SUPREME COURT OF THE STATE OF NEW YORK, APPELLATE DIVISION, FIRST DEPARTMENT

Lincoln Life & Annuity Co. v. Caswell

31 A.D.3d 1 (1st Dep't 2006) · Decided April 11, 2006

SUMMARY

The court held that a specific testamentary disposition of life-insurance proceeds did not substantially comply with the policy's prescribed beneficiary-change procedure and therefore did not override the prior beneficiary designation. The insurer's interpleader action waived strict compliance with the policy but did not eliminate the requirement of an act intended to change the beneficiary. The court declared Caswell the sole beneficiary, while affirming the insurer's permission to deposit the proceeds into court and seek appropriate costs and fees.

CASE DETAILS

COURT	Supreme Court of the State of New York, Appellate Division, First Department
WRITING FOR THE COURT	Friedman, J.; Friedman; McGuire
JURISDICTION	New York
DECIDED	April 11, 2006
DISPOSITION	other
PROCEDURAL POSTURE	Appeal from an order of Supreme Court, Bronx County, denying Caswell's motion for summary judgment on his counterclaim in an interpleader action, permitting the insurer to deposit the policy proceeds into court and obtain a discharge, and setting the insurer's claim for costs and attorneys' fees for a framed issue hearing.
STANDARD OF REVIEW	De novo review of the legal correctness of the summary judgment determination; abuse-of-discretion review of the order concerning interpleader expenses, costs, disbursements, and attorneys' fees.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Bennie Caswell, Jr., sued herein as Benjamin Caswell v. Lincoln Life & Annuity Company of New York

TOPICS

life insurance litigation · interpleader · summary judgment · insurance · probate

PRACTICE AREAS

life insurance | interpleader | probate and estate litigation | civil procedure

QUESTIONS PRESENTED

1. Whether a specific testamentary disposition of life insurance proceeds, identifying the policy by number but not complying with the policy's beneficiary-change procedure, substantially complied with the policy and displaced the prior beneficiary designation.
2. Whether the insurer's commencement of an interpleader action waived the requirement of substantial compliance or made the dispute solely one of the insured's intent.
3. Whether the insurer properly invoked interpleader and was entitled to deposit the proceeds into court, obtain a discharge, and have its claim for costs and attorneys' fees determined after a framed issue hearing.

HOLDINGS

1. A specific testamentary disposition of life insurance proceeds does not constitute substantial compliance with a policy requiring a signed request to the insurer and written acceptance when the insured did not otherwise attempt to follow that procedure. The prior beneficiary designation therefore controls.
2. An insurer's commencement of an interpleader action waives exact compliance with the policy's beneficiary-change procedures only to protect the insurer from double liability; it does not eliminate the requirement that the insured substantially comply or make the issue solely one of intent.
3. The insurer properly commenced interpleader because the competing claims were not patently without substance, and Supreme Court correctly permitted the insurer to deposit the proceeds into court and obtain a discharge under CPLR 1006(f). The framed issue hearing on costs, disbursements, and reasonable attorneys' fees was also properly ordered.

KEY QUOTATIONS

> *“We hold that, under these circumstances, the purported testamentary disposition of the policy proceeds does not constitute “substantial compliance” with the policy and, therefore, cannot be given effect over the policy’s beneficiary designation.”* (at 3)

> *“There must be an act or acts designed for the purpose of making the change, though they may fall short of accomplishing it. Mere intent is not enough”* (at 6)

> *“In the life insurance context, we do not believe that this position continues to be tenable in light of the Court of Appeals’ McCarthy decision.”* (at 8)

FACTUAL BACKGROUND

Aetna issued Martha L. Hubbard a $200,000 life insurance policy requiring a signed request sent to the insurer and written acceptance for a beneficiary change. In 1987, Hubbard properly designated her son as primary beneficiary and Caswell as contingent beneficiary; because the son predeceased Hubbard, Caswell would be the sole beneficiary under that designation. In 2003, Hubbard executed a will specifically identifying the policy and purporting to distribute portions of its proceeds to individuals and charities, but she did not change the policy beneficiary through the contractual procedure. After Hubbard died in 2004, Caswell and the estate asserted conflicting claims, prompting the insurer to commence an interpleader action.

