

**40-414. Exemption of interests in policies; exceptions.** (a) If a life insurance company or fraternal benefit society issues any policy of insurance or beneficiary certificates upon the life of an individual and payable at the death of the insured, or in any given number of years, to any person or persons having an insurable interest in the life of the insured, the policy and its reserves, or their present value, shall inure to the sole and separate use and benefit of the beneficiaries named in the policy and shall be free from:

- (1) The claims of the insured or the insured's creditors and representatives;
  - (2) the claims of any policyholder or the policyholder's creditors and representatives, subject to the provisions of subsection (b);
  - (3) all taxes, subject to the provisions of subsection (d); and
  - (4) the claims and judgments of the creditors and representatives of any person named as beneficiary in the policy of insurance.
- (b) The nonforfeiture value of a life insurance policy shall not be exempt from:
- (1) Claims of the creditors of a policyholder who files a bankruptcy petition under 11 U.S.C. § 101 et seq. on or within one year after the date the policy is issued; or
  - (2) the claim of any creditor of a policyholder if execution on judgment for the claim is issued on or within one year after the date that the policy is issued.
- (c) Nothing in this section shall be construed as restricting the right of the insured to change the beneficiary if the policy reserves that right to the insured.
- (d) Nothing in this section shall be construed as exempting from taxation any real estate which may at any time be carried by any life insurance company as a part of its legal reserve.
- (e) The provisions of subsection (b) shall apply only to life insurance policies purchased on or after July 1, 1988.
- (f) The provisions of subsection (b) shall not apply to that portion of the nonforfeiture value of a life insurance policy, issued on or within one year of the filing of a bankruptcy petition under 11 U.S.C. § 101 et seq. or an execution on judgment for the claim of the creditor, which is derived from the surrender of a life insurance policy issued more than one year prior to such bankruptcy petition or such execution.

**History:** L. 1927, ch. 231, 40-414; L. 1933, ch. 71, § 1 (Special Session); L. 1984, ch. 170, § 1; L. 1988, ch. 217, § 1; July 1.