Types of Disabilities

Public Health & Welfare Law > Healthcare > Services for Disabled & Elderly Persons > General Overview

Workers' Compensation & SSDI > Social Security Disability Insurance > General Overview

Labor & Employment Law > ... > Disability Benefits > Scope & Definitions > General Overview

Pensions & Benefits Law > Consolidated Omnibus Budget Reconciliation Act > General Overview

[HN3](#) [↓] **Scope & Definitions, Types of Disabilities**

Disability benefits do not fit within the statutory definition of "medical care." Although they insure against the financial loss that often results from a disabling medical condition, disability benefits clearly do nothing toward the mitigation of the disease itself.

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Greenville, SC. Michael R Alford, Raymond James and Associates Inc, St. Petersburg, FL. Thomas L Stephenson, Nexsen Pruet Jacobs and Pollard, Greenville, SC.

Judges: Henry M. Herlong, Jr., United States District Judge.

Opinion by: Henry M. Herlong, Jr.

Opinion

ORDER

This matter is before the court on cross motions for summary judgment. The plaintiff, David Austell ("Austell"), filed this action pursuant to the Employee Retirement Income Security Act ("ERISA") against his former employer, Raymond James & Associates, Inc. ("Raymond James"), alleging that Raymond James failed to offer him continuation coverage for his disability policy, which Austell contends is required by the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). See [29 U.S.C. § 1161](#). The issue presented by [*2] these motions is whether COBRA requires plan sponsors to provide continuation coverage for disability insurance.

HN1 [↑] COBRA requires sponsors of *group health plans* to provide qualified beneficiaries who would lose coverage because of a qualifying event with the option to elect continuation coverage under the plan. See [29 U.S.C. § 1161\(a\)](#). A "group health plan" is "an employee welfare benefit plan providing medical care (as defined in *section 213(d)* of Title 26) to participants or beneficiaries directly or through insurance, reimbursement, or otherwise." [29 U.S.C. § 1167\(1\)](#). "Medical care" includes "amounts paid . . . for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body." *I.R.C. § 213(d)(1)(A)*.

Austell does not dispute that COBRA makes no express mention of continuation coverage for disability insurance. Instead he contends that disability insurance is encompassed in the definition of "medical care" because its purpose is to mitigate disease. Austell argues that because disability insurance alleviates the financial burden caused by the effect of a disabling disease, it is included in [*3] the definition of medical care and thus is part of Raymond James's group health

plan. In support of this argument, Austell relies on [Webster v. United States](#), [262 F. Supp. 718 \(W.D.N.Y. 1965\)](#), *aff'd*, [371 F.2d 441 \(2d Cir. 1967\)](#), a tax case which held that premiums for insurance against loss of earnings are deductible as medical expenses under *I.R.C. § 213(d)*.

The court finds that adopting Austell's interpretation would strain the meaning of [29 U.S.C. § 1161\(a\)](#). **HN2** [↑] The statute clearly applies by its express terms to *health plans*, not *disability plans*. See [Moffitt v. Whittle Communications, L.P.](#), [895 F. Supp. 961, 968 n.6 \(E.D. Tenn. 1995\)](#) ("It appears that these provisions of COBRA mandate continuation of coverage and conversion privileges with respect to employee welfare benefit plans which provide health insurance, as distinguished from disability insurance."). Considering the terms with their ordinary meaning, disability and health insurance have different purposes and cover different losses. The aim of disability insurance is to indemnify the insured for lost earnings, while health insurance covers medical and hospital expenses. See, e.g., [Standard Oil Co. v. \[*4\] Agsalud](#), [442 F. Supp. 695, 698-99 \(N.D. Cal. 1977\)](#), *aff'd*, [633 F.2d 760 \(9th Cir. 1980\)](#), *aff'd*, [454 U.S. 801, 70 L. Ed. 2d 75, 102 S. Ct. 79 \(1981\)](#).

HN3 [↑] Nor do disability benefits fit within the statutory definition of "medical care." Although they insure against the financial loss that often results from a disabling medical condition, disability benefits clearly do nothing toward the mitigation of the disease itself. The Court declines to read a requirement into [§ 1161\(a\)](#) that Congress did not include. Therefore, the Court finds that [§ 1161\(a\)](#) does not apply to disability benefits. Cf. [Jefferson v. Reliance Standard Life Ins. Co.](#), [818 F. Supp. 1523, 1524-25 \(M.D. Fla. 1993\)](#) (holding that COBRA does not require continuation coverage for life or accidental death or dismemberment policies because they are not included in the definition of "medical care"), *rev'd on other grounds*, No. 94-2009 (11th Cir. Apr. 30, 1996) (unpublished).¹

[*5] Accordingly, it is

¹The court observes for informational purposes that the Eleventh Circuit specifically stated in its unpublished opinion that "plan sponsors are not required under ERISA to offer continuation of coverage for life or accidental death and dismemberment benefits." [Jefferson v. Reliance Standard Life Ins. Co.](#), [85 F.3d 642](#), slip op. at 6 (11th Cir. Apr. 30, 1996) (unpublished).

ORDERED that the defendant's motion for summary judgment is granted. It is further

ORDERED that Austell's motion to strike, or in the alternative, for summary judgment is denied.

IT IS SO ORDERED.

Henry M. Herlong, Jr.

United States District Judge

Greenville, South Carolina

June 14, 1996

JUDGMENT IN A CIVIL CASE

Decision by Court. This action came before the Court. The issues have been considered and a decision has been rendered; Court having granted defendant's motion for summary judgment;

IT IS ORDERED AND ADJUDGED that summary judgment is entered for the defendant.

June 14, 1996

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