

ALASKA STATE HOUSE OF REPRESENTATIVES

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**Session**

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State Capitol
Room 214

REPRESENTATIVE JOHN COGHILL

Sponsor Statement CS to HB 101

"An Act exempting the full value of life insurance and annuity contracts from levy to satisfy a debt, and amending the description of earnings, income, cash, and other assets relating to garnishment of life insurance proceeds payable upon the death of an insured."

This bill will provide people with better security and planning for their families after they have passed on. This bill exempts the full value of life insurance and annuity contracts from levy or garnishment to satisfy a debt.

When fewer employers are offering retirement plans, the state can help offer families the opportunity to better plan for their future. People who are self-employed or working for an employer that does not offer a retirement plan can use annuities as a retirement plan and know that these funds are protected. With the uncertainty of social security, families need to be sure that they can provide for themselves and their survivors.

This bill encourages personal responsibility and protects the future of Alaskan families.

HOUSE BILL NO. 101

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE COGHILL

Introduced: 1/30/09

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act exempting the full value of life insurance and annuity contracts from levy to
2 satisfy unsecured debt, and amending the description of earnings, income, cash, and
3 other assets relating to garnishment of life insurance proceeds payable upon the death of
4 an insured."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 09.38.025(a) is amended to read:

7 (a) Except as provided in this section or AS 09.38.017, an individual is
8 entitled to exemption of unmatured life insurance and annuity contracts owned by the
9 individual. [IF THE CONTRACTS HAVE ACCRUED DIVIDENDS AND LOAN
10 VALUES AVAILABLE TO THE INDIVIDUAL AGGREGATING MORE THAN
11 \$10,000, A CREDITOR MAY OBTAIN A COURT ORDER REQUIRING THE
12 INDIVIDUAL DEBTOR TO PAY THE CREDITOR, AND AUTHORIZING THE
13 CREDITOR ON THE DEBTOR'S BEHALF TO OBTAIN PAYMENT OF, THE
14 AMOUNT OF THE ACCRUED DIVIDENDS AND LOAN VALUES IN EXCESS

1 OF \$10,000 OR THE AMOUNT OF THE CREDITOR'S CLAIM, WHICHEVER IS
2 LESS.]

3 * **Sec. 2.** AS 09.38.030(e) is amended to read:

4 (e) The following property, unless exempt without limitation under
5 AS 09.38.015 or 09.38.017, upon receipt by and while it is in the possession of the
6 individual, shall be treated as earnings, income, cash, or other liquid assets under this
7 section:

8 (1) benefits paid by reason of disability, illness, or unemployment;

9 (2) money or property received for alimony or separate maintenance;

10 (3) proceeds of insurance, a judgment, or a settlement, or other rights
11 accruing as a result of bodily injury of the individual or of the wrongful death or
12 bodily injury of another individual of whom the individual was or is a dependent;

13 (4) proceeds or benefits paid [OR PAYABLE] on the death of an
14 insured, if the individual was the spouse or a dependent of the insured; and

15 (5) amounts paid under a stock bonus, pension, profit-sharing, annuity,
16 or similar plan or contract, providing benefits by reason of age, illness, disability, or
17 length of service.

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SECTIONAL CS to HB 101

"An Act exempting the full value of life insurance and annuity contract from levy to satisfy a debt, and amending the description of earnings, income, cash, and other assets relating to garnishment of life insurance proceeds payable upon the death of an insured."

The change in the title makes the debt term broader so as to include other circumstances, besides unsecured debt, in which exemptions apply.

Section 1: AS 09.38.025 Exemption of unmatured life insurance and annuity contracts is amended to read:

- (a) Except as provided in this section or AS 09.38.017, an individual is entitled to exemption of unmatured life insurance and annuity contracts owned by the individual. [IF THE CONTRACTS HAVE ACCRUED DIVIDENDS AND LOAN VALUES AVAILABLE TO THE INDIVIDUAL AGGREGATING MORE THAN \$10,000, A CREDITOR MAY OBTAIN A COURT ORDER REQUIRING THE INDIVIDUAL DEBTOR TO PAY THE CREDITOR, AND AUTHORIZING THE CREDITOR ON THE DEBTOR'S BEHALF TO OBTAIN THE PAYMENT OF, THE AMOUNT OF THE ACCRUED DIVIDENDS AND LOAN VALUES IN EXCESS OF \$10,000 OR THE AMOUNT OF THE CREDITOR'S CLAIM, WHICHEVER IS LESS.]

Section 2: AS 09.38.030 Exemption of earnings and liquid assests is amended to read:

- (e) The following property, unless exempt without limitation under AS 09.38.015 or 09.38.017, upon receipt by and while it is in the possession of the individual, shall be treated as earnings, income, cash, or other liquid assets under this section:
 - (4) proceeds or benefits paid [OR PAYABLE] on the death of an insured, if the individual was the spouse or a dependant of the insured; and

January 30, 2009- HB 101

26-LS0176/E

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: **HB 101**
 () Publish Date: 2/18/2009

Identifier (file name): HB 101 26-LS0176\R
 Title: Exemptions: Life Insurance Annuities
 Sponsor: Representative Coghill
 Requester: House Labor & Commerce Committee
 Dept. Affected: _____
 RDU: _____
 Component: _____
 Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Konrad Jackson, Committee Aide Phone 907-465-2693
 Division: House Labor & Commerce Date/Time 02/18/2009 5:30pm
 Approved by: Representative Kurt Olson Date 2/18/2009
Chair, Labor & Commerce Committee