

West Virginia High Court Affirms Insurance Company's Interpleader



Article By

[Michelle E. Gaston](#)

[Andrew P. Smith](#)

[Step toe & Johnson PLLC](#)

- [Insurance Reinsurance & Surety](#)
- [Litigation / Trial Practice](#)
- [West Virginia](#)

Thursday, March 22, 2018

On March 13, 2018, the West Virginia Supreme Court of Appeals held that an insurance company can pay the proceeds of a life insurance policy into the court when there is a dispute as to who is the rightful beneficiary.

At issue in *Nationwide v. Eva Dawn Compton, et al.*, was the interpleader rule which allows an uninterested third party who holds money or property to compel parties with conflicting claims to that money or property to adjudicate their rights in a single suit.

In the *Nationwide* decision, the decedent, Robert Adams, purchased a life insurance policy in 1978 from Nationwide. The policy provided Mr. Adams' beneficiaries with a \$30,000 death benefit. After the death of his wife in 2013, Mr. Adams changed the beneficiary to his step-daughter, Ms. Rasnake. Mr. Adams later made two requests to change the beneficiary to Eva Compton.

On May 11, 2016, Mr. Adams called Nationwide to inquire as to who was the named beneficiary on the policy. That same day, Mr. Adams went missing from his home. Ms. Compton reported Mr. Adams missing. His body was discovered two weeks later in the Guyandotte River, and an autopsy revealed he died from drowning.

Following his death, a dispute arose between Ms. Compton and Ms. Rasnake as to who was the rightful beneficiary of the \$30,000. Ms. Rasnake argued Mr. Adams did not have capacity at the time of the beneficiary changes and expressed belief that Ms. Compton was involved in Mr. Adams' death. Ms. Rasnake also submitted a letter from Mr. Adams' physician indicating that Mr. Adams was not competent to make legal or financial decisions.

Given this dispute, Nationwide filed an Interpleader Complaint with the Wyoming County Circuit Court. Nationwide requested a traditional, two-step interpleader whereby it would deposit the \$30,000 into the court until the dispute between the two potential beneficiaries was resolved.

The Circuit Court denied Nationwide's request. In doing so, the court stated that Nationwide was unfairly forcing the parties to litigate and indicated Nationwide should be forced to pay for the beneficiaries' legal fees in the dispute.

On appeal, the Supreme Court of Appeals of West Virginia overturned the trial court, holding that this scenario was exactly what the interpleader rule was intended to do; specifically, interpleader is a means by which an innocent stakeholder with no interest in an asset, who does not know the asset's rightful owner, avoids multiple liability by asking the court to determine the asset's rightful owner.

In this case, Nationwide wished to deposit the \$30,000 from Mr. Adams' life insurance policy into the court until the court could determine who was the rightful beneficiary. While this case did not create any new groundbreaking law on the interpleader rule, it did affirm the purpose of the rule and make clear the circumstances under which an insurance company can utilize it to protect itself in ongoing litigation.

© Steptoe & Johnson PLLC. All Rights Reserved.

Source URL: <https://www.natlawreview.com/article/west-virginia-high-court-affirms-insurance-company-s-interpleader>