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BREAKING NEWS ON ENHANCED LIFE ESTATE DEEDS!

Last spring, the Minnesota Court of Appeals issued a ruling of crucial importance to those of you who have “Lady Bird Deeds” (named after Ladybird Johnson and technically known as enhanced life estate deeds.) These deeds allow you (grantor on the deed) to retain title during life and designate a beneficiary who takes the property immediately upon death. There is no probate for that asset, and it does not need to go into a trust.

What has not been discussed up to now is the need for the beneficiary to be a named insured on the homeowner’s policy. In the Minnesota case, the grantor recorded an enhanced life estate deed. By the deed’s terms, the home belonged to the beneficiary upon grantor’s death. Six days after he died, the grantor’s ex-wife intentionally burned the house down. Grantor had insurance, but he *failed to name the beneficiary as a named insured on the policy*. The insurance company argued that because the beneficiary was not named on the homeowner’s policy, it did not have to pay the claim for the now destroyed house. And the insurance company won in court.

If you are receiving this letter, we prepared an enhanced life estate deed for you, and you should promptly consult your insurance agent for assistance in adding the beneficiary to the policy.