

Contracts Clause Permits Retroactive Minnesota Law Changing Life Insurance Beneficiaries

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In [Sveen v. Melin](#), Mark Sveen purchased a life insurance policy naming his wife, Kaye Melin, as the primary beneficiary, and his two children from a prior marriage as contingent beneficiaries, in 1998. In 2002, Minnesota enacted a law under which a divorce automatically removed a spouse as a beneficiary from such a policy. Sveen and Melin divorced in 2007, and their divorce did not address the policy. When Sveen died in 2011, Melin and the children litigated over who was entitled to the policy funds. The district court awarded the funds to the children, but the Eighth Circuit held that Minnesota's statute, applied retroactively, violated the Constitution's Contracts Clause, which prohibits the States from passing any law impairing the Obligation of Contracts. The Court, in an 8-1 opinion by Justice Kagan, resolved the circuit split over the issue and reversed, holding that Minnesota's law does not violate the Contracts Clause because it does not substantially impair pre-existing contractual arrangements, since it acts to preserve the policyholder's wishes, does not disturb the policyholder's expectations, and can be undone by the policyholder if desired. Justice Gorsuch filed a lone dissent, arguing that the choice of beneficiary was a, if not the, central term of any life insurance policy, and thus any State law changing that term would violate the Contracts Clause.

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