

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

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5 By: Representatives Hudson, Miller

6 By: Senators R. Murdock, J. Dotson

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For An Act To Be Entitled

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AN ACT TO AMEND THE EXEMPTIONS OF LIFE INSURANCE

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PROCEEDS FROM ACTIONS BY CREDITORS AND

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REPRESENTATIVES; AND FOR OTHER PURPOSES.

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Subtitle

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TO AMEND THE EXEMPTIONS OF LIFE INSURANCE

16

PROCEEDS FROM ACTIONS BY CREDITORS AND

17

REPRESENTATIVES.

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

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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:

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(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.

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/s/Hudson

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APPROVED: 4/11/23

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