

Murderers May Not Claim ERISA Benefits, According to Sixth Circuit

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Plan administrators should be aware that just because a principle is well-established under the law does not mean that people won't attempt to challenge it anyway. A good example of this is the slayer rule, which prohibits beneficiaries from collecting insurance proceeds if they killed the policyholder. In a recent case decided by the Sixth Circuit, *Standard Insurance Co. v. Guy*, a man named Joel Michael Guy, Jr. brutally murdered and dismembered his parents, then tried to claim the proceeds from his mother's employer-sponsored life insurance and accidental death and dismemberment policies, under which Guy and his father were named as the beneficiaries. Guy argued that despite Tennessee's state slayer statute, he should nevertheless be permitted to collect the proceeds because the plans were governed by ERISA, and ERISA preempts state laws where employee benefit plans are involved. The Sixth Circuit declined to rule on the preemption issue, determining that whether the state slayer statute is preempted or not, Guy would still be barred from collecting the insurance proceeds.

The Tennessee slayer statute states that "[t]he felonious and intentional killing of the decedent... [re]vokes any revocable...[d]isposition or appointment of property made by the decedent to the killer in a governing instrument." Therefore, if Tennessee law were to govern in this case, Guy would be disqualified from collecting the proceeds of his mother's plans. ERISA, however, "supersedes any and all State laws insofar as they...relate to any employee benefit plan," and the court opined that since this case concerns the designation of beneficiaries, which "plainly relates to" ERISA plans, there is no reason to apply state law. It therefore turned to federal law to determine whom the plan administrator should pay. While ERISA's text does not specifically address the slayer question, Guy argued that since ERISA mandates that employee benefit plans "be established and maintained pursuant to a written instrument" that specifies "the basis on which payments are made to and from the plan," and that plan fiduciaries act "in accordance with the documents and instruments governing the plan," the administrator must pay a slayer who is named as a beneficiary pursuant to the plan documents, where the plan does not specify how to handle a slayer scenario.

Although the court noted that there was some support in the case law for adhering to such a bright-line "pay-the-designated-beneficiary rule," which allows plan administrators to avoid having to make "factually complex and subjective determinations," it ultimately concluded that the rule is not absolute. For example, in cases of fraud or undue influence, the court has held that an administrator "must look beyond the beneficiary designation itself to determine whom to pay." This is because in such cases, we cannot be confident that a policyholder would have designated the same beneficiary had they known the true facts, and we do not want to allow a wrongdoer to profit from their wrong. The court reasoned that the slayer scenario is much like the fraud and undue influence scenarios, because had Guy's mother known the true facts (i.e., that her son was going to murder her), she

probably would not have made him the beneficiary of her policies, and allowing Guy to receive the benefits would allow a wrongdoer to profit from his wrong.

Determining that the statutory language of ERISA did not provide an answer to the slayer scenario, the court turned to federal common law, where federal courts have long considered the slayer rule to be “universal and near axiomatic in the insurance context,” citing cases dating back to the 19th century, and finding no indication that Congress intended for ERISA to upend this principle. There are some exceptions to the slayer rule, such as for beneficiaries who kill in self-defense or by accident. However, given that Guy was convicted of first-degree premeditated murder, the court concluded that none of the exceptions applied, and therefore, Guy was disqualified from benefitting from his mother’s ERISA plans.