

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. ~~Currently, Chapter 436 does not clearly allow/regulate insurance funded plans. As such, insurance-funded preneed plans should be recognized as a n-appropriate preneed funding mechanism. Insurance funded preneed plans are a safe and necessary option. Accordingly, Chapter 436 should clearly authorize insurance funded contracts.~~

Formatted: Bullets and Numbering

2. Applicability of Insurance Law: Insurance law should not apply to preneed contracts but should apply to any insurance sold with a preneed contract.

Formatted: Bullets and Numbering

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.

Formatted: Bullets and Numbering

3.

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.

Formatted: Bullets and Numbering

! 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. Insurance Restrictions: Sellers should be prohibited from selling or offering to sell any term life insurance product to fund a preneed contract. ~~In no instance, should a term life insurance product be used to fund a preneed contract. However, a purchaser should be allowed the option of assigning consumers should be allowed to assign proceeds from a term-life insurance product to a provider, or to designate a provider as a beneficiary under a preneed contract, provided that the assignment is not related to, or done in contemplation of, executing the sale of a preneed contract.~~

Formatted: Bullets and Numbering

! Comments: MFDEA recommended that a blanket prohibition may be overreaching and that consumers should still be allowed to assign proceeds from a pre-existing term-life product to a provider or to designate a funeral establishment as the beneficiary. MFDEA remarked that term life insurance may be the only affordable option for some consumers or the only insurance option that may be available to consumers that who are older or have significant health problems may qualify for. It was also suggested that the assignment or designation of a term life insurance product may also be necessary for purchasers attempting to qualify for Medicaid.

6. Reporting: Sellers should report the name and address of all insurance companies used by the seller for insurance funding to the Board and should notify the Board in writing within 15 days of any amendments/changes.

Formatted: Bullets and Numbering