

A husband and wife from State A divorced. As part of their divorce settlement, the husband agreed to keep the wife as the sole beneficiary of his employer-sponsored life insurance policy worth \$100,000. A court entered this settlement agreement as part of its divorce decree.

The husband remarried and moved with his second wife to State B. The husband then revised his life insurance policy to name the second wife as the sole beneficiary.

When the husband later died, the first and second wife each filed claims with the life insurance company to recover the proceeds from his policy. The insurance company, which is incorporated and has its principal place of business in State B, wants to avoid paying the proceeds twice.

If the insurance company files suit in federal district court, what procedure should the insurance company use to avoid double liability?

- A. Class action.
- B. Intervention.
- C. Rule interpleader.
- D. Statutory interpleader.

Explanation:

Interpleader is a procedure used when multiple persons claim an interest in the **same property** (ie, the stake)—like the wives claiming an interest in the same life insurance proceeds here. It allows the possessor of the stake (ie, **stakeholder**) to avoid multiple liability by **joining the claimants** to litigate the ownership of the stake among themselves. There are two **types of interpleader** with distinct subject-matter jurisdiction requirements that must be met before a federal court can hear the dispute:

- **Rule interpleader** – requires that (1) the action involve a federal question *or* (2) the amount in controversy exceed **\$75,000** and **complete diversity** exist 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 are citizens of different states

Here, rule interpleader is unavailable because the insurance company (stakeholder) from State B is not completely diverse from the wives (claimants) from States A and B (**Choice C**). But subject-matter jurisdiction exists under statutory interpleader because the wives are diverse and the amount in controversy exceeds \$500. Therefore, the insurance company should use statutory interpleader to avoid paying the proceeds twice.

(Choice A) A **certified class action** allows named parties to sue or be sued on behalf of similarly situated unnamed parties. One requirement for certification is that the class be so numerous that joinder of all members is impracticable, which is not met by the two wives here.

(Choice B) A nonparty may **intervene** (ie, join) and participate in a pending suit to protect his/her interests. But here, there would be no need for the insurance company to intervene since it would protect its interests as a party to the suit if one is filed.

Educational objective:

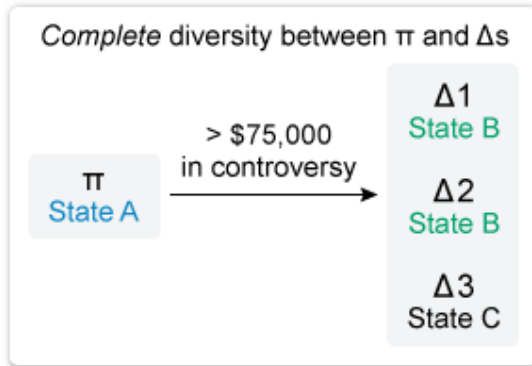
Diversity jurisdiction for rule interpleader requires complete diversity between the stakeholder and the claimants and an amount in controversy that exceeds \$75,000. But statutory interpleader only requires minimal diversity between the claimants and an amount in controversy of at least \$500.

References

- Fed. R. Civ. P. 22 (rule interpleader).
- 28 U.S.C. §§ 1335, 1397, 2361 (statutory interpleader).
- *State Farm Fire & Cas. Co. v. Tashire*, 386 U.S. 523, 530–31 (1967) (explaining the minimal diversity requirements for statutory interpleader).

Diversity jurisdiction in interpleader actions

Rule interpleader



π = stakeholder; Δ = claimants

Statutory interpleader

