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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
San Francisco Division

AMERICAN GENERAL LIFE
INSURANCE COMPANY,

Plaintiff,

v.

GAYLE HART, et al.,

Defendants.

Case No.16-cv-03904-LB

ORDER ON INTERPLEADER

[Re: ECF No. 60, 64]

INTRODUCTION

The plaintiff, American General Life Insurance Company, interpleaded the death benefit of a life-insurance policy to which the defendants — consisting on the one hand of David L. Lewis, as Trustee of the Cora Lewis Management Trust; and, on the other, of Gayle and Lawrence Hart — claim entitlement.¹ The court’s order of December 27, 2016 more fully describes the facts underlying this suit.²

American General now moves to be discharged from liability with respect to the policy’s

¹ See generally Compl. – ECF No. 3. Record citations refer to material in the Electronic Case File (“ECF”); pinpoint citations are to the ECF-generated page numbers at the top of documents.

² ECF No. 47 at 1–2.

1 benefits and asks that it be dismissed from this case.³ It asks that its fees and costs be paid from
2 the \$5000 corpus on deposit in the court.⁴ It also requests an injunction that bars the defendants
3 from suing it over the interpleaded policy benefits.⁵ The insurer does not dispute its obligation to
4 pay the death benefit, and it disavows all interest in the defendants' contest over the money.⁶
5 Neither defendant opposes discharging American General. The Trustee argues that the insurer
6 should not be awarded fees — or at least that such fees should be paid by the Harts.⁷ The Harts
7 argue that the discharge order should not say that the interpleader was filed without collusion “on
8 the part of American General.”⁸

9
10 **ANALYSIS**

11 **1. Interpleader**

12 This is a procedurally correct interpleader suit under 28 U.S.C. § 1335. American General paid
13 the policy's death benefit into the court registry; it has no interest in the defendants' dispute or
14 how that money is divided between them; and no claim has been asserted against it. The court will
15 therefore discharge American General from liability with respect to the interpleaded funds and will
16 dismiss the insurer from this case with prejudice.

17
18 **2. Fees and Costs 1 — No “Duty to Further Investigate”**

19 “With respect to American General's motion for attorney's fees,” the Trustee writes,
20 “American General has a duty under the terms of the policy to determine the proper beneficiary.
21 American General is not entitled to shift the cost of making that determination onto the
22 beneficiaries”⁹

23 _____
24 ³ ECF No. 64 at 11.
25 ⁴ *Id.* at 11.
26 ⁵ *Id.* at 12.
27 ⁶ *See, e.g., id.* at 9.
28 ⁷ *See generally* Trustee Resp. – ECF No. 68.
⁸ Hart Resp. – ECF No. 69 at 2, 4.
⁹ Trustee Resp. – ECF No. 68 at 2.

1 The Trustee cites no authority to support this assertion.¹⁰ Whatever American General’s
2 obligations under the policy, the Trustee fails to appreciate the legal consequences of this being an
3 interpleader suit. Within the interpleader context, the Trustee’s view does not comport with the
4 law. The Ninth Circuit has rejected an essentially identical argument:

5 We reject [the plaintiff]’s contention that [the insurer] should have investigated
6 further before interpleading. Interpleader proceedings are pragmatic in nature and
7 should be resolved expeditiously. It is this ease and efficiency that makes
8 interpleader a valuable procedural device for insurers to resolve conflicting claims
9 upon the proceeds of an insurance policy. Requiring a stakeholder to investigate
10 further when an adverse claimant has already asserted a colorable claim against the
11 stake would diminish interpleader’s purpose of limiting litigation expenses.
12 Because [the other putative beneficiary] had a colorable claim to the insurance
13 proceeds, [the insurer] need not have expended additional time or resources trying
14 to assess the merits of his claim.

15 *Michelman v. Lincoln Nat’l Life Ins. Co.*, 685 F.3d 887, 898 (9th Cir. 2012) (citations and footnote
16 omitted). “This is not to suggest that a stakeholder *never* has a duty to investigate an adverse claim
17 before interpleading.” *Id.* at 898 n. 5. It is, however, beyond real dispute that American General
18 faced competing “colorable” claims by the Trustee and the Harts. As in *Michelman*, the court
19 “hold[s] only that, under the facts of this case, [American General] had sufficient information in
20 its possession to verify the existence of a colorable claim when it decided to interplead.” *Id.*

21 **3. Fees and Costs 2 — Cost of Doing Business**

22 The court is sympathetic to American General’s request for fees and costs. The insurer has
23 been in this case for an abnormally long time. “As with attorney fee awards in other contexts,”
24 though, whether to award such fees in an interpleader suit, and how much to award, are decisions
25 “committed to the sound discretion of the court, based upon the equities in the particular case.” B.
26 O’Connell and K. Stevenson, *Fed. Civil Proc. Before Trial* ¶ 10:205 (2017) (citing *Septembertide*
27 *Pub’g, B.V. v. Stein & Day, Inc.*, 884 F.2d 675, 683 (2nd Cir. 1989); *Murphy v. Travelers Ins. Co.*,
28 534 F.2d 1155, 1164 (5th Cir. 1976)). Here, the requested fees and costs (more than \$12,000)
would wipe out the relatively small corpus (approximately \$5000) and so would obliterate the

¹⁰ *Id.* at 2–3.

