

A woman died with a life insurance policy worth \$50,000. The woman had named "my son" as the sole beneficiary of the policy proceeds. The woman's three sons, two of whom are domiciled in State A and one of whom is domiciled in State B, individually filed claims with the insurance company to recover the proceeds of the woman's policy. The insurance company, which is incorporated and has its principal place of business in State B, brought a statutory-interpleader action in federal court against all three sons. The sons have moved to dismiss for lack of subject-matter jurisdiction.

Will the court likely grant the sons' motion to dismiss?

- A. No, because federal courts have exclusive jurisdiction over actions involving life insurance policies.
- B. No, because there is minimal diversity between the sons and the amount-in-controversy requirement is satisfied.
- C. Yes, because the amount in controversy does not exceed \$75,000.
- D. Yes, because there is not complete diversity between the insurance company and the sons.

## Explanation:

An **interpleader action** is available in federal court when multiple persons claim an interest in the same property (known as the "stake"). This action allows the possessor of the stake (the "stakeholder") to avoid multiple liability by joining the claimants to litigate the stake's ownership among themselves. There are two types of interpleader, each with **distinct subject-matter jurisdiction requirements** that must be satisfied before a court can hear the dispute:

- **Rule interpleader** requires an amount in controversy that exceeds **\$75,000** and **complete diversity** between the stakeholder and the claimants—ie, they must be citizens of different states.\*
- **Statutory interpleader** requires an amount in controversy of at least **\$500** and **minimal diversity** between the claimants—ie, at least two claimants must be **citizens** of different states.

Here, the insurance company filed a statutory-interpleader action in federal court against the three sons. The amount-in-controversy requirement is satisfied because the policy is worth \$50,000. Additionally, minimal diversity exists between the claimants since two sons are domiciled in State A while one son is domiciled in State B. Therefore, the court has subject-matter jurisdiction over the action and will deny the sons' motion to dismiss.

\*Subject-matter jurisdiction can also be established in a rule-interpleader action if the claim presents a federal question (not seen here).

**(Choice A)** Federal and state courts *share* jurisdiction over both state and federal law claims unless the Constitution or Congress expressly provides federal courts with **exclusive jurisdiction**. Actions involving life insurance policies are not actions over which federal courts have exclusive jurisdiction.

**(Choice C)** For most federal civil actions arising from state law, including rule-interpleader actions, subject-matter jurisdiction requires an amount in controversy that exceeds \$75,000. However, statutory-interpleader actions only require an amount in controversy of at least \$500.

**(Choice D)** *Rule* interpleader requires complete diversity between the stakeholder and the claimants, but *statutory* interpleader only requires minimal diversity between the claimants.

## Educational objective:

Subject-matter jurisdiction for statutory interpleader requires an amount in controversy of at least \$500 and minimal diversity between the claimants—ie, at least two claimants must be citizens of different states.

## References

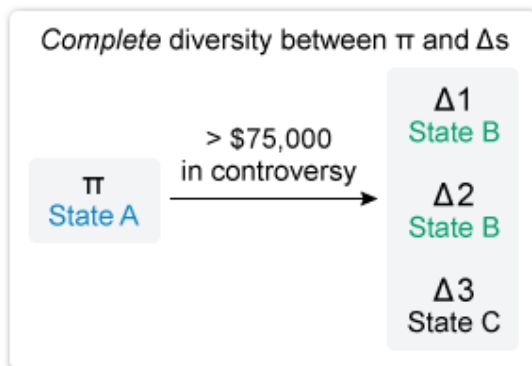
- Fed. R. Civ. P. 22 (rule interpleader).

- 28 U.S.C. § 1335 (statutory interpleader).
- 7 Charles Alan Wright et al., Federal Practice and Procedure § 1710 (3d ed. 2020) (explaining the subject-matter jurisdiction requirements for rule and statutory interpleader).

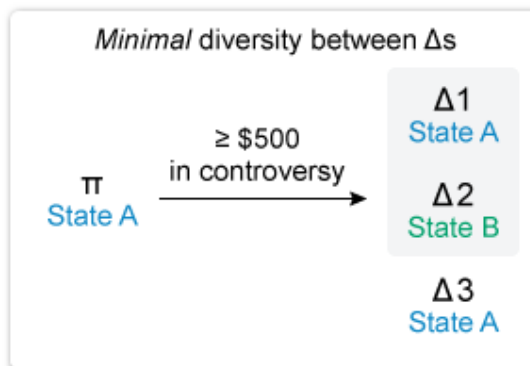
Copyright © UWorld. All rights reserved.

### Diversity jurisdiction in interpleader actions

#### Rule interpleader



#### Statutory interpleader



$\pi$  = stakeholder;  $\Delta$  = claimants

©UWorld