

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division

MINNESOTA LIFE INSURANCE COM-
PANY,

Plaintiff,

v.

MELISSA D. ALEXANDER, *et al.*,

Defendants.

Civil No. 2:22cv207

ORDER

Pending before the Court is a Motion to Enjoin Defendants and to Discharge, Reimburse and Dismiss Plaintiff (the “Motion”) by Plaintiff MINNESOTA LIFE INSURANCE COMPANY (“Minnesota Life”). ECF No. 37. In the Motion, Plaintiff requests that the Court enter an order (a) restraining Defendants from instituting or prosecuting any other proceeding in any State or United States court affecting the benefits; (b) discharging Minnesota Life from any further liability; (c) reimbursing Minnesota Life for its fees and costs incurred in connection with this interpleader; and (d) dismissing Minnesota Life with prejudice from this action. Mem. Supp. Mot. at 1–2, ECF No. 38 (“Mem. Supp.”). For the following reasons, the Motion (ECF No. 37) is **GRANTED in part** and **DENIED in part**.

I. BACKGROUND

A. Facts

On May 16, 2022, Plaintiff Minnesota Life filed a complaint against Defendants Melissa D. Alexander, Jare' Peoples, Zion Malcolm Alexander, and Marcia Gayle to interplead benefits in excess of \$500.00. Compl. ¶ 1, ECF No. 1. Plaintiff is incorporated in Minnesota and has its principal place of business in Minnesota. *Id.* ¶ 2. Defendants Melissa D. Alexander, Jare' Peoples, and Zion Malcolm Alexander are citizens of Virginia, and Defendant Marica Gayle is a citizen of New York. *Id.* ¶¶ 3–4; Am. Answer of M. Gayle ¶ 4, ECF No. 32. The action involves life insurance benefits (the “Benefits”) payable as a result of the death of Gary L. Alexander (the “Insured”) under a Group Term Basic Life Insurance Policy, Policy No. 29413-G, that Minnesota Life issued to the Board of Trustees of the Virginia Retirement System (the “Group Policy”). Compl. ¶ 5, ECF No. 1. The Benefits total \$114,000, plus applicable interest. *Id.*

The Group Policy provides, in part:

We will pay the death benefit upon due proof that an individual died while insured under this policy.

...

Payment of the death benefit will extinguish our liability under the certificate for which the death benefit was paid.

...

We will pay the death benefit to the beneficiary or beneficiaries. A beneficiary is named by an insured to receive the death benefit to be paid at the insured's death. The insured may name one or more beneficiaries.

...

If there is more than one beneficiary, each will receive an equal share, unless the insured has requested another method in writing. To receive the death benefit, a beneficiary must survive the insured. In the event a beneficiary does not survive the insured, that beneficiary's portion of the death benefit shall be equally distributed to the remaining surviving beneficiaries.

Id. ¶ 10.

The Insured died on January 22, 2022 while residing in Chesapeake, Virginia.

Id. ¶ 11. His Certificate of Death indicates that he was married to Defendant Melissa D. Alexander. *Id.* The death of the Insured entitles the right and proper beneficiary or beneficiaries under the Group Policy to the Benefits in the amount of \$114,000, plus applicable interest. *Id.* ¶ 12. After it was notified of the Insured's death, Minnesota Life obtained from the Virginia Retirement System (the "VRS") a copy of a New Member Enrollment Form (Exhibit 1 of the Complaint) by the Insured, dated March 17, 2000, in which he named his spouse, Defendant Melissa D. Alexander, as his sole primary beneficiary for any benefits due under the Group Policy because of his death.

Id. ¶ 13.