1 whole purpose of the life-insurance policy. The court agrees that the Harts might have been more
2 helpful in bringing this case to a point where American General could have been discharged
3 sooner. Still, in these particular circumstances, the court thinks that the more broadly equitable
4 course is to chalk the fees up to the insurer’s cost of doing business. *See Metropolitan Life Ins. Co.*
5 *v. Mitchell*, 966 F. Supp. 2d 97, 105 (E.D.N.Y. 2013).

6

7 **4. No Proof of Collusion**

8 There is no proof before this court that American General colluded with any party in bringing
9 this interpleader suit.

10

11 **5. Injunction**

12 American General also asks the court to permanently enjoin the defendants from suing it in
13 federal or state court in an action that makes a claim to the interpleaded funds.¹¹ This is a proper
14 request. “Pursuant to 28 U.S.C. § 2361, the Court is empowered to discharge a plaintiff from
15 further liability in any civil interpleader action.” *Advantage Title Agency, Inc. v. Rosen*, 297 F.
16 Supp. 2d 536, 539 (E.D.N.Y. 2003) (citing authorities); *see, e.g., Auto Parts Mfg. Mississippi, Inc.*
17 *v. King Const. of Houston, L.L.C.*, 782 F.3d 186, 191–92 (5th Cir.), *cert. denied sub nom. Noatex*
18 *Corp. v. Auto Parts Mfg. Mississippi Inc.*, 136 S. Ct. 330, 193 L. Ed. 2d 230 (2015) (affirming
19 injunction on district court’s determination that stakeholder was “disinterested . . . , had deposited
20 the interpleader funds, and that there were adverse claims to the fund”).¹² This injunction extends

21

22 ¹¹ ECF No. 64 at 12.

23 ¹² Section 2361 provides:

24 In any civil action of interpleader or in the nature of interpleader under section
25 1335 of this title, a district court may issue its process for all claimants and enter its
26 order restraining them from instituting or prosecuting any proceeding in any State or
27 United States court affecting the property, instrument or obligation involved in the
interpleader action until further order of the court. Such process and order shall be
returnable at such time as the court or judge thereof directs, and shall be addressed to
and served by the United States marshals for the respective districts where the
claimants reside or may be found.

28 Such district court shall hear and determine the case, and may discharge the
plaintiff from further liability, make the injunction permanent, and make all

1 only to claims to the interpleaded funds. The funds are the only thing within the court’s
2 interpleader jurisdiction; so the court cannot enjoin all claims that somehow relate to the policy.
3 *See U.S. Fire Ins. Co. v. Asbestospray, Inc.*, 182 F.3d 201, 211 (3d Cir. 1999) (citing authorities);
4 B. O’Connell and K. Stevenson, *Fed. Civil Proc. Before Trial* ¶ 10:196 (2017) (“Any injunction . . .
5 . . . is limited to the funds or property interpleaded and cannot resolve other claims not within the
6 subject matter of the interpleader.”); Motion – ECF No. 64 at 12 (asking to enjoin any suit
7 “seeking any relief . . . whatsoever under and/or based upon the Policy”). The court will issue the
8 appropriate injunction.

9
10 **6. Remand**

11 The defendants agree that, upon American General’s discharge, this case should be remanded
12 to the Superior Court of California for the County of San Mateo.¹³ The clerk of court is directed to
13 take all appropriate steps to effect that remand.

14
15 **CONCLUSION**

16 This is a proper statutory-interpleader suit. There is no proof that American General colluded
17 with any party in filing this suit. The court therefore dismisses American General from this case
18 with prejudice. This discharge releases American General from liability based upon its handling of
19 the death benefit under the policy. The court denies the insurer’s request for fees and costs.

20 The defendants are permanently enjoined from suing American General, in state or federal
21 court, to the extent that such suit makes any claim against American General for the policy’s death
22 benefit, or that otherwise “affect[s] the property . . . involved in [this] interpleader action.” *See* 28
23 U.S.C. § 2361. The defendants may not file any such suit without first obtaining an order from this
24 court. *Id.*

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27 appropriate orders to enforce its judgment.
28 28 U.S.C. § 2361.

¹³ ECF No. 60.

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The clerk of court is directed to take all steps needed to remand this case to the Superior Court of California for the County of San Mateo.

This disposes of ECF Nos. 60 and 64.

IT IS SO ORDERED.

Dated: April 7, 2017



LAUREL BEELER
United States Magistrate Judge