

State Corporation Commission

2002 Fiscal Impact Statement

1. **Bill Number** HB1126

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Bryant

3. **Committee** Commerce and Labor

4. **Title** Insurance policies; creditors claims.

5. **Summary/Purpose:** House Bill 1126 seeks to incorporate in § 38.2 -3122 further protection for the insured by not subjecting the cash surrender or loan value of any insurance policy or annuity contract to a creditor's claims or the person effecting the policy or contract during the lifetime of such person, whether or not the policy or contract reserves to the insured or the person effecting the policy or contract the right to change the beneficiary during his lifetime. The policy or annuity must have been in force for five years or more and must have been effected by a person on his own life or on that of another person, in favor of a person other than himself. The exemption provided by this subsection shall not apply to any portion of the cash surrender value or annuity contract in excess of \$100,000 that accumulated during the twenty-four months preceding the date that the insured or person effecting the policy or contract (i) files a voluntary petition in bankruptcy, (ii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; or (iii) files a petition or answer seeking for himself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation if the creditor is named the beneficiary of the policy. House Bill 1126 addresses the creditor's claim by limiting the amount of the insured's indebtedness to the portion of the cash surrender or loan value of the policy or annuity if the creditor is named the beneficiary of the policy. § 38.2-3123 excepted the protections from creditor claims when the beneficiary was revocable.

6. **No Fiscal Impact on state agencies**

7. **Budget amendment necessary:** No

8. **Fiscal implications:** None

9. **Specific agency or political subdivisions affected:** State Corporation Commission
Bureau of Insurance

10. **Technical amendment necessary:** No

11. **Other comments:** Under current law in Virginia, the proceeds of a life insurance policy pass to the beneficiary (subject to certain requirements) free from the claims of creditors of the insured. House Bill 1126 would similarly protect the cash surrender or loan value of the life insurance policy from the claims of creditors (subject to certain requirements). Section 38.2 -3123, which is repealed by this bill, permitted the creditors

to go after the cash value or loan value if the beneficiary was not designated as irrevocable. Sections 38.2 -3124 and 38.2 -3125 are revised only to remove the reference to § 38.2-3123.

Date: 1/30/02 V. Tompkins

cc: Secretary of Commerce and Trade