Minnesota Life also obtained from the VRS a copy of a Designation of Beneficiary form (Exhibit 2 of the Complaint), dated September 3, 2020, purportedly signed by the Insured. *Id.* ¶ 14. This Designation of Beneficiary form did not expressly revoke his previous beneficiary designations for any benefits due under the Group Policy as a result of his death. *Id.* However, it purports to name Defendant Jare' Peoples as a 25% beneficiary, Defendant Zion Malcolm Alexander as a 25% beneficiary, and Defendant Maria Gayle as a 50% beneficiary for any such benefits. *Id.* The Designation of Beneficiary form indicates that Defendant Maria Gayle is a primary

beneficiary. *Id.* It does not describe Defendant Jare' Peoples or Defendant Zion Malcolm Alexander as either primary or contingent beneficiaries. *Id.* Defendant Melissa D. Alexander is not included as a beneficiary on the form. *Id.*

On March 17, 2022, Defendant Melissa D. Alexander disputed the Designation of Beneficiary form by email. *Id.* ¶ 15. She asserted that the Insured had lost the capacity to make such beneficiary designation before September 3, 2020, the date on the document. *Id.* She also provided copies of certain pleadings, reports, and an order in a civil proceeding for the appointment of a guardian and conservator for the Insured in the Circuit Court of Chesapeake, Virginia, styled *In re Gary Lee Alexander*, Case No. CL20-4290. *Id.* Minnesota Life sent a letter dated April 11, 2022 to Defendants Melissa D. Alexander, Jare' Peoples, Zion Malcolm Alexander, and Marcia Gayle to inquire if a voluntary settlement of the conflicting claims among them was possible. *Id.* ¶ 16. Minnesota Life has not received notice of any such settlement. *Id.*

B. Procedural History

On May 16, 2022, Plaintiff Minnesota Life filed a Complaint against Defendants Melissa D. Alexander, Jare' Peoples, Zion Malcolm Alexander, and Marcia Gayle in this interpleader action. ECF No. 1. Pursuant to the Court's May 17, 2022 Order (ECF No. 6), Minnesota Life deposited the Benefits plus interest in the amount of \$114,944.79 with the Court on May 24, 2022 (ECF No. 7). On August 5, 2022, Defendant Marcia Gayle filed a *pro se* Answer to the Complaint (ECF No. 16) and Defendant Melissa D. Alexander filed an Answer to the Complaint and a Crossclaim against Defendant Marcia Gayle (ECF No. 17). Ms. Gayle later obtained counsel and filed a

First Amended Answer and Crossclaim on October 5, 2022. ECF No. 32. Mr. Peoples filed an Answer on October 5, 2022 after the Court directed the clerk to remove the entry of default against him. ECF No. 33. On November 16, 2022, Minnesota Life filed the instant Motion to Enjoin Defendants and to Discharge, Reimburse and Dismiss Plaintiff. ECF No. 37. On November 29, 2022, Defendant Marcia Gayle filed a response indicating that she opposes Minnesota Life's request for reimbursement but does not oppose the other requests. ECF No. 42. On November 30, 2022, Defendant Melissa Alexander filed a response indicating the same. ECF Nos. 43 and 44. Defendant Jare' Peoples did not file a response. Minnesota Life filed a reply on December 2, 2022. ECF No. 45. The Court has determined that a hearing on the Motion is unnecessary, as the issues for decision are adequately presented in the briefs. *See* E.D. Va. Local Civ. R. 7(J). The Motion is ripe for adjudication.

II. LEGAL STANDARDS

A. Interpleader Action

28 U.S.C. § 1335(a) provides that a district court has original jurisdiction over any civil action of interpleader filed by a firm or corporation, having in its custody money or property of the value of \$500 or more, or having issued an insurance policy of \$500 or more, if: (1) two or more adverse claimants, of diverse citizenship, are claiming to be entitled to such money or property, or to any one or more of the benefits arising by virtue of the policy; and (2) the plaintiff has deposited such money or property or has paid the amount of the loan or other value of such instrument or the amount due under such obligation into the registry of the court. 28 U.S.C. § 1335(a);

see Minn. Life Ins. Co. v. Webb, No. 1:13cv1242, 2014 WL 1681688, at *1 (E.D. Va. Apr. 7, 2014), *R. & R. adopted*, No. 1:13cv1242, 2014 WL 1686812 (E.D. Va. Apr. 28, 2014).

