

SENATE BILL 578

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1999 Regular Session
9r2184
CF 9r1357

By: **Senator Kelley**
Introduced and read first time: February 5, 1999
Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Life Insurance and Annuities - Funding Pre-Need Contracts**

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

8 BY repealing and reenacting, with amendments,
9 Article - Health Occupations
10 Section 7-405(f)
11 Annotated Code of Maryland
12 (1994 Replacement Volume and 1998 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article - Insurance
15 Section 27-211 and 27-218
16 Annotated Code of Maryland
17 (1997 Volume and 1998 Supplement)

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

20 **Article - Health Occupations**

21 7-405.

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

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

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

1 1. A MORTICIAN, FUNERAL DIRECTOR, OR UNDERTAKER IS
2 NOT THE OWNER OF THE POLICY OR CONTRACT; AND

3 2. THE BENEFITS PAYABLE AT THE DEATH OF THE INSURED
4 TO THE ASSIGNEE UNDER THE POLICY OR CONTRACT ARE LIMITED TO THE AMOUNT
5 NECESSARY TO PAY THE TOTAL PRICE OF THE SERVICES AND MERCHANDISE
6 AGREED ON IN THE PRE-NEED CONTRACT.

7 (II) 1. THE OFFER, SALE, OR ASSIGNMENT OF A LIFE INSURANCE
8 POLICY OR ANNUITY CONTRACT TO FUND A PRE-NEED CONTRACT IS NOT SUBJECT
9 TO THIS SECTION.

10 2. A PRE-NEED CONTRACT FUNDED BY A LIFE INSURANCE
11 POLICY OR AN ANNUITY CONTRACT IS NOT SUBJECT TO SUBSECTION (D) OR (E) OF
12 THIS SECTION.

13 **Article - Insurance**

14 27-211.

15 (a) This section does not apply to:

16 (1) insurance on the life of a debtor in connection with a specific loan or
17 other credit transaction; [or]

18 (2) insurance on a debtor that provides indemnity for payments that are
19 due on a specific loan or other credit transaction while the debtor is disabled as
20 defined in the policy; OR

21 (3) LIFE INSURANCE OR AN ANNUITY USED TO FUND A PRE-NEED
22 CONTRACT AS DEFINED IN § 7-101 OF THE HEALTH OCCUPATIONS ARTICLE.

23 (b) An insurer may not directly or indirectly, or by an agent or representative
24 of the insurer, participate in a plan to offer or effect a kind or kinds of life insurance,
25 health insurance, or annuities in the State as an inducement to, or in combination
26 with, the purchase by the public of goods, securities, commodities, services, or
27 subscriptions to periodicals.

28 27-218.

29 (a) All burial insurance benefits shall be paid in cash to the beneficiary.

30 (b) A person engaged in the business of burial insurance may not pay or
31 contract to pay wholly or partly burial insurance or its benefits to:

32 (1) an official mortician, funeral director, or undertaker;

33 (2) a designated mortician, funeral director, undertaker, or funeral
34 directing or undertaking concern; or

1 (3) a particular tradesperson or businessperson.

2 (C) THIS SECTION DOES NOT APPLY TO LIFE INSURANCE OR AN ANNUITY
3 USED TO FUND A PRE-NEED CONTRACT AS DEFINED IN § 7-101 OF THE HEALTH
4 OCCUPATIONS ARTICLE.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 June 1, 1999.