PROCEDURAL HISTORY

After the insured's death, Caswell and the insured's estate asserted conflicting claims to the proceeds of a life insurance policy. The insurer commenced an interpleader action under CPLR 1006. Supreme Court denied Caswell summary judgment because it believed the insured's intent presented a triable issue, but granted the insurer permission to deposit the proceeds into court and obtain a discharge, while setting its request for expenses and attorneys' fees for a framed issue hearing. The Appellate Division modified the order to declare Caswell the sole beneficiary and otherwise affirmed.

DISPOSITION

other

REMAND INSTRUCTIONS

Caswell was declared the sole beneficiary. The matter otherwise remained subject to Supreme Court's framed issue hearing concerning the insurer's costs, disbursements, and reasonable attorneys' fees, with any attorneys' fee award limited to work necessary to obtain interpleader relief.

CASES CITED

- McCarthy v. Aetna Life Ins. Co., 92 N.Y.2d 436 (1998)
- Fink v. Fink, 171 N.Y. 616 (1902)
- Matter of Jaccoma, 142 A.D.2d 875 (1988)
- Pruchnowski v. Prudential Ins. Co. of Am., 242 App. Div. 899 (1934), aff'd, 270 N.Y. 530 (1936)
- Matter of Ziolkowski, 47 Misc. 2d 752 (Sur. Ct., Erie County 1965)
- Ralph v. Equitable Life Assur. Soc. of U.S., 46 N.Y.S.2d 957 (Sup. Ct., Kings County 1944)
- Schoenholz v. New York Life Ins. Co., 234 N.Y. 24 (1922)
- Cable v. Prudential Ins. Co. of Am., 89 A.D.2d 636 (1982)
- Aetna Life Ins. Co. v. Sterling, 15 A.D.2d 334 (1962), aff'd, 11 N.Y.2d 959 (1962)
- Cook v. Aetna Life Ins. Co., 166 A.D.2d 895 (1990)
- Hunnell v. Hunnell, 45 A.D.2d 521 (1974), aff'd, 37 N.Y.2d 931 (1975)
- John Hancock Mut. Life Ins. Co. v. McManus, 247 A.D.2d 513 (1998)
- Connecticut Gen. Life Ins. Co. v. Boni, 48 A.D.2d 621 (1975)
- Matter of Trigoboff, 175 Misc. 2d 370 (Sur. Ct., N.Y. County 1998)
- Matter of Morse, 150 Misc. 2d 415 (Sur. Ct., N.Y. County 1991)
- Kane v. Union Mut. Life Ins. Co., 84 A.D.2d 148 (1981)
- Franklin Life Ins. Co. v. Mast, 435 F.2d 1038 (9th Cir. 1970)

- Luhrs v. Luhrs, 123 N.Y. 367 (1890)
- Greenfield v. Massachusetts Mut. Life Ins. Co., 253 App. Div. 51 (1937)
- Matter of Farnam, 232 App. Div. 598 (1931)
- Lahey v. Lahey, 174 N.Y. 146 (1903)
- Levy v. New York Life Ins. Co., 238 App. Div. 711 (1933), aff'd, 266 N.Y. 570 (1935)
- Boden v. Arnstein, 293 N.Y. 99 (1944)
- American Intl. Life Assur. Co. of N.Y. v. Ansel, 273 A.D.2d 421 (2000)
- Republic Natl. Bank of N.Y. v. Lupo, 215 A.D.2d 467 (1995)

Retrieved from lawtools.ai · https://lawtools.ai/cases/state/new-york-supreme-court-of-the-state-of-new-york-appellate-division-first-department/2006/lincoln-life-and-annuity-co-v-caswell-kpbtr3q0