



**House
Legislative
Analysis
Section**

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**FUNERAL INSURANCE: DELETE
PROVIDER LIST REQUIREMENT**

**House Bill 5797 as introduced
First Analysis (12-3-02)**

**Sponsor: Rep. Andrew Richner
Committee: Insurance and Financial
Services**

THE APPARENT PROBLEM:

Section 2080 of the Insurance Code regulates the relationship between life insurance companies and providers of funeral and cemetery services and delineates the manner in which funeral-related life insurance products can be sold and how life insurance proceeds can be used to pay for funeral-related expenses. It allows the sale of special life insurance policies (known as associated life insurance) under which a portion of the proceeds can be (revocably) assigned to pay for funeral-related expenses. The assignment becomes an inseparable part of the contract of the goods and services it is designed to pay for, and the cost of goods and services cannot exceed the amount assigned. Funeral homes and other sellers of funeral and cemetery goods and services can be licensed as limited insurance agents for the purpose of selling such insurance. The section also allows the life insurers that market such policies to be owned by a holding company that also owns sellers of funeral and cemetery goods and services. Section 2080 also contains a number of provisions to prevent misleading, deceptive, and unfair marketing practices. The section allows a funeral establishment, cemetery, or other seller of cemetery or funeral goods and services to advise customers or potential customers of the availability of life insurance policies that allow the assignment of proceeds to pay for cemetery services or goods or funeral services or goods and to provide application forms and other information regarding the life insurance. The code says that if such an application is provided, then the funeral establishment, cemetery, or seller of funeral or cemetery goods and services must also provide to the person a list of the life insurance companies offering these kinds of life insurance policies (known as "associated life insurance policies") and annuity contracts in the state. The list is supposed to be prepared annually by the state insurance commissioner and is to contain the name, address, and telephone number of an agent for each of the companies listed.

The Office of Financial and Insurance Services says that, because life insurance companies no longer have to file forms for review, the commissioner does not have the information necessary to prepare the list that is supposed to be made available to consumers.

THE CONTENT OF THE BILL:

The bill would amend the Insurance Code to remove the requirement that a funeral establishment, cemetery, or another seller of funeral goods and services who provides a customer or potential customer an application form for funeral-related life insurance also provide to the person a list prepared annually by the state insurance commissioner setting forth the life insurance companies offering associated life insurance policies or annuity contracts in Michigan.

MCL 500.2080

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that to the extent that the bill eliminates the need for the Office of Financial and Insurance Services to produce and distribute a list of life insurance companies, the bill would reduce the office's costs by an indeterminate, but likely negligible, amount. (HFA analysis dated 4-30-02)

ARGUMENTS:

For:

The bill would delete a requirement deemed impracticable. The commissioner of the Office of Financial and Insurance Services is supposed to annually prepare a list of insurance companies selling life insurance policies designed for the payment of funeral and cemetery expenses. The providers of funeral and cemetery services are then supposed to

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provide the list to customers when they provide them with applications for this kind of insurance. (This was apparently intended to make customers aware of policies other than those sold by the funeral home or cemetery.) OFIS says that life insurers are no longer required to file life insurance forms, due to previous deregulation efforts, and so the information needed to compile the list is not available.

POSITIONS:

The Office of Financial and Insurance Services, within the Department of Consumer and Industry Services, supports the bill. (11-21-02)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.