

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

Senate Bill 578 (Senator Kellev)

Finance

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

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This bill authorizes a preneed contract or preneed burial contract to be funded by a life insurance policy or annuity contract if: (1) a mortician, funeral director, or surviving spouse or owner or operator of a cemetery (seller) is not the owner of the policy or contract; (2) an assignment of benefits to the seller may be revoked at any time by the owner of the policy or annuity; (3) the seller agrees to accept the benefits payable under the policy or annuity as payment in full for the services and merchandise agreed on in the contract; and (4) any benefits under the policy or annuity in excess of the amount necessary to pay the contract are paid to the beneficiary.

A preneed contract or preneed burial contract funded with an insurance policy or annuity contract terminates if the assignment of benefits to the seller is revoked by the owner of the insurance policy or annuity contract.

This bill is effective June 1, 1999.

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**Fiscal Summary**

**State Effect:** Indeterminate minimal increase in special fund revenues. Any increase in workload could be handled with existing resources.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful impact.

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## Fiscal Analysis

**State Effect:** Special fund revenues could increase by an indeterminate minimal amount as new life insurance policies for preneed contracts and preneed burial contracts would be subject to a \$125 rate and form filing fee by the Maryland Insurance Administration. The number of policies issued for preneed contracts and preneed burial contracts cannot be readily estimated at this time, but is assumed to be minimal.

**Small Business Effect:** There are approximately 803 licensed morticians and 60 licensed funeral directors in the State who may be positively affected by this bill. The number that are small businesses is not readily available at this time. The bill would provide more individuals the opportunity to enter into preneed contracts because they could fund the contract with a life insurance policy or annuity contract instead of paying cash or obtaining financing.

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**Information Source(s):** Maryland Insurance Administration, Department of Health and Mental Hygiene, Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 1999  
Inc/jej Revised - Senate Third Reader - March 31, 1999

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