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By: **Delegate Krysiak**  
Introduced and read first time: February 10, 1999  
Assigned to: Economic Matters

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 23, 1999

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Life Insurance and Annuities - Funding Pre-Need Contracts and Preneed**  
3 **Burial Contracts**

4 FOR the purpose of authorizing a pre-need contract or preneed burial contract to be  
5 funded by a life insurance policy or annuity contract under certain  
6 circumstances; exempting from certain provisions of insurance law life  
7 insurance or an annuity used to fund a pre-need contract or preneed burial  
8 contract; exempting certain pre-need contracts that are funded by a life  
9 insurance policy or annuity contract from certain provisions of law; and  
10 generally relating to pre-need contracts and preneed burial contracts funded by  
11 life insurance and annuities.

12 BY adding to  
13 Article - Business Regulation  
14 Section 5-702(e)  
15 Annotated Code of Maryland  
16 (1998 Replacement Volume)

17 BY repealing and reenacting, with amendments,  
18 Article - Health Occupations  
19 Section 7-405(f)  
20 Annotated Code of Maryland  
21 (1994 Replacement Volume and 1998 Supplement)

22 BY repealing and reenacting, with amendments,  
23 Article - Insurance

1 Section 27-211 and 27-218  
2 Annotated Code of Maryland  
3 (1997 Volume and 1998 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
5 MARYLAND, That the Laws of Maryland read as follows:

6 **Article - Business Regulation**

7 5-702.

8 (E) (1) A PRENEED BURIAL CONTRACT MADE IN ACCORDANCE WITH § 5-704  
9 OF THIS SUBTITLE MAY BE FUNDED BY A LIFE INSURANCE POLICY OR AN ANNUITY  
10 CONTRACT IF:

11 (I) THE OWNER OR OPERATOR OF THE CEMETERY IS NOT THE  
12 OWNER OF OR BENEFICIARY UNDER THE LIFE INSURANCE POLICY OR ANNUITY  
13 CONTRACT;

14 (II) AN ASSIGNMENT OF BENEFITS TO THE OWNER OR OPERATOR  
15 OF THE CEMETERY MAY BE REVOKED AT ANY TIME BY THE OWNER OF THE LIFE  
16 INSURANCE POLICY OR ANNUITY CONTRACT;

17 (III) SUBJECT TO ITEM (IV) OF THIS PARAGRAPH, THE OWNER OR  
18 OPERATOR OF THE CEMETERY AGREES TO ACCEPT THE BENEFITS PAYABLE UNDER  
19 THE LIFE INSURANCE POLICY OR ANNUITY CONTRACT AS PAYMENT IN FULL FOR  
20 THE SERVICES AND MERCHANDISE AGREED ON IN THE PRENEED BURIAL CONTRACT;  
21 AND

22 (IV) ANY BENEFITS PAYABLE UNDER THE LIFE INSURANCE POLICY  
23 OR ANNUITY CONTRACT IN EXCESS OF THE AMOUNT NECESSARY TO PAY THE TOTAL  
24 PRICE, AS DETERMINED AT THE TIME OF DEATH OF THE INSURED, OF THE SERVICES  
25 AND MERCHANDISE AGREED ON IN THE PRENEED BURIAL CONTRACT ARE PAID TO  
26 THE BENEFICIARY UNDER THE LIFE INSURANCE POLICY OR ANNUITY CONTRACT.

27 (2) A PRENEED BURIAL CONTRACT THAT IS FUNDED BY A LIFE  
28 INSURANCE POLICY OR AN ANNUITY CONTRACT SHALL TERMINATE IF THE  
29 ASSIGNMENT OF BENEFITS TO THE OWNER OR OPERATOR OF A CEMETERY IS  
30 REVOKED BY THE OWNER OF THE LIFE INSURANCE POLICY OR ANNUITY CONTRACT.

31 (3) (I) THE OFFER, SALE, OR ASSIGNMENT OF A LIFE INSURANCE  
32 POLICY OR ANNUITY CONTRACT TO FUND A PRENEED BURIAL CONTRACT IS NOT  
33 SUBJECT TO THIS SUBTITLE.

34 (II) A PRENEED BURIAL CONTRACT FUNDED BY A LIFE INSURANCE  
35 POLICY OR AN ANNUITY CONTRACT IS NOT SUBJECT TO § 5-705, § 5-706, § 5-707, §  
36 5-708, OR § 5-709 OF THIS SUBTITLE.

1 **Article - Health Occupations**

2 7-405.

3 (f) (1) A pre-need contract is not subject to the Retail Installment Sales Act.

4 (2) The making of a pre-need contract by a licensed mortician, a licensed  
5 funeral director, or a holder of a surviving spouse license is not the practice of  
6 insurance business.

7 (3) (I) A PRE-NEED CONTRACT MAY BE FUNDED BY A LIFE  
8 INSURANCE POLICY OR AN ANNUITY CONTRACT IF:

9 1. ~~A THE MORTICIAN, FUNERAL DIRECTOR, OR UNDERTAKER~~  
10 ~~SURVIVING SPOUSE IS NOT THE OWNER OF OR BENEFICIARY UNDER THE LIFE~~  
11 ~~INSURANCE POLICY OR ANNUITY CONTRACT; AND~~

12 ~~2. THE BENEFITS PAYABLE AT THE DEATH OF THE INSURED~~  
13 ~~TO THE ASSIGNEE UNDER THE POLICY OR CONTRACT ARE LIMITED TO THE AMOUNT~~  
14 ~~NECESSARY TO PAY THE TOTAL PRICE OF THE SERVICES AND MERCHANDISE~~  
15 ~~AGREED ON IN THE PRE-NEED CONTRACT.~~

16 ~~2. AN ASSIGNMENT OF BENEFITS TO THE MORTICIAN,~~  
17 ~~FUNERAL DIRECTOR, OR SURVIVING SPOUSE MAY BE REVOKED AT ANY TIME BY THE~~  
18 ~~OWNER OF THE LIFE INSURANCE POLICY OR ANNUITY CONTRACT;~~

19 ~~3. SUBJECT TO ITEM 4 OF THIS SUBPARAGRAPH, THE~~  
20 ~~MORTICIAN, FUNERAL DIRECTOR, OR SURVIVING SPOUSE AGREES TO ACCEPT THE~~  
21 ~~BENEFITS PAYABLE UNDER THE LIFE INSURANCE POLICY OR ANNUITY CONTRACT~~  
22 ~~AS PAYMENT IN FULL FOR THE SERVICES AND MERCHANDISE AGREED ON IN THE~~  
23 ~~PRE-NEED CONTRACT; AND~~

24 ~~4. ANY BENEFITS PAYABLE UNDER THE LIFE INSURANCE~~  
25 ~~POLICY OR ANNUITY CONTRACT IN EXCESS OF THE AMOUNT NECESSARY TO PAY THE~~  
26 ~~TOTAL PRICE, AS DETERMINED AT THE TIME OF DEATH OF THE INSURED, OF THE~~  
27 ~~SERVICES AND MERCHANDISE AGREED ON IN THE PRE-NEED CONTRACT ARE PAID~~  
28 ~~TO THE BENEFICIARY UNDER THE LIFE INSURANCE POLICY OR ANNUITY CONTRACT.~~

29 (II) ~~A PRE-NEED CONTRACT THAT IS FUNDED BY A LIFE~~  
30 ~~INSURANCE POLICY OR AN ANNUITY CONTRACT SHALL TERMINATE IF THE~~  
31 ~~ASSIGNMENT OF BENEFITS TO THE MORTICIAN, FUNERAL DIRECTOR, OR SURVIVING~~  
32 ~~SPOUSE IS REVOKED BY THE OWNER OF THE LIFE INSURANCE POLICY OR ANNUITY~~  
33 ~~CONTRACT.~~

34 ~~(H)~~ (III) 1. THE OFFER, SALE, OR ASSIGNMENT OF A LIFE  
35 INSURANCE POLICY OR ANNUITY CONTRACT TO FUND A PRE-NEED CONTRACT IS  
36 NOT SUBJECT TO THIS SECTION.



