

Save The Date... To Update Beneficiary Designations

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Life insurance may offer an individual peace of mind. Primarily, knowing that loved ones will be provided for in the event of an unexpected passing is invaluable. Such is true at any stage in life, but for young families in particular, life insurance is often a core component of their estate plan. In the case of [Fox v. Lincoln Fin. Group](#), N.J. Super. (App.Div. Feb. 24, 2015), a recently published opinion of the New Jersey Appellate Division makes clear there is one more item to add to every newlywed's to-do list: change your beneficiary designations.

Anyone that has purchased life insurance directly, or was provided a policy through their employer, will likely remember filling out the beneficiary designation. Simply, it is both a moment to reflect on the most important people in your life and the time to grant individuals a legal right to receive the policy proceeds.

Subsequently changing those beneficiary designations is not an especially time consuming or complex task. Nevertheless, it is often an afterthought or just the last item on the to-do list. This delay, however, may create real problems or conflict for loved ones following an accidental or unexpected death.

In [Fox v. Lincoln Fin. Group](#), the Plaintiff went from newlywed to widow in less than four months after her husband's fatal car accident. The husband owned a life insurance policy with a \$100,000 death benefit. However, this was his second marriage. Following his divorce from his first marriage, he updated the beneficiary designations on his policy to replace his ex-wife with his sister. At the time of the husband's death, however, his sister remained the designated beneficiary. Not surprisingly, both the plaintiff and the late husband's sister sought to collect the policy proceeds following his death.

The headline to take away from [Fox](#) is that marriage will not create a presumptive right to a spouse's life insurance benefits. The Court found that the beneficiary designation will control regardless of

whether it was completed before the marriage. Newlyweds beware. If you do not update your beneficiary designations, your spouse will not automatically benefit under your life insurance policy.

Beyond the headline, the opinion provides an excellent analysis of the law in New Jersey and lays out general guideposts any insured individual should understand about her life insurance policy. Continue reading below to see how certain life events may, or may not, automatically change who will collect policy proceeds and why the Court was not swayed by the Plaintiff's argument in Fox.

General Rule: New Jersey treats a designated beneficiary's interests under a life insurance policy as a vested property right. For that reason, typically only a change of beneficiary designation pursuant to the life insurance policy will be sufficient to divest that right. See *DeCeglia v. Estate of Colletti*, 265 N.J. Super. 128, 133 (App. Div. 1993).

A Slight Qualifier: "Substantial compliance" with the policy's prescribed method to change a beneficiary can offer a safe harbor. The insured must make every reasonable effort to change the beneficiary for this to be applicable. See *Haynes v. Metro. Life Ins. Co.*, 166 N.J. Super. 306, 313 (App. Div. 1979).

Nevertheless, an individual who is listed as the designated beneficiary will rarely be denied the right to receive policy proceeds, even where the insured genuinely did intend to make a change. Think about it. In order to substantially comply with the policy's method of changing a beneficiary – but still actually fail to make the change – is just an unlikely scenario. According to our courts, even telling your insurance agent you want to make the change will be insufficient without further documentation. *Ibid.*

Divorce is the Exception: When spouses divorce and enter into a property-settlement agreement, unless the terms dictate otherwise, then "[s]uch a settlement agreement and waiver of interest in the property of the deceased spouse should be regarded as presumptively revoking the nonprobate transfer of insurance proceeds." *Vasconi v. Guardian Life Ins. Co. of Am.*, 124 N.J. 338 (1991). N.J.S.A. 3B:3-14 further provides that divorce will automatically revoke a disposition of property made to a former spouse in a revocable governing instrument.

In Fox, the plaintiff sought to rely on Vasconi as support for the Court to create a similar, albeit reverse, presumption. In other words, should entering into a marriage create the presumption that an insured intends to name their new spouse as the designated beneficiary on his or her life insurance policy? The Court's answer was a resounding no, and it left any such change in policy for the Legislature.

N.J.S.A 3B:5-15 provides firm cover for the Court to deny plaintiff's request. Therein, the Legislature deemed an intestate share is appropriate for a surviving spouse if they were unintentionally omitted from their spouse's premarital Will. The rebuttable presumption being a decedent would have provided for their spouse if the Will was executed after the marriage. However, the statute applies only to Wills and has no effect on non-probate assets (such as life insurance). Was that a legislative oversight? Not according to the Court, and the Legislature is free to expand the statute if they so desire.

In New Jersey getting married, unlike divorcing, bears no effect on who receives one's life insurance proceeds. The perfect time to consider your estate plan is in anticipation of a major life event, like getting married. Save the date to update your life insurance beneficiary designations and revisit your estate plan.