

CASE LAW

Qualifying Events and Coverage Periods

Teamsters v. Marathon Petroleum Company

(United States District Court for Minnesota, 2006 U.S. Dist. LEXIS 61933 (D. Minn. 2006))

When a union goes on strike, all employer actions are under a legal microscope. One employer recently learned that lesson the hard way in the area of continuing health benefits.

Four days after its union employees went on strike, Marathon Petroleum, the employer, sent a letter to striking employees that it would stop paying the employer portion of health plan premiums. Marathon later told employees that failure to pay the full cost of coverage by a certain date would mean termination of coverage. The icing on the cake was this: Marathon did not consider the loss of such coverage a COBRA qualifying event. Instead, it was cancellation of coverage due to "adjusted premiums."

Teamsters, the union representing the striking employees, quickly went to work, seeking a temporary restraining order (TRO) to stop Marathon's actions immediately in Minnesota District Court.

To prevail on the TRO, Teamsters had to show, among other things, a likelihood of success on the merits of the case. The court described this likelihood as "strong." Marathon did have the right to require employee payment of the entire premium. The Summary Plan Description (SPD) gave Marathon this right, and the collective bargaining agreement did not contradict the SPD. However, in so doing, Marathon had to offer COBRA. Clearly, this was a reduction in hours that caused a loss of coverage. The Court did not mention it, but the Final Treasury Regulations clearly state that "a strike or a lockout is a termination or reduction of hours that constitutes a qualifying event if the strike or lockout results in a loss of coverage ..."

Thus, the Court granted Teamsters' TRO motion and restrained Marathon from discontinuing coverage or failing to comply with COBRA. The Court also required Marathon to post \$20,000 as security for the TRO.

Note that if Marathon had complied with COBRA, the Court agreed that it could have charged the full premium and if that premium was not paid timely, cancelled coverage. Marathon's COBRA failure, though, resulted in a TRO that broadly prohibited any discontinuation of coverage.