years. The court also attributed part of the delay to the insurer's desire to save money at the expense of the insured. Second, a large award was appropriate in light of the size of the insurer. To deter Reserve from doing the same thing again, the damages must be significant. Third, a prior award of $150,000 against the company had not changed its practice. Thus, a larger award was necessary to attract the insurer's attention. Based on these factors, the court concluded that the level of damages was not unreasonable.

Under the *Haslip* standard, the court must also determine if the decision was made with sufficient procedural safeguards. Comprehensive safeguards include complete instructions to juries, limits within state law to the amount of punitive damages, and a rigorous system of judicial review. In this case, the state law limited the considerations on which a judge or jury could award punitive damages to that necessary for punishment, deterrence, and the pecuniary ability of the defendant to pay the award. Although this standard left the court with a great deal of discretion, the court felt that the decision was confined to retribution and deterrence. Besides a sufficient standard, the parties tried this case before a judge rather than a jury. This fact made the likelihood of a procedural problem less apparent because the judge was familiar with state law limitations. Based on this procedural safeguard, the court felt that the limited level of appellate review provided by state law did not render the trial court's action unconstitutional.

Medical Benefits May Contractually Vest

Sprague v. General Motors Corp., 13 Employee Benefits Cas. (BNA) 2678 (E.D. Mich. 1991).

A Michigan district court, in a case that is likely to be watched by industries implementing early retirement programs, concluded that medical benefits promised in exchange for early retirement may vest. In this case, retirees from General Motors complained when G.M. changed the medical package to require up to a $750 charge on benefits it had previously funded. The retirees complained that the Employee Retirement Income Security Act prevented the change. On cross motions for summary judgment, the court dismissed the claims of many of the retirees because the contracts for medical benefits did not vest. The court, however, refused to dismiss the claims of about 40,000 retirees who took early retirement and signed releases that promised medical benefits.

Under ERISA, a medical benefit plan does not vest unless the plan provides for vesting contractually. According to the legislative history, vesting by statutory requirement applies only to pension benefits. Medical benefits were not included because insurance must account for inflation, changes in medical practice and technology, and increases in cost independent of inflation. The parties, however, may contract in the plan to allow medical benefits to vest. In this case, the plan documents indicated that the retirees were to receive medical benefits, but most of the documents contained a reservation by G.M. that it could change or terminate the medical benefits. As a result, the court found that the terms of the medical benefits did not vest for most of the retirees.

For the early retirees, however, another contract may have modified the result applicable under the plan documents. The early retirees signed a release of claims including age discrimination that also offered continued medical benefits. The court concluded that the release may have created contractually vested rights to existing levels of medical benefits for the early retirees. Therefore, the court refused to dismiss the claims of the early retirees but concluded that it needed additional evidence to determine what other terms the contract provided.