



**House
Legislative
Analysis
Section**

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FUNERAL INSURANCE: AMENDMENTS

House Bill 4503

Sponsor: Rep. Paul Wartner

Committee: Insurance

MAY 2 1989

Mich. State Law Library

Complete to 4-10-89

A SUMMARY OF HOUSE BILL 4503 AS INTRODUCED 3-22-89

Public Act 318 of 1986 amended the Insurance Code to allow life insurance companies to sell a special kind of policy or annuity contract under which the proceeds are assigned to pay for funeral and cemetery goods and services from a specific provider, such as a funeral home. The code calls these "associated life insurance" policies, and they are a method of funding prepaid funeral arrangements. Another act, Public Act 255 of 1986, regulated prepaid funeral contracts in general, requiring, among other things, that contract funds be held in escrow. House Bill 4503 would amend the Insurance Code's prepaid funeral provisions in the following two ways.

(1) The bill would place in the Insurance Code language from the Prepaid Funeral Contract Funding Act that allows, under certain conditions, an irrevocable contract to be made with an applicant for or recipient of assistance under the Social Welfare Act and with a patient or a legal guardian of a patient in a mental health facility under the jurisdiction of the Department of Mental Health. (An irrevocable contract is not considered in determining eligibility for state aid.) This would be an exception to the requirement put in the Insurance Code by Public Act 318 that all assignments under associated life insurance policies be revocable at any time before the goods and services are provided. The assignment could be made irrevocable at the request of the policyholder if the appropriate state department (Social Services or Mental Health) determined that the death benefit did not exceed \$2,000 and that the state would not be liable for any funeral costs. The departments could promulgate rules to provide for the uniform administration of the bill's provisions.

(2) The Insurance Code requires that each associated life insurance contract have a death benefit sufficient to cover the initial contract price of the cemetery or funeral goods and services and requires funeral homes and cemeteries, once they have accepted one assignment, to accept all others. The bill, instead, would require that each policy have an ultimate death benefit that is sufficient to cover the initial contract price no more than two years after the beginning of the policy. (This permits the sale of so-called graded death benefit policies.) Funeral homes and cemeteries would then be obligated to accept an assignment only if the death benefit was sufficient to cover the initial contract price (i.e., when a policy was fully funded).

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House Bill 4503 (4-10-89)