“Interpleader is a procedural device that allows a disinterested stakeholder to bring a single action joining two or more adverse claimants to a single fund.” *Sec. Ins. Co. of Hartford v. Arcade Textiles, Inc.*, 40 F. App’x 767, 769 (4th Cir. 2002). It is “an equitable remedy designed to protect the stakeholder from multiple, inconsistent judgments and to relieve it of the obligation of determining which claimant is entitled to the fund.” *Id.* (citing 4 James Wm. Moore et al., *Moore’s Federal Practice* § 22.02[1], at 22–8 to 22–9 (3d ed. 2001)). “An interpleader action typically involves two stages.” *Banner Life Ins. Co v. Jones*, No. 2:11cv63, 2011 WL 4565352, at *6 (E.D. Va. Sept. 29, 2011). First, the Court must determine “whether the stakeholder has properly invoked the court’s interpleader jurisdiction to compel the claimants to litigate their claims to the stake in one proceeding.” *Webb*, 2014 WL 1681688, at *5. If the Court determines that an interpleader is appropriate, it “may discharge the plaintiff from further liability” and enter an injunction restraining the claimants from litigating related actions in state or federal court. 28 U.S.C. § 2361. Second, the Court must “determine the respective rights of the claimants to the stake.” *Webb*, 2014 WL 1681688, at *5.

B. Injunction of Claimants and Discharge of Plaintiff

28 U.S.C. § 2361 provides that in any civil action of interpleader under 28 U.S.C. § 1335, a district court may enter an order restraining all claimants from

instituting or prosecuting any proceeding in any state or federal court affecting the property, instrument, or obligation involved in the interpleader action until further order of the Court. 28 U.S.C. § 2361. The Court may then “discharge the plaintiff from further liability” upon payment of funds into the court registry. *Id.*; *Webb*, 2014 WL 1681688, at *7. Federal courts in Virginia routinely invoke this section to enjoin claimants and discharge plaintiff insurance companies. *See, e.g., Webb*, 2014 WL 1681688, at *5–7; *Life Ins. Co. of Sw. v. Coleman*, No. 3:14cv799, 2015 WL 1469155, at *2 (E.D. Va. Mar. 30, 2015); *Transamerica Life Ins. Co. v. Sallome*, No. 3:14cv624, 2015 WL 222184, at *2 (E.D. Va. Jan. 14, 2015).

C. Reimbursement for Costs and Expenses in Interpleader

In an interpleader action, “an insurance company may recover its attorneys’ fees under the logic that it should not have to bear its own costs in trying to avoid ‘the possibility of multiple litigation.’” *Coleman*, 2015 WL 1469155, at *2 (quoting *Sun Life Assur. Co. of Canada v. Bew*, 530 F. Supp. 2d 773, 775 (E.D. Va. 2007)); *see also Trs. of Plumbers & Pipefitters Nat’l Pension Fund v. Sprague*, 251 F. App’x 155, 156 (4th Cir. 2007) (“[F]ederal courts have held that it is proper for an interpleader plaintiff to be reimbursed for costs associated with bringing the action forward.”). “The ultimate decision to grant reimbursement for those fees and costs remains in the Court’s discretion.” *Coleman*, 2015 WL 1469155, at *2.

III. ANALYSIS

Plaintiff Minnesota Life requests the following actions from the Court in its Motion: (1) an injunction preventing Defendants from instituting or prosecuting any

other proceeding in any state or federal court affecting the Benefits or Group Policy; (2) the discharge of Minnesota Life from any further liability; (3) the reimbursement of Minnesota Life in fees and costs incurred in connection with this action; and (4) the dismissal of Minnesota Life with prejudice from this action. Mem. Supp. at 1–2, 12. The Court reviews each request in turn.

