

CASE LAW

COBRA Notifications

Hamilton v. Mecca

(United States District Court for the Southern District of Georgia, Savannah Division, 930 F. Supp. 1540 (S.D. Ga. 1996))

In April 1993, Philip Hamilton, Jr. became an employee of Mecca, Inc. He completed the insurance application, which included a question about whether he had been treated in the last five years for any of a number of medical conditions, including heart disorder. Hamilton answered "No" and signed the application, which included a disclaimer stating the information provided was true to the best of the applicant's knowledge and that providing false information or a lack of information could retroactively render the insurance coverage void, holding the company and insurance carrier harmless for any medical bills. Hamilton did not reveal that he had been treated in 1990 for hypertension, ethanol abuse and supraventricular tachyarrhythmias, specifically atrial flutter. Family coverage began for Hamilton, his wife and daughter on July 7, 1993.

In April 1994, Philip Hamilton was hospitalized and diagnosed with congestive heart failure. His doctor indicated that he was completely and permanently disabled. Unable to return to his work, Hamilton was terminated, effective April 18, 1994. Two days later, Mrs. Hamilton called Mecca to ask why the prescription card had been turned down by a local pharmacy. Mrs. Hamilton was referred to a representative of Provident Life, who explained that the Hamiltons' group coverage had been terminated, but an individual conversion policy was available. The Hamiltons took the conversion policy at a monthly cost of \$275.31. They were unable to maintain the policy beyond July 31, 1994. The Hamiltons were never notified of their rights under COBRA.

Philip Hamilton's medical expenses prior to his death totaled \$78,859.09. Prior to the lawsuit, some providers had reduced or written off the Hamiltons' bills, and others were covered by the conversion policy. At the time the court examined the bills, the outstanding total was \$19,059.32. Mrs. Hamilton brought this action, alleging violations of COBRA and ERISA, seeking payment of unpaid claims. Mrs. Hamilton **also sought \$11,100 in statutory penalties** under ERISA for Mecca's failure to supply Philip Hamilton with a Summary Plan Booklet in a timely manner.

The court determined that **Mecca was liable to Mrs. Hamilton in the amount of \$24,059.32** (the amount of unpaid medical claims plus \$5,000 in ERISA penalties). The court adopted the position that given the option, Philip Hamilton would certainly have opted to continue his coverage under COBRA. Had Philip elected COBRA coverage, as opposed to the conversion policy, he would have had substantially lower monthly premiums, as well as a lower deductible to meet.

Mecca attempted to deny responsibility for these claims by asserting that since Philip Hamilton had misrepresented facts on his insurance application, the company was not liable for his claims. The court stated that risk of these claims had been Provident's, who decided to settle out of court with Mrs. Hamilton. The court also stated that the phrase, "to the best of my knowledge," shifted focus from truth and falsity to whether or not Philip Hamilton believed his statements to be true.

Mecca also claimed that its lack of knowledge about COBRA should free the company of any related penalties. It was shown that in May 1993, Mecca did in fact send a COBRA notice to another employee. In the testimony, Mecca referred frequently to the advice given to the company by its agent and Provident employees. Mecca claimed that no COBRA notice was sent to the Hamiltons because the company was never instructed by its agent or Provident to do so.