Fed Program Preempts Virginia Death Benefits Statute

By Michelle Chapin

Virginia Code §20-111.1(A) and (D) revokes a beneficiary designation in any contract naming a former spouse as the beneficiary of death benefit proceeds. If the revocation is preempted by federal law, the statute stipulates that the former spouse is personally liable to the person who would have received the death benefit. This law was intended to prevent divorced individuals from inadvertently granting a windfall to an ex-spouse.

The Federal Employees' Group Life Insurance Act (FEGLIA) establishes the government's life insurance program for federal employees. Employees can designate a beneficiary to receive life insurance proceeds upon his or her death.

In Hillman v. Maretta, the decedent, a Virginia resident, named his spouse as beneficiary of his FEGLI policy. They subsequently divorced and he later remarried, but he failed to remove his ex-spouse as beneficiary of the policy. Upon his death, the life insurance proceeds were paid to the former spouse, and the widow sued the decedent's ex-wife under the Virginia statute.

The Supreme Court ruled on June 3 of this year that FEGLIA preempts the Virginia statute. As a result, the ex-spouse was entitled to the life insurance proceeds and the widow could not hold her personally liable under Virginia law. Considering the large number of Virginia residents who are federal employees, those individuals are reminded to update their FEGLI beneficiary designations upon divorce.

 | 4800 Hampden Lane, 6th Floor, Bethesda, MD 20814-2930 | 301-656-7603 | 301-654-7354 fax www.paleyrothman.com