

INSURANCE-FUNDED PRENEED PLANS

The Working Group adopted the following UNANIMOUS RECOMMENDATIONS:

1. Although commonly used, Chapter 436 does not clearly provide for insurance-funded preneed contracts. As such, insurance-funded preneed plans should be recognized as a preneed funding mechanism.
2. Applicability of Insurance Law: Insurance law should not apply to preneed contracts but should apply to any insurance sold with a preneed contract.
3. Fees/Expenses: Sellers should not charge, assess or collect any administrative fees for an insurance-funded preneed plan. Instead, sellers should only be allowed to receive/collect from a purchaser the amount required to pay insurance premiums as established by the insurer.
4. Payment Handling: Payments received by the seller/provider for insurance-funded preneed contracts should be forwarded to the insurer within thirty (30) days of receipt.

! Comments:

- Homesteaders remarked that sellers/providers should only be authorized to collect the initial premium payment. All subsequent premium payments should be made directly to the insurer.

5. Reporting: Sellers should report the name and address of all insurance companies used by the seller for insurance funding to the Board and to the provider. Notification should be made to the Board in writing within 30 days of any amendments/changes.

The Working Group adopted the following CONSENSUS RECOMMENDATIONS:

1. Contract Requirements: Insurance-funded preneed contracts should include:
 - Terms for cancellation by the purchaser or seller;
 - Notice that cancellation of the preneed contract will not cancel the life insurance policy funding the preneed contract.
 - Notice that insurance cancellation must be made in writing to the insurer.
 - Notice that the purchaser will only receive the cash surrender value of the policy, which may be less than the amount paid in, if cancelled after a designated time;
 - Notice that the purchaser has the right to reassign/transfer the beneficiary designation or assignment to another funeral home.

! Comments:

- Concerns were raised that the majority of this information should be provided by the insurer and included in the insurance contract because it would require the seller to summarize the insurance contract.
- Homesteaders suggested use of the National Association of Insurance Commissioner's model for insurance funded disclosures.
- MFDEA suggested that sellers should also disclose the amount to be refunded if the insurance contract is cancelled and the total amount the purchaser would be required to pay for their funeral if funded through insurance. MFDEA suggested these disclosures should be required separate from the insurance contract itself.
- Funeral Consumers Alliance suggested the contract should also include the amount of any insurance commissions.