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PREPAID FUNERAL CONTRACTS

House Bill 5471

Sponsor: Rep. Susan Tabor

Committee: Senior Health, Security and
Retirement

Complete to 7-20-00

A SUMMARY OF HOUSE BILL 5471 AS INTRODUCED 2-29-00

The bill would amend the Prepaid Funeral Contract Funding Act in the following ways:

- The law requires that all funds received under a prepaid funeral contract must be held in escrow, except for the commission. Escrow agents may invest funds only as expressly authorized in the act, and are specifically prohibited from investing in life insurance on a beneficiary. The bill would delete this prohibition.

- Under current law, a prepaid funeral contract may be made with a recipient of public assistance, or with a patient (or the legal guardian of a patient) in a mental health care facility. If the Family Independence Agency or the Department of Community Health determines that the contract is a fully paid guaranteed price contract of not more than \$2,000, and that the state will not be liable for the funeral expenses of the person, the contract may be made irrevocable at the request of the person. An irrevocable contract is not considered in determining eligibility for assistance under the Social Welfare Act. The bill would delete the \$2,000 maximum contract amount in this provision, and instead refer to the maximum amount allowed under the Insurance Code for the assignment of a life insurance policy as payment for funeral goods and services. (Under current law, this provision sets a limit of \$5,000 [set in 1986] with annual adjustments according to the Consumer Price Index. According to the Office of Financial and Insurance Services, as of June 1, 2000, the current inflation-adjusted limitation is \$7,565. However, a related bill, House Bill 5472, would increase that amount to \$15,000.)

MCL 328.224 and 328.229

Analyst: D. Martens

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