

## **But for the Plan (Bankruptcy and Life Insurance Proceeds)**

Our client Mary and her husband George (not their real names) had extensive debts arising from George's illness and Mary's inability to work.

They declared bankruptcy. Before the bankruptcy was concluded, George passed away.

George had two life insurance policies worth, in total, about \$160,000.00. The beneficiary of both the policies was Mary. If George had passed away after the bankruptcy was concluded, all the monies would have been paid to Mary directly; the creditors would have received nothing.

The Bankruptcy Trustee demanded that the proceeds of the life insurance be used to pay the creditors, which would have left Mary with about \$5,000.00. Neither the life insurance companies nor Mary knew what to do in this situation. After several months, the proceeds of both life insurance policies were paid to the Trustee, as is required by law.

It was at this point that Mary attended at the CAW Legal Services Plan Windsor Office to see if she could obtain more than \$5,000.00 of the insurance proceeds, and retained Ron Reaume.

Pursuant to Section 37 of The Bankruptcy and Insolvency Act, Mr. Reaume initiated a court application to modify the Trustee's decision. He was successful at the hearing, and obtained a Court Order requiring the Trustee to pay to Mary one-half of the total proceeds of the life insurance policies - \$80,000.00.

Mary's legal fees were covered by her Plan benefit. To obtain this great result, she paid about \$600.00 out-of-pocket, for disbursements and HST.

But for the Plan, Mary would not have received this additional \$75,000.00.