A. Minnesota Life properly brought the interpleader action.

As an initial matter, Minnesota Life asserts that it has properly brought this interpleader action because the Court has jurisdiction under 28 U.S.C. § 1335(a) and two or more adverse claimants asserted that they were entitled to the Benefits. Mem. Supp. at 7–8. Defendants do not oppose this statement. The Court agrees with Minnesota Life. First, Minnesota Life is a corporation that had, in its custody or possession, the Benefits, which have a value of \$500 or more. Second, there are at least two adverse claimants of diverse citizenship, as defined in 28 U.S.C. § 1332—Defendants Melissa Alexander (Virginia) and Marcia Gayle (New York)—who each claim an entitlement to the Benefits under the Group Policy. Third, Minnesota Life has deposited the Benefits with the Court. *See* Interpleader Deposit, ECF No. 7. As a result, the Court has jurisdiction under 28 U.S.C. § 1335(a).

Additionally, an interpleader is appropriate. Defendant Marcia Gayle contends that the Insured was of sound mind and that the Designation of Beneficiary form, dated September 3, 2020, is clear, whereas Defendant Melissa Alexander disputes the Designation of Beneficiary form by asserting that the Insured lost the capacity to make such a designation prior to September 3, 2020. Mem. Supp. at 8. The Court does not find any equitable concerns to prevent Minnesota Life from using an interpleader,

nor do Defendants assert any. As such, the Court finds that Minnesota Life properly brought the interpleader action.

B. Defendants are enjoined from instituting or prosecuting any proceeding affecting the Benefits or Group Policy in any state or federal court.

Minnesota Life requests that the Court enjoin Defendants from filing any other lawsuit relating to the Benefits or the Group Policy in any state or federal court. Mem. Supp. at 9. Defendants do not object to this request. As such, the Court shall enjoin Defendants from instituting or prosecuting any proceeding affecting the Benefits or Group Policy in any state or federal court under 28 U.S.C. § 2361.

C. Minnesota Life is discharged and dismissed from this action.

Minnesota Life further requests to be discharged and dismissed from this interpleader action. Mem. Supp. at 10. Defendants do not object to Minnesota Life's request. As such, the Court shall dismiss Minnesota Life from this case, as permitted by 28 U.S.C. § 2361.

D. Minnesota Life shall not be reimbursed for its costs and expenses.

Finally, Minnesota Life requests that Defendants reimburse Minnesota Life for its costs and expenses. Mem. Supp. at 10. Defendants Gayle and Alexander filed responses indicating that they oppose the request for reimbursement. Defendant Gayle argues that Minnesota Life should not be reimbursed because the costs and expenses associated with this action are part of an insurance carrier's ordinary course

of business. Gayle Resp. in Opp'n at 3, ECF No. 42. She cites to *Travelers Indemnity Co. v. Israel*, 354 F.2d 488 (2d Cir. 1965), for this proposition. *Id.*

Under the ordinary course of business exception, “courts need not award attorneys’ fees in interpleader actions where the fees are expenses incurred in the ordinary course of business.” *Met. Life Ins. Co. v. Mitchell*, 966 F. Supp. 2d 97, 104 (E.D.N.Y. 2013) (internal quotation marks and citation omitted). “This is particularly true in the case of insurance companies, where minor problems that arise in the payment of insurance policies must be expected and the expenses incurred are part of the ordinary course of business.” *Id.* (internal quotation marks and citation omitted); *see also Travelers Indem.*, 354 F.2d at 490 (“We are not impressed with the notion that whenever a minor problem arises in the payment of insurance policies, insurers may, as a matter of course, transfer a part of their ordinary cost of doing business of their insureds by bringing an action for interpleader.”).

The Fourth Circuit has not addressed whether it endorses the ordinary course of business exception first promulgated in *Travelers Indemnity*. *See Minn. Life Ins. Co. v. Bird*, No. 2:09cv621, 2010 WL 11700312, at *3 n.2 (E.D. Va. Sept. 10, 2010). Courts in this district routinely grant attorneys’ fees in interpleader actions if the court deems the request reasonable. *See, e.g., id.* at *3–4; *Prudential Ins. Co. of Am. v. Nguyen*, No. 2:16cv670, 2018 WL 648361, at *3–4 (E.D. Va. Jan. 31, 2018); *Coleman*, 2015 WL 1469155, at *2–3; *Sallome*, 2015 WL 222184, at *2–3. However, some courts in this circuit have applied the ordinary course of business exception. *See Metro. Life Ins. Co. v. Holding*, 293 F. Supp. 854, 858 (E.D. Va. 1968) (declining to

award attorney fees and costs because the Court found that the filing of the interpleader by the insurance carrier was a part of its ordinary course of business); *Lincoln Nat'l Life Ins. Co. v. Chico Girls II, LLC*, No. 1:16cv214, 2017 WL 1591886, at *5 (N.D.W. Va. Apr. 28, 2017) (same); *Lincoln Nat'l Life Ins. Co. v. Simpkins*, No. 2:08cv1188, 2009 WL 2996603, at *3 (S.D.W. Va. Sept. 11, 2009) (same); *In re Watson Seafood & Poultry Co., Inc.*, 66 B.R. 635, 637–38 (Bankr. E.D.N.C. 1986) (same). Additionally, other circuit courts have applied this exception or found no abuse of discretion in a district court's application of this exception. *See, e.g., Travelers Indem.*, 354 F.2d at 490; *Clark v. Paul Revere Life Ins. Co.*, 417 F.2d 683, 686 (8th Cir. 1969); *Aaron v. Mahl*, 550 F.3d 659, 667 (7th Cir. 2008); *see also In re Mandalay Shores Co-Op Hous. Ass'n, Inc.*, 21 F.3d 380, 382–84 (11th Cir. 1994) (accepting the ordinary course of business exception but finding that the bankruptcy court's conclusion that banks universally may not be compensated for interpleader suits was overly broad). "At bottom, it is within the Court's discretion whether to award fees and costs." *Bird*, 2010 WL 11700312, at *3 n.2.

The Court is persuaded by the reasoning in *Travelers Indemnity* and finds that the requested costs and expenses are part of Minnesota Life's ordinary cost of business. This Court acknowledges that its position is the minority view in this district. However, it is not convinced by Minnesota Life's argument, which would have the effect of allowing insurers, "as a matter of course, [to] transfer a part of their ordinary cost of doing business of their insureds by bringing an action for interpleader." *Travelers Indem.*, 354 F.2d at 490. In this Court's view, it is unreasonable to expect

claimants to shoulder the costs of an interpleader action brought by a plaintiff insurance company in the ordinary course of business. Claimants are typically not experts on insurance policies, insurance law, or legal processes more generally. Without legal representation, an average person likely would not know that an interpleader action may result in the loss of part of the insurance money to cover the insurance company's fees and expenses. By contrast, insurance companies like Minnesota Life are regularly in the business of insurance and are experts on the types of insurance policies they provide. They expect to encounter certain routine disputes between beneficiaries to an insurance policy and are aware of the legal and financial consequences that arise in the course of resolving these disputes.

The disparity in knowledge and expertise between Minnesota Life and Defendants is evident. Based on the Complaint and filings on the docket, it is not clear to the Court whether Defendants were on notice that failure to voluntarily settle the conflicting claims would result in an interpleader complaint filed in federal court. Defendant Gayle wrote to the Court twice expressing confusion about the case. *See* M. Gayle Answer at 1, ECF No. 16; Letter from M. Gayle at 2, ECF No. 26. Ms. Gayle subsequently engaged counsel through the Legal Aid Society of Eastern Virginia, a free legal services provider for low-income Virginians, approximately four months after the initial Complaint was filed. Neither Defendant Zion Malcolm Alexander nor Defendant Jare' Peoples retained counsel. Mr. Alexander wholly failed to make an appearance and is now subject to default judgment, and Mr. Peoples nearly defaulted as well. The Court finds that it would be contrary to the interests of justice, and

unreasonable, to require claimants to shoulder costs that Minnesota Life incurred in the ordinary course of business by filing this interpleader action.

Additionally, a district court in the Eastern District of Michigan aptly summarized the reasons against awarding attorney's fees and costs incurred in the ordinary course of business in interpleader actions:

“First, courts have found . . . that insurance companies should not be compensated merely because conflicting claims to the proceeds have arisen during the normal course of business.” [*Unum Life Ins. Co. of Am. v. Kelling*, 170 F. Supp. 2d [792] at 794 (M.D. Tenn. 2001)] (citing [*Sun Life Assurance Co. of Canada v. Thomas*, 735 F. Supp. [730] at 732 (W.D. Mich. 1990)]; *Prudential v. Baton Rouge*, 537 F. Supp. 1147, 1150–51 (M.D. Ga. 1982); *Minnesota Mut. Life Ins. Co. v. Gustafson*, 415 F. Supp. 615, 617–19 (N.D. Ill. 1976)). Second, courts have declined to follow the general rule where the stakeholder is an insurance company, reasoning that “insurance companies, by definition, are interested stakeholders and that filing of the interpleader action immunizes the company from further liability under the contested policy.” *Id.* (citing *Prudential*, 537 F. Supp. at 1150–51; *Western Life Ins. Co. v. Nanney*, 290 F. Supp. 687, 688 (E.D. Tenn. 1968); *Cogan v. United States*, 659 F. Supp. 353, 354 (S.D. Miss. 1987)). Lastly, “some courts have exempted insurance companies from the general rule based on the policy argument that such an award senselessly deplete[s] the fund that is the subject of the preservation through the interpleader.” *Id.* at 795 (citing *Paul Revere Life Ins. Co. v. Riddle*, 222 F. Supp. 867, 868 (E.D. Tenn. 1963); *Metro. Life Ins. Co. v. Jordan*, 221 F. Supp. 842, 844 (W.D.N.C. 1963); *Hunter v. Fed. Life Ins. Co.*, 111 F.2d 551, 556 (8th Cir. 1940); *Trustees of Directors Guild of Am. Producer Pension Benefit Plans v. Tise*, 234 F.3d 415, 426 (9th Cir. 2000)).

Allstate Life Ins. Co. v. Shaw, No. 15cv11761, 2016 WL 1640461, at *6 (E.D. Mich. Apr. 26, 2016). The Court finds these reasons persuasive and thus proceeds to review whether the costs associated with this interpleader are part of Minnesota Life's ordinary course of business.

Here, the Court concludes that the costs associated with this interpleader action are part of Minnesota Life's ordinary course of business. “Conflicting claims to

the proceeds of a policy are inevitable and normal risks of the insurance business.” *Companion Life Ins. v. Schaffer*, 442 F. Supp. 826, 830 (S.D.N.Y. 1977); *see also Unum Life Ins. Co. of America v. Scott*, No. 10cv538, 2012 WL 233999, at *3 (D. Conn. Jan. 24, 2012) (“[C]onflicting claims to the proceeds of insurance policies are normal risks of the insurance business and . . . the Plaintiffs’ interpleader action is brought primarily in their own self-interest.”). Defendants’ conflict regarding whether the Designation of Beneficiary form, dated September 3, 2020, superseded the New Member Enrollment Form, dated March 17, 2000, does not contain any complex legal issues. A review of Mr. Stephens’ affidavit and the invoice from Christian & Barton LLP indicates that Minnesota Life “did not incur any unique expenses in filing the present interpleader action that would exceed the ordinary cost of doing business as an insurance company.” *Mitchell*, 966 F. Supp. 2d at 105. The materials that Mr. Stephens prepared, including the Complaint, the Motion to Deposit Life Insurance Proceeds, and this Motion to Enjoin Defendants and to Discharge, Reimburse and Dismiss Plaintiff, are standard materials in interpleader cases involving competing claims to an insurance benefit. As such, this Court finds that Minnesota Life incurred its fees and costs in the ordinary course of business and declines to order Defendants to pay these fees and costs.

IV. CONCLUSION

For the foregoing reasons, the Motion to Enjoin Defendants and to Discharge, Reimburse and Dismiss Plaintiff (ECF No. 37) is **GRANTED in part** and **DENIED in part**. It is **ORDERED** that:

