

In the United States Bankruptcy Court

for the Northern District of Iowa

Western Division

JACK LEE WARD and
MONA VON CILE WARD
Debtor(s).

Bankruptcy No. X87-02253S

Chapter 7

Contested No. 68044

DECISION AND DISPOSITION RE: TRUSTEE'S OBJECTION TO CLAIM OF EXEMPTIONS

The matter before the court is the trustee's objection to the debtors' claims of exemption in four semi-trailers and a skid loader used in their farming operation and to the debtors' claim of exemption in reimbursement of medical expenses under an insurance policy.

Hearing was held on March 24, 1988.

The court now issues the following decision and disposition of this contested matter proceeding. This is a core proceeding under 28 U.S.C. § 157(b)(2)(A).

FINDINGS OF FACT

1. Jack Lee Ward and Mona Von Cile Ward, husband and wife, filed their joint voluntary petition under Chapter 7 of the Bankruptcy Code on November 2, 1987.
2. On their Schedule B-4, the debtors claimed the following disputed items as exempt:
 - a. their one-half interest in four semi-trailers;
 - b. a skid loader; and
 - c. "potential medical reimbursements" in a "minimal" but undetermined amount.
3. The debtors are farmers who emphasize lamb production.
4. They own a one-half interest in four semi-trailers. The remaining one-half interest is owned by David Olson.
5. The debtors use the four trailers to transport their live sheep. They do not themselves haul the trailers, but instead hire an independent contractor, Bill Click, to haul them. They pay Click \$1.65 per loaded mile. Olson uses the four trailers to haul his sheep. He also hires Click.
6. On occasion, the trailers are leased out by Olson and the Wards to others for hauling livestock. Olson and the Wards divide in half the 15 cents per loaded mile income from such rentals. The Wards use the four trailers a total of approximately 20,000 to 30,000 miles per year. For the same time span, leased use accounts for an aggregate of 12,000 to 15,000 miles per year.
7. Three of the trailers are usable at any one time. Because of breakdowns and time constraints, four are necessary to the operation.
8. If the Wards were required to lease similar vehicles, they would pay in excess of \$2.00 per loaded mile to transport their livestock.

9. The skid loader is used by the debtors to clean sheep pens and to move manure and snow.
10. The medical reimbursement monies claimed as exempt represent benefits from a medical insurance policy for health costs incurred and paid prior to the filing of the bankruptcy case.

DISCUSSION

Debtors claim their one-half interest in the four sheep trailers as exempt under Iowa Code § 627.6(11) as "implements and equipment reasonably related to a normal farming operation." The skid loader is claimed under the same section.

Trustee, Wil L. Forker, objects to this claim of exemption on the ground that the four sheep trailers are not personally hauled by the debtors but instead are hauled by an independent contractor using his semi-tractor. Trustee cites the cases of Hoyer v. McBride, 202 Iowa 1278, 211 N.W. 847 (1927) and In re Goodenbour, Case No. 87-01419W, slip op. (N.D. Iowa, Oct. 20, 1987) in support of his position.

Neither of these cases require this court to sustain the trustee's objection. The obiter dicta in Hoyer v. McBride, 202 Iowa 1278, 211 N.W. 847, 848 (1927) leads to an opposite conclusion. The Iowa Supreme Court there indicated that a farmer would not be limited in his claim of exemptions to the precise tools or implements which he handled.

These trailers are implements reasonably related to the debtors' farming operation in that they are used for the hauling of debtors' livestock.

As to the skid loader, both debtors used it for various functions in their farm operation.

Trustee has not met his burden of proof that the foregoing items are not properly claimed as exempt.

The third claim of exemption objected to is the benefits from an insurance policy related to costs of medical treatment incurred by the debtors.

Iowa Code §627.6(8)(c) exempts debtor's rights in an "illness benefit."

Statutes of exemption are to be liberally construed in favor of those claiming their benefits in order to carry out the purposes of such legislation. Frudden Lumber Co. v. Clifton, 183 N.W. 201, 203 (Iowa 1971).

The benefits payable to the debtors by an insurance company for medical expenses incurred by them prior to the filing of the bankruptcy case fit within a liberal construction of Iowa Code § 627.6(8)(c).

CONCLUSIONS OF LAW

The debtors' one-half interest in the four semi-trailers and the debtors' interest in the skid loader are exempt under Iowa Code § 627.6(11)(a).

The debtors' claim to the reimbursement of medical expenses under their medical insurance policy is exempt under Iowa Code § 627.6(8)(c).

DISPOSITION

The objections to exemption filed by the trustee on December 24, 1987 are overruled. Judgment shall enter accordingly.

SO ORDERED ON THIS 28th DAY OF MARCH, 1988.

William L. Edmonds
Bankruptcy Judge