



**Email this article**  
**Print this article**  
**Most popular pages**

**Click to send**  
**Click to print**  
**Today | This Week**

## Protected assets

Jun. 1, 2004 12:00 AM

A new Arizona law, House Bill 2324, provides expanded protection against lawsuits for the owners of annuities or cash-value life insurance policies. Some details:

- Arizona becomes the 40th state to provide full protection from creditors on the cash value of life policies and annuities. Before, such protection was capped at \$25,000.
- In terms of creditor protection, the law puts insurance assets on an equal footing with investments in 401(k) plans, Individual Retirement Accounts and similar vehicles.
- The legislation provides protection for insurance assets immediately, replacing a prior two-year wait.
- The law doesn't shield people who declare bankruptcy or pledge insurance or annuities as loan collateral.

**Email this article**  
**Print this article**  
**Most popular pages**

**Click to send**  
**Click to print**  
**Today | This Week**

PLEASE NOTE: In most BUT NOT ALL instances, the page and line numbering of bills on this web site correspond to the page and line numbering of the official printed version of the bills.

Senate Engrossed House Bill

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
Second Regular Session  
2004

## **HOUSE BILL 2324**

AN ACT

AMENDING SECTION 20-1131, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-1131.01; RELATING TO LIFE INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1



1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-1131, Arizona Revised Statutes, is amended to  
3 read:

4 20-1131. Exemption of life insurance proceeds and cash values  
5 from creditors

6 A. ~~When~~ IF a policy of life insurance is effected by any person on his  
7 THE PERSON'S own life or on another life in favor of ~~some~~ ANOTHER person  
8 other than himself having an insurable interest ~~therein~~ IN THE POLICY, or  
9 made payable by assignment, change of beneficiary or other means to a third  
10 person, the lawful beneficiary ~~thereof~~ or such third person, other than the  
11 person effecting the insurance or his THE PERSON'S legal representatives,  
12 ~~shall be~~ IS entitled to its proceeds against the creditors and  
13 representatives of the person effecting the ~~same~~ INSURANCE.

14 B. Subject to the statute of limitations, the amount of any premiums  
15 for insurance paid in fraud of creditors, with interest ~~thereon~~, shall inure  
16 to their benefit from the proceeds of the policy, but the insurer issuing the  
17 policy shall be discharged of all liability ~~thereon~~ ON THE POLICY by payment  
18 of the proceeds in accordance with its terms, unless before payment the  
19 insurer received written notice by or in behalf of some creditor, with  
20 specification of the amount claimed, claiming to recover for certain premiums  
21 paid in fraud of creditors.

22 C. For the purposes of subsection A, a policy shall also be deemed to  
23 be payable to a person other than the insured if and to the extent that a  
24 facility-of-payment clause or similar clause in the policy permits the  
25 insurer to discharge its obligation after the death of the individual insured  
26 by paying the death benefits to a person as permitted by ~~such~~ THE clause.

27 D. ~~Where~~ IF, for a continuous, unexpired period of two years, a policy  
28 of life insurance has named as beneficiary the insured's surviving spouse,  
29 child, parent, brother, sister or any other dependent family member, then, in  
30 event of bankruptcy ~~or in any proceeding~~ before any court in this state, the  
31 cash surrender value of the insurance, in the proportion that the policy  
32 names any such beneficiary, shall be exempt from claims and demands of all  
33 creditors, other than a creditor to whom ~~such~~ THE policy has been  
34 assigned, ~~providing such~~. THE exemption on all policies of life insurance  
35 relative to any debtor shall not exceed twenty-five thousand dollars except  
36 that, subject to the statute of limitations, the amount of any premiums paid  
37 in fraud of creditors, with interest ~~thereon~~, shall inure to their benefit  
38 from ~~such~~ THE cash surrender value. For the purposes of this ~~section~~  
39 SUBSECTION, "dependent" means a family member who is dependent ~~upon~~ ON the  
40 insured for not less than half support.