

Stricken language would be deleted from and underlined language would be added to present law.

1 State of Arkansas *As Engrossed: H2/13/23 H2/27/23 S3/8/23 S3/27/23*

2 94th General Assembly

# A Bill

3 Regular Session, 2023

HOUSE BILL 1313

4

5 By: Representatives Hudson, Miller

6 By: *Senators R. Murdock, J. Dotson*

7

8

## For An Act To Be Entitled

9

AN ACT TO AMEND THE EXEMPTIONS OF LIFE INSURANCE

10

PROCEEDS FROM ACTIONS BY CREDITORS AND

11

REPRESENTATIVES; AND FOR OTHER PURPOSES.

12

13

14

## Subtitle

15

TO AMEND THE EXEMPTIONS OF LIFE INSURANCE

16

PROCEEDS FROM ACTIONS BY CREDITORS AND

17

REPRESENTATIVES.

18

19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

21

22

SECTION 1. Arkansas Code § 23-79-131(a)(1), concerning the exemption  
23 of life insurance proceeds from actions by creditors and representatives, is  
24 amended to read as follows:

25

(a)(1)(A) If a policy of insurance is effected by any person on his or  
26 her own life or on another life in favor of a person other than himself or  
27 herself or, except in cases of transfer with intent to defraud creditors, if  
28 a policy of life insurance is assigned or in any way made payable to the  
29 person, the lawful beneficiary or assignee of the policy, other than the  
30 insured or the person effecting the insurance or executors or administrators  
31 of the insured or the person effecting the insurance, shall be entitled to  
32 its proceeds and avails against the creditors and representatives of the  
33 insured and those of the person effecting the policy whether or not the right  
34 to change the beneficiary is reserved or permitted and whether or not the  
35 policy is made payable to the person whose life is insured, if the  
36 *beneficiary or assignee shall predecease such a person.*



1 (B) As used in this subsection, "proceeds and avails"  
2 means:

3 (i) The cash surrender value of a life insurance  
4 policy;

5 (ii) The proceeds of a life insurance policy;

6 (iii) The withdrawal value of any optional  
7 settlement or deposit with any company made under the terms of a life  
8 insurance policy; and

9 (iv) All other benefits, indemnities, payments, and  
10 privileges, of every kind from a life insurance policy.

11 (C) The exemption provided in subdivision (a)(1)(A) of  
12 this section applies to:

13 (i) Garnishment, attachment, execution, or other  
14 seizure;

15 (ii) Seizure, appropriation, or application by a  
16 legal or equitable process or by operation of law to pay a debt or other  
17 liability of an insured or of a beneficiary, either before or after the  
18 benefits are provided; and

19 (iii) A demand in a bankruptcy proceeding of the  
20 insured or beneficiary.

21 (D) The exemption provided in subdivision (a)(1)(A) of  
22 this section does not apply to:

23 (i) A pledge of the insurance policy or the proceeds  
24 of the insurance policy to secure an obligation for the repayment of debt in  
25 which the obligor is:

26 (a) The insured;

27 (b) The beneficiary

28 (c) A business entity in which the insured or  
29 the beneficiary held an ownership interest at the time the pledge was made;  
30 or

31 (d) A family member of the insured or the  
32 beneficiary;

33 (ii) A child support lien or levy;

34 (iii) A claim by the Department of Human Services  
35 against an estate under § 20-76-436; or

36 (iv) An insurance policy that has become an asset of

1 the insured.

2 (E) For purposes of the limitation on the personal  
3 property exemption stated in Arkansas Constitution, Article 9, § 2, "personal  
4 property" does not include life insurance proceeds that are payable:

5 (i) To a beneficiary other than the insured,  
6 including without limitation a charitable organization that qualifies as an  
7 exempt organization under 26 U.S.C. § 501(c)(3), as it existed on January 1,  
8 2023;

9 (ii) For a permitted business use; or

10 (iii) To the spouse, children, or dependents of the  
11 insured.

12  
13 /s/Hudson  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36