



WRNewswire

An AALU Washington Report

The WRNewswire is created exclusively for AALU Members by insurance experts led by Steve Leimberg, Lawrence Brody and Linas Sudzius. WRNewswire #16.05.31 was written by Linas Sudzius of [Advanced Underwriting Consultants](#).

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TOPIC: [Decedent's Son Sues to Collect Life Insurance Proceeds Based on Language in Divorce Decree](#)

CITATION: [State Farm v. Goecks](#), Nos. 14-cv-885-wmc and 15-cv-11-wmc, 2016 WL 1715205 (U.S.D.C. WD WI, Apr. 28, 2016).

SUMMARY: Gary Goecks was insured under multiple life insurance policies. At the time of Gary's death, his wife Donna was a named beneficiary under most of the policies.

Gary's son Jeffrey claimed he was entitled to all of the policy proceeds based on a provision in the judgment entered in connection with Gary's divorce from his first wife, and Jeffrey's mother, Sharon. To further complicate matters, the decree had required Gary to maintain the life insurance for the benefit of his children Jeffrey and Christopher. However, son Christopher had predeceased Gary.

Three insurance carriers filed interpleader actions in federal court, depositing the death proceeds into an account with the court and asking the court to decide who was entitled to the insurance proceeds. In response to motions for summary judgment, the court decided that some of the death proceeds were payable to Jeffrey, but ordered the parties to submit legal briefs on the issue as to what to do about the fact that Christopher had predeceased the insured.

RELEVANCE: This decision is one more in a long line of cases dealing with ambiguity over the proper beneficiary of a life policy resulting from the insured's divorce. The litigation apparently arose over two main issues:

1. The divorce decree was not clear with regard to when, if ever, the insured could change the beneficiaries under existing life policies.
2. The divorce paperwork was silent regarding the effect of the death of one of the adult children prior to the death of the insured.

The case reminds us of the tips Steve Leimberg gave us in WRNewswire 15.09.11:

The completely unnecessary costs, uncertainty, and aggravation involved in this and similar cases are reminders and warnings of several things:

1. Immediately, upon divorce or separation, all dispositive documents of both parties should be reviewed and appropriately changed according to the parties' new circumstances and objectives.
2. Each state has its own laws concerning the impact of divorce upon contractual documents such as life insurance, retirement plans, and employee benefits. Accordingly, changes made to beneficiary designations following divorce must be tailored to the provisions of those state laws and the divorce decree or separation agreement.
3. Careful attention to clarity and specificity of the parties' intent is essential in the wording of documents drafted in connection with divorce or separation – particularly where life insurance or retirement plans are involved.
4. All dispositive documents should employ "the rule of two", i.e. back-up beneficiaries should be named in any legal document in which a client disposes of property at death.
5. Think twice (at least) about naming any individual as an irrevocable beneficiary of a life insurance policy.

FACTS: Gary and Sharon Goecks divorced on October 15, 1998. At the time of their divorce, Gary had multiple life insurance policies, including two from Prudential and two from State Farm. Gary also had a separate Met Life group term life policy.

The judgment of divorce stated:

The respondent [Gary] shall be required to maintain the petitioner [Sharon] as the primary, irrevocable beneficiary on one third of the face value of all his life insurance policies in effect as of the date of the final hearing or in the amount of Seventy Five Thousand Dollars (\$75,000) of the face value of said policies, whichever sum is greater. Respondent shall provide the petitioner proof of said insurance and beneficiary designations. Petitioner shall pay the respondent the sum of Twenty Five Dollars (\$25.00) per month toward the cost of said insurance. The parties further agree to designate the children as primary beneficiaries of all life insurance policies except as set forth above.

The judgment specifically identified all the Prudential and State Farm policies.

Around the time of the divorce, Gary designated the couple's two adult sons, Jeffrey and Christopher Goecks, as primary beneficiaries under the Prudential and one of the State Farm policies, leaving ex-wife Sharon as the beneficiary of the other State Farm policy.

Christopher died in 2003. In 2004, Gary married Donna. While married to Donna, Gary removed Jeffrey and Christopher as beneficiaries of both Prudential policies and named Donna as primary beneficiary. He also designated Donna and Jeffrey as co-beneficiaries on one of the State Farm policies, with ex-wife Sharon remaining the sole beneficiary of the other one. Gary's current wife Donna was named sole beneficiary of the work-related Met Life policy.

After Gary died, the Met Life policy proceeds were paid to Donna. Jeffrey argued to the Wisconsin federal court that she should have to turn the proceeds over to him, but the court ruled that ERISA rules required the proceeds to remain with Donna.

With regard to the other policies, the proceeds of one State Farm policy with a death benefit of \$75,000 were paid out in full to Sharon. Both Donna and Jeffrey made claims for the death proceeds from the two Prudential and the second State Farm policies. The carriers deposited the death proceeds of about \$61,500 with the court.

The court was asked to decide, pursuant to cross-motions for summary judgment, whether the divorce decree's obligation to name Jeffrey a beneficiary of Gary's life policy was temporary or permanent. The court concluded that, based on prior Wisconsin case law, in the absence of language limiting the duration of the beneficiary requirement, that the decree's effect was to be permanent—and that Jeffrey was to be a beneficiary.

The court also noted that prior cases did not provide guidance with regard to what ought to happen if a beneficiary protected by a divorce decree pre-deceases the insured. It ordered the parties to provide additional information and arguments so the court could decide how much of the death benefits from the policies Jeffrey should receive.

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