

SB 522 A STAFF MEASURE SUMMARY**Carrier:** Sen. Thatcher**Senate Committee On Judiciary****Action Date:** 03/01/17**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 5-0-0-0**Yeas:** 5 - Dembrow, Linthicum, Manning Jr, Prozanski, Thatcher**Fiscal:** Has minimal fiscal impact**Revenue:** No revenue impact**Prepared By:** Channa Newell, Counsel**WHAT THE MEASURE DOES:**

Creates process for court-ordered beneficiary of life insurance policy to recover against third-party beneficiary when court has ordered life insurance policy be maintained in marital dissolution, annulment, or separation proceeding. Specifies entry of judgment is constructive notice of judgment's provisions to all third-party beneficiaries. Allows court-ordered beneficiary to recover no more than deficiency in life insurance proceeds. Requires that current spousal or child support orders, or arrears of those support orders, be recovered against life insurance proceeds. Requires action for life insurance proceeds be filed separately from proceedings creating judgment ordering party to maintain life-insurance policy. Provides affirmative defense if third party beneficiary was purchaser of life-insurance policy against which claim is made.

ISSUES DISCUSSED:

- Current Oregon law allows court to order obligor to carry life insurance to cover support obligations in event of obligor's death
- Examples of when obligor may change beneficiary on life insurance policy
- Unjust enrichment actions are current mechanism for recovery
- Unjust enrichment requires proof that beneficiary had notice of obligation to other person
- Calculation of life insurance amount done by parties by agreement or by judge
- Amendment addresses concern with providing notice to insurance companies

EFFECT OF AMENDMENT:

Specifies entry of judgment is constructive notice to all third-party beneficiaries, rather than all persons.

BACKGROUND:

Under current Oregon law, in a family law proceeding in which a spousal or child support order is created, the court may also require the obligor to maintain or purchase a life insurance policy to guarantee continued support in the event of the obligor's death. The life insurance must be maintained until the end of the support obligation. In some instances, such as an obligor changing employment and changing life insurance policies, the obligor's policy may not reflect the court-ordered beneficiary to a policy. In those situations where a third party is designated as a beneficiary and receives the proceeds of a life-insurance policy, the court-ordered beneficiary must bring a claim against the third party beneficiary for unjust enrichment in order to recover the support obligation. That action requires proving that the third party beneficiary had notice of the obligor's obligation to the court-ordered beneficiary prior to receiving the money.

SB 522 A STAFF MEASURE SUMMARY

Senate Bill 522 A provides a mechanism for a court-ordered beneficiary of a life insurance policy in a family law proceeding to bring an action against a third-party beneficiary. The measure specifies that entry of the judgment constitutes notice to third-party beneficiaries of the obligation. SB 522 A limits the court-ordered beneficiary to recovery of no more than the support obligation amount or arrears and provides a defense to third-party beneficiaries who purchase the policy against which a claim is made.