

Chairman Louser, members of the committee, my name is Patty Monilaws. I am an advisor in life insurance and financial services from Absaraka, ND. I appreciate the opportunity to stand before you today in support of SB2206 for full protection of the cash value in life insurance.

As you may know, life insurance is a way to provide a financial safety net for loved ones at a time when they are most vulnerable. When life insurance first came about in the 1800's the language used in the development of the concept was – to protect our widows and orphans. This is also at the heart of this bill. --To protect our families in North Dakota.

Over the years, I've heard from countless people who were extremely grateful to have a financial lifeline in the form of life insurance. And sadly, also heard from those who didn't have life insurance to rely on when a loved one passed away.

When you're alive, protection of the cash value in a policy is important, and when you die the death benefit is important. If you find yourself in a situation where you are having financial difficulties and cannot pay your premiums out of pocket, the cash value may be used to pay these premiums, so the policy does not lapse. If structured properly, the cash value can also be accumulated for use later in retirement. If the policy is stripped of its cash value and the policy lapses, the consequences could be dire for the protection of the family. This can also impact riders on the policy too, such as long-term care planning as these have become more widely available on cash value policies. If the policy goes away so does the long-term care planning. At this point, the insured may not be able to get life insurance because of health issues.

Currently in North Dakota, the life insurance death benefit proceeds of a deceased person are exempt from the creditors if the beneficiary of the policy is the spouse and children, or a trust for the benefit of the spouse and children.

On the other hand, if the life insurance is a whole life or universal life policy with cash value, only \$8,000.00 of the cash value is exempt from creditors in a bankruptcy, even if the policy beneficiaries are the spouse and children. It does not matter what caused the bankruptcy, such as medical expenses, lawsuits, and any other things that could result in a bankruptcy. Also, because cash value in the policy keeps it more affordable at older ages, taking away all but \$8,000 will lead to the cancellation of the policy because it becomes unaffordable to most people over the age of 50, which is what happened to a client at our firm who went through bankruptcy because of the medical bills and related expenses that accumulated due to his wife's 2-year battle with cancer and ultimate death. He was unable to continue with the premiums and his policy lapsed.

In closing, currently 33 states support unlimited protection of cash value. A change in North Dakota to exempt the full cash value along with the already protected death benefit makes sense for all North Dakota families. I ask for your support in passing SB2206 and will stand for any questions.