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## Will U.S. Supreme Court Decision In Life Insurance Case Affect California's Limited Liability Company Law?

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Yesterday, the U.S. Supreme Court heard oral arguments in *Sveen v. Melin* (Case No. No. 16-1432). The case involved a dispute over life insurance proceeds between a decedent's former spouse and his children by a former relationship. After marriage, the decedent had designated his former spouse as the beneficiary of the policy. Later and while the decedent was still married, Minnesota enacted a statute providing "the dissolution or annulment of a marriage revokes any revocable ... beneficiary designation ... made by an individual to the individual's former spouse." Minn. Stat. § 524.2-804, subd. 1. After enactment of the statute, the decedent and his spouse divorced, but he did not change his beneficiary designation. The issue for the Supreme Court is whether Minnesota's revocation-on-divorce statute violates the "Impairment of Contracts" clause of the United States Constitution. Art. I, § 10, cl. 1.

The Supreme Court's decision in *Sveen* may affect thousands of limited liability companies formed under California's former limited liability company law - the Beverly-Killea Act. The problem has its genesis in the fact that the legislature failed to include a "savings clause" when it enacted the Beverly-Killea Act. Without such a "savings clause", the U.S. Constitution would appear to prohibit California from amending LLC contracts through subsequent legislation. This omission became a problem years later when the legislature enacted the current Revised Uniform Limited Liability Company Act and purported to make LLCs formed under the prior law subject to the new law. See [The Shades Of Samson Occum, Daniel Webster And John Marshall Haunt New LLC Act Bill](#).

Whatever the Supreme Court decides in *Sveen*, the decision will undoubtedly be cited in any litigation challenging the applicability of California's current LLC act to LLCs formed under the former Beverly-Killea Act. For an analysis of the oral argument in *Sveen*, see this [post](#) by Amy Howe.

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