

Life Insurer Permitted to Adjust Policy Proceeds Pursuant to Misstatement-of-Age Provision

April 04, 2019

In *Jackson National Life Insurance Co. v. Dobbins*, the Fifth Circuit Court of Appeals affirmed the district court's grant of summary judgment for an insurer in an interpleader action, which resolved, among other things, whether the insurer was entitled to reduce the proceeds of a life insurance policy pursuant to the policy's misstatement-of-age provision.

In 1999, the insured purchased a \$1 million term life insurance policy from Valley Forge Life Insurance Co. and subsequently named primary and contingent beneficiaries. In 2007, the insured used the policy as collateral for a loan and assigned its proceeds to a bank. When the insured died in 2015, he was in default on the loan, and the FDIC, receiver for the now-closed bank, submitted a claim for the policy's proceeds. The previously named primary and contingent beneficiaries also submitted claims. Valley Forge's successor, Jackson National Life Insurance Co., commenced an interpleader action, seeking permission to deposit the proceeds of the life insurance policy with the court and a decision as to who was entitled to the proceeds. The district court granted Jackson National's interpleader motion, but Jackson National only deposited \$910,888.82 — not the full \$1 million policy proceeds — with the court, taking the position that Valley Forge had misstated the insured's age in the policy. Jackson National sought a declaration that, pursuant to the policy's misstatement-of-age provision, it could adjust the policy's proceeds amount at any time to represent the actual risk undertaken based on the true age of the insured. The district court granted summary judgment for Jackson National, accepting the reduced amount and declaring that the reduction in the policy's proceeds was in compliance with its terms. The FDIC appealed.

The Fifth Circuit affirmed the district court's decision. Applying Oklahoma law, the court agreed that, by adjusting the proceeds, Jackson National was simply enforcing the plain language of the policy's misstatement-of-age provision. Oklahoma law requires that misstatement-of-age provisions be included in each life insurance policy and recognizes the ability of an insurer, absent contractual language to the contrary, to adjust policy proceeds pursuant to such provisions. The court further

rejected the FDIC's argument that Jackson National's action was untimely, noting that neither the policy nor Oklahoma law placed any time limit on when an insurance company may enforce a misstatement-of-age provision.

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