SUPREME COURT OF MISSISSIPPI

Peggy Spradling McCord, Executrix v. Nina M. Spradling

830 So. 2d 1188 (Miss. 2002) · No. No. 97-CT-01276-SCT · Decided November 21, 2002

SUMMARY

The Supreme Court of Mississippi held that, although the widow was entitled to receive Federal Employees' Group Life Insurance Act proceeds under the federal statutory order of precedence, a constructive trust could be imposed on those proceeds in favor of the decedent's children. The court reversed the Court of Appeals on that issue and remanded with instructions to impose the constructive trust. All other issues addressed by the Court of Appeals and not addressed in the opinion were affirmed.

CASE DETAILS

COURT	Supreme Court of Mississippi
WRITING FOR THE COURT	Cobb, J.; Pittman, C.J.; Smith, P.J.; Waller, J.; Diaz, J.; Easley, J.; Carlson, J.; Graves, J.; McRae, P.J.
JURISDICTION	Mississippi
DECIDED	November 21, 2002
DOCKET	No. 97-CT-01276-SCT
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The executrix appealed a chancery court judgment concerning the decedent's estate. The Mississippi Supreme Court granted the widow's petition for certiorari, limited to whether the Court of Appeals erred in holding that the widow, although entitled to receive FEGLIA proceeds and protected from a constructive trust, remained subject to a breach-of-contract action.
STANDARD OF REVIEW	De novo review of the legal issue concerning federal preemption and the availability of a constructive trust; the opinion does not state a separate formal standard of review.
PRECEDENTIAL VALUE	Published Mississippi Supreme Court opinion; precedential state appellate authority.
PARTIES	Peggy Spradling McCord, Executrix v. Nina M. Spradling

TOPICS

life insurance litigation | constructive trust | probate | contracts | federalism

PRACTICE AREAS

insurance | life insurance litigation | probate | contracts | remedies | federalism

QUESTIONS PRESENTED

1. Whether FEGLIA preempts a state-court equitable action seeking to impose a constructive trust on proceeds paid to a widow under FEGLIA's statutory order of precedence.
2. Whether the widow's receipt of FEGLIA proceeds under the federal payment scheme prevented a Mississippi court from determining that retaining the proceeds constituted unjust enrichment and imposing a constructive trust for the decedent's children.

HOLDINGS

1. FEGLIA does not preempt a state-court equitable claim seeking a constructive trust over proceeds after the insurer has paid those proceeds to the person designated by the statute's order of precedence.
2. The chancery court must impose a constructive trust on the FEGLIA proceeds in favor of J.W. Spradling's children because the widow's retention of proceeds intended for the children constituted unjust enrichment.

KEY QUOTATIONS

> *"We find persuasive their holdings that the existence of a named beneficiary to whom the insurer is directed to pay any benefits does not eliminate any equitable claims to the funds paid."* (at 1203)

> *"By the widow's own admission, the insurance proceeds were intended to go to the children. As such, the widow's retention of those proceeds is clearly unjust enrichment and the most appropriate remedy is for the court to impose a constructive trust in favor of the children upon those proceeds."* (at 1203)

FACTUAL BACKGROUND

J.W. Spradling and Nina Spradling entered into an antenuptial agreement providing that each would retain control of separately owned property, waive claims against the other's estate, and leave property to their respective children. J.W. Spradling's FEGLIA policy listed his deceased first wife as beneficiary, so after his death the statutory order of precedence made Nina the recipient of the $22,050.62 proceeds. Nina applied for and received the proceeds, although she and the decedent's children testified that the proceeds were understood to belong to the children and the antenuptial agreement expressed the intent that each spouse's assets pass to that spouse's children.

PROCEDURAL HISTORY

The Calhoun County Chancery Court awarded the widow the FEGLIA proceeds and ruled on several other estate-related claims. The Court of Appeals affirmed in part, reversed and rendered in part, and remanded for consideration of a possible breach of the antenuptial agreement and damages. The Supreme Court granted certiorari on the FEGLIA issue, reversed the Court of Appeals as to the refusal to impose a constructive trust, and affirmed all other issues not addressed in its opinion.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The chancery court was directed to impose a constructive trust on the $22,050.62 FEGLIA proceeds in favor of J.W. Spradling's children. All other issues addressed by the Court of Appeals but not addressed by the Supreme Court were affirmed.

CASES CITED

- Saulsberry v. Saulsberry, 223 Miss. 684, 78 So. 2d 758 (1955)
- Metropolitan Life Ins. Co. v. Sullivan, 96 F.3d 18 (2d Cir. 1996)
- Metropolitan Life Ins. Co. v. Christ, 979 F.2d 575 (7th Cir. 1992)
- Dean v. Johnson, 881 F.2d 948 (10th Cir. 1989)
- Huff v. Metropolitan Life Ins. Co., 675 F.2d 119 (6th Cir. 1982)
- Metropolitan Life Ins. Co. v. Thompson, 968 F. Supp. 312 (S.D. Miss. 1997)
- Ridgway v. Ridgway, 454 U.S. 46, 102 S. Ct. 49, 70 L. Ed. 2d 39 (1981)
- Metropolitan Life Insurance Co. v. Potter, 533 So. 2d 589 (Ala. 1988)
- Roberts v. Roberts, 560 S.W.2d 438 (Tex. Civ. App. 1977)
- Barden v. Metropolitan Life Insurance Co., 41 N.C. App. 135, 254 S.E.2d 271 (1979)
- In re Estate of Anderson, 195 Ill. App. 3d 644, 142 Ill. Dec. 79, 552 N.E.2d 429 (1990)
- Kidd v. Pritzel, 821 S.W.2d 566 (Mo. Ct. App. 1991)
- Metropolitan Life Insurance Co. v. Manning, 568 F.2d 922 (2d Cir. 1977)
- Eonda v. Affinito, 15 Pa. D. & C.4th 142 (Pa. Com. Pl. 1991), aff'd, 427 Pa. Super. 317, 629 A.2d 119 (1993)
- Sedarous v. Sedarous, 285 N.J. Super. 316, 666 A.2d 1362 (1995)
- Cooper Tire & Rubber Co. v. Striplin, 652 So. 2d 1102 (Miss. 1995)
- FMC Corp. v. Holliday, 498 U.S. 52, 111 S. Ct. 403, 112 L. Ed. 2d 356 (1990)
- Rose v. Rose, 481 U.S. 619, 107 S. Ct. 2029, 95 L. Ed. 2d 599 (1987)
- Cipollone v. Liggett Group, Inc., 505 U.S. 504, 112 S. Ct. 2608, 120 L. Ed. 2d 407 (1992)
- Rollins v. Metropolitan Life Insurance Co., 863 F.2d 1346 (7th Cir. 1988)