

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 186 (Senator Baker)
Finance

Preneed Burial Contracts and Pre-Need Contracts - Cancellation Provisions

This bill allows a buyer, a buyer's legal representative, or a buyer's authorizing agent to receive a full refund of any money paid (plus interest earned) toward the purchase of a casket or casket vault under a preneed burial contract with a cemetery after the death of the contract beneficiary. The bill also allows a buyer, a buyer's legal representative, or a buyer's authorizing agent to receive a full refund of any money paid (and interest earned) toward a preneed contract with a funeral home after the death of the contract beneficiary.

Fiscal Summary

State Effect