

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

| | | |
|-------------------------|---|---------------------|
| KARI MARIE REYES | : | CIVIL ACTION |
| | : | |
| v. | : | |
| | : | |
| TANYA CHASAR | : | No. 11-6988 |

Norma L. Shapiro, J.

April 29th, 2013

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This is an interpleader action brought to determine the beneficiary or beneficiaries of a group life insurance policy issued by Reliance Standard Life Insurance Company (“Reliance”) to the International Brotherhood of Electrical Workers (IBEW) Pension Plans. The policy at issue insured the life of Robert Reyes (“decedent”). Upon decedent’s death in 2011, \$230,000 became payable under the policy. Competing claims were brought by Kari Marie Reyes (“Reyes”), Tanya Chasar (“Chasar”), and Helena Schaeffer (“Schaeffer”). Reliance deposited the contested amount into the court and interpleaded the claimants. The court conducted a non-jury trial on April 17, 2013. Based on evidence presented at trial and applicable law, the court enters the following findings of fact and conclusions of law in accordance with Federal Rule of Civil Procedure 52(a).

I. Background and Procedural History

Decedent was involved in a vehicle crash on March 29, 2011 and died as a result of his injuries on April 19, 2011. Decedent had designated as his life insurance policy’s beneficiaries: (1) Kari Marie Reyes, decedent’s wife; (2) Tanya Chasar, Reyes’s sister; and (3) Helena Schaeffer, decedent’s sister. Each of the beneficiaries was listed on the Designation of Beneficiary form to receive 100% of the proceeds. Reyes, whose name appears first on the

beneficiary designation form, claims that decedent meant for her to be the sole primary beneficiary of the policy, for Chasar to be the first contingent beneficiary, and for Schaeffer to be the second contingent beneficiary. Accordingly, Reyes claims all the proceeds. Chasar and Schaeffer, arguing that the proceeds were to be split equally, each claim one-third of the proceeds.

Reliance paid one-third of the proceeds to Reyes and filed this interpleader action on November 8, 2011 to resolve the claims to the remaining funds. Reliance deposited the remaining \$153,333.32 with the court and was dismissed from the action by stipulation of the parties on February 29, 2012. By order of September 28, 2012, the court realigned the parties, designating Reyes plaintiff and Chasar and Schaeffer defendants.

Two days before the non-jury trial, Schaeffer and Reyes reached a settlement and Schaeffer was dismissed from the action.

II. Findings of Fact

A. Stipulated Facts

The Reliance Standard Insurance Company Designation of Beneficiary form, which is at the center of these proceedings, was filled out by Kari Reyes and signed by Robert Reyes. At no time did decedent revoke, amend or otherwise change the Designation of Beneficiary form. The Designation of Beneficiary form is dated October 4, 2005. Ex. P-1.

Plaintiff was the wife of decedent at the time of his death on April 19, 2011.¹ No divorce action between plaintiff and decedent was pending at the time of his death or had been filed by either plaintiff or decedent subsequent to October 4, 2005.

¹ Although not a stipulated fact, Reyes acknowledged that she and decedent separated in 2009.

B. Additional Findings of Fact

Reyes was the only witness called at trial. Reyes testified credibly that it was her and her husband's custom for Kari Reyes to handle the mail, finances, and paperwork in the family at the time in question. Reyes worked about a mile from home and would go home during her lunch break to eat lunch, go through the mail, handle the household's paperwork, and complete other household chores. It was consistent with that custom that Reyes filled out the Designation of Beneficiary form on her husband's behalf.

A few months before the insurance form was completed, Kari and Robert Reyes had discussed their estate plans. They decided that if either one of them died, all of their assets should go to the other. If they both died, their assets and control of their estates should pass first to Chasar. If Chasar pre-deceased them, assets and control of the estate would go to Schaeffer. Plaintiff and the decedent decided on this because at the time Chasar was more financially stable than Schaeffer. Reyes did not discuss with decedent his specific intent regarding the beneficiaries of his life insurance policy, but filled out the form in keeping with the couple's estate plan. Plaintiff understood that by listing herself first, she would receive 100% of the proceeds upon decedent's death. If she predeceased her husband, Chasar would receive 100% of the proceeds. If they both predeceased Robert Reyes, Schaeffer would receive 100% of the proceeds.

Plaintiff introduced a number of documents as evidence of the joint estate plan. On July 19, 2005, plaintiff completed an enrollment form for life insurance through her job at Colonial Electric Supply. Ex. P-2. There were two lines available for plaintiff to designate the

beneficiaries, and plaintiff listed Robert Reyes, to receive 100%, and Tanya Chasar, also to receive 100%. Reyes testified that her intent was for Chasar to be a contingent beneficiary. Through her employer, plaintiff was also able to take out term life insurance policies on the lives of her husband and children. Plaintiff listed her husband's beneficiaries as: (1) Kari M. Reyes, 100%; (2) Tanya L. Chasar, 100%; (3) Helena F. Schaeffer, 100%. Plaintiff wrote: "As listed order." Plaintiff designated as her children's beneficiaries, herself, decedent, Chasar, and then Schaeffer, each to receive 100%. A form dated November 15, 2005 and submitted by plaintiff to add a term life insurance policy for her and decedent's newborn son, keeps these same beneficiary designations. Ex. P-4. Plaintiff wrote on this form above the beneficiary list: "Beneficiary in order."

Plaintiff also offered in evidence her Last Will and Testament, Ex. P-6, and that of her husband, Ex. P-7. Both of those documents were signed and dated March 15, 2005. Under decedent's will, decedent gave, upon his death, all of his personal property and all the residue of his estate to Reyes. If Reyes did not survive decedent, the residue of the estate was to be divided among the couple's children. If the children also did not survive, the residue of the estate was to be divided among a number of different individuals. Decedent's will appointed plaintiff as the executrix of his estate. If the plaintiff would not or could not serve as executrix, the will appointed Chasar and, after Chasar, Schaeffer. Plaintiff's will follows the same designations.

Plaintiff introduced decedent's Advance Medical Directive dated March 15, 2005. Ex. P-8. That directive allowed Reyes to make medical treatment decisions for decedent if decedent should be incompetent to do so. If Reyes was unable to make those decisions, the directive authorized Schaeffer to make those decisions for decedent.

Decedent's power of attorney, dated March 15, 2005, appointed Reyes as his attorney-in-fact. Ex. P-9. This power-of-attorney was never revoked.

Plaintiff also introduced in evidence a memorandum from the IBEW Pension Benefit Fund dated March 28, 2012. Ex. P-5. Through this fund, decedent had a pension with a \$12,000 death benefit. Attached to the memorandum is a Beneficiary Designation Form listing three beneficiaries: Reyes; Chasar; and Schaeffer. Plaintiff testified that she filled out this form and her husband signed it. The form is dated October 24, 2005. Next to the places for the names of the beneficiaries on that form are checkboxes for the IBEW member to complete. There are checkboxes to identify listed persons as "Mr," "Ms," or "Mrs," to specify the gender of listed persons, and to designate listed beneficiaries as either primary or contingent beneficiaries. These boxes had been marked with checkmarks, and all three beneficiaries had been designated primary beneficiaries. Plaintiff filled out this form and saw decedent sign it on October 24, 2005. The next day, decedent took the form in a sealed envelope. The union office was closed, so decedent slipped the envelope under the door of the Health and Wellness office. The form was signed by a notary or local union official the next day, October 25, 2005. Plaintiff did not check the boxes; she left all of the boxes blank. Plaintiff testified that she had been taught in grade school to mark boxes with an X, rather than with a checkmark, and that she had done so her whole life. All relevant checkboxes on all other exhibits offered by plaintiff were marked with an X rather than a checkmark. Plaintiff's intent when filling out the form and, according to plaintiff, decedent's intent in signing it, was for plaintiff to be the only primary beneficiary and for Chasar and Schaeffer to be contingent beneficiaries. Plaintiff believed the checkboxes were marked by a union worker without authorization from decedent. On cross-examination, plaintiff admitted that

she did not know who made the checkmarks or when they were made, and she does not have personal knowledge that her husband did not make or authorize the change.

Defendant introduced in evidence a letter from the IBEW pension fund to Robert Reyes, dated November 15, 2005. Ex. D-2. The letter confirms receipt of decedent's Beneficiary Designation Form and lists the beneficiaries as Schaeffer, Reyes, and Chasar. Plaintiff had not seen this letter before her husband's death. Plaintiff almost always retrieved and opened the mail and handled all of the paperwork in the household; plaintiff did not see the letter when it was sent in 2005. If she had, plaintiff said she would have immediately called IBEW and corrected the error, because it clearly listed the beneficiaries out of order.

Plaintiff did not know what the terms "primary" or "contingent" meant. She assumed that by listing the beneficiaries in a particular order and by noting that each beneficiary should receive 100% of the proceeds, she was creating "different levels" of beneficiaries - that is, contingent beneficiaries.

Defendant called no witnesses and introduced only exhibit D-2. Defendant argued that the most probative evidence of decedent's intent was the designation of beneficiaries for the pension fund. That death benefit was divided between Reyes, Chasar, and Schaeffer equally. Plaintiff argued that the pension fund form was not probative because it had been altered by a union official. Plaintiff filled out all of the forms and decedent signed them with the intent to follow the estate plan they created in April 2005.

Kari Reyes was a credible witness and her testimony was uncontested for plaintiff.

III. Discussion

Federal law controls the court's interpretation of the Designation of Beneficiary form because the relevant insurance plan is governed by ERISA. *See In re New Valley Corp.*, 89 F.3d 143, 149 (3d Cir. 1996). When the terms of a contract are ambiguous, a court may consider extrinsic evidence to determine the meaning of the contract. *Id.* at 150.

The Designation of Beneficiary form that is the subject of this action is ambiguous. The form states that the percentages for each primary beneficiary must total 100%. As filled out, the total percent to be received by the primary beneficiaries would be 300% of the death benefit. The court finds the exhibits offered into evidence concerning plaintiff's and decedent's estate plan relevant to determining decedent's intent in signing the Designation of Beneficiary form in dispute. Those exhibits all date from March through November 2005 and are relevant to decedent's intent when he signed the subject form in October 2005.

Decedent's intent in filling out the IBEW Pension Fund beneficiary designation form is unclear. Although the boxes are checked designating all three beneficiaries as primary beneficiaries, Reyes did not check those boxes. There was no evidence suggesting that decedent checked those boxes or that he authorized someone else to check them, and Reyes handled all paperwork in the family. Because decedent's intent in signing that pension form (Ex. P-5) is unclear, the court draws no inferences based on that form.

The court finds that it was the mutual intent of plaintiff and decedent in creating an estate plan that if one of them should die, all property, assets, and benefits and control of the estate would transfer to the other spouse under their wills. In case both plaintiff and decedent died, they designated contingent beneficiaries of the estate and their insurance policies.

The evidence demonstrates that plaintiff and decedent did not understand the terms “primary beneficiary” and “contingent beneficiary.” Plaintiff made the same mistake in filling out her own insurance forms as those of her husband. Plaintiff convincingly testified to her intent in signing her own insurance forms. The court finds that decedent had the same intent to abide by his estate plan when he signed his Designation of Beneficiary form prepared by his wife. Decedent intended for Reyes to be the sole primary beneficiary of his life insurance policy. If Reyes predeceased decedent, the insurance benefits should pass to Chasar. If both Reyes and Chasar predeceased the decedent, the insurance benefits should pass to Schaeffer.

IV. Conclusions of Law

The life insurance benefits deposited with the court should be distributed according to the intent of the decedent in signing the Designation of Beneficiary form. Because decedent’s intent was for Kari Reyes to be the sole primary beneficiary, plaintiff is entitled to the full amount of the insurance proceeds.

Reformation of the contract is an appropriate remedy in this action; the mistake of the drafter of the contract must be corrected to reflect the intent of decedent. *See Int’l Union of Elec., Elec., Salaried, Mach. & Furniture Workers, AFL-CIO v. Murata Erie N. Am., Inc.*, 980 F.2d 889, 907-08 (3d Cir. 1992) (allowing reformation of an ERISA contract under the scrivener’s error doctrine).

Judgment will be entered accordingly.

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JUDGMENT ORDER

AND NOW, this 29th day of April, 2013, following a non-jury trial on April 17, 2013, it is **ORDERED** that:

1. Judgment is entered in favor of plaintiff, Kari Marie Reyes, and against defendant, Tanya Chasar, in the amount of \$76,666.66.
2. The funds in dispute having been deposited with the registry of court, the Clerk of Court shall issue a check made payable to Kari Marie Reyes and the Law Offices of William L. Goldman, P.C., in the amount of \$153,333.32, plus interest accrued. Plaintiff shall distribute the funds in accordance with this judgment and the terms of the settlement agreement and stipulation between plaintiff and defendant Helena Schaeffer.
3. The Beneficiary of Designation form signed by Robert Reyes and dated October 4, 2005 is reformed to list Kari Marie Reyes as the sole primary beneficiary, Tanya Chasar as the first contingent beneficiary, and Helena Schaeffer as the second contingent beneficiary.

/s/ Norma L. Shapiro

J.