Imagine this scenario: husband buys life insurance and designates his wife as the beneficiary. A few years later the state adopts a revocation-upon-divorce statute applicable to life insurance beneficiaries which states that upon divorce the designation of a spouse as a life insurance beneficiary is revoked. A few years after that the couple divorces but the husband never changes his life insurance beneficiary. A few years after that the husband dies.

Is the ex-wife still the beneficiary?

In *Sveen v. Melin* [2] the Eighth Circuit said yes but the Supreme Court has decided to review the case.

The Contracts Clause of the U.S. Constitution prohibits state law “from impairing the Obligation of Contracts.”

The issue in the case is whether the application of a revocation-upon-divorce statute to a contract signed *before* the statute's enactment violates the Contracts Clause. The Eighth Circuit held that it does reasoning that the unconstitutionality of the statute turns on the policyholder’s rights and expectations.

In a previous case involving a similar Oklahoma statute the Eighth Circuit stated: “[the policyholder] was entitled to expect that his wishes regarding the insurance proceeds, as ascertained pursuant to this then-existing law, would be effectuated. By reaching back in time and disrupting this expectation, the Oklahoma legislature impaired [the policyholder’s] contract.”

The same reasoning applied in this case even though the statute and the facts of the cases weren’t identical, according to the Eighth Circuit. The husband’s expectation in this case at the time he signed the contract were his wife would be the beneficiary even if they divorced if he failed to remove her as the beneficiary.

The petition for certiorari [3] filed by the husband’s children, who are the contingent beneficiaries, indicates that about thirty states have revocation-upon-divorce statutes identical or similar to Minnesota.

By: Monday, December 18, 2017 at 02:43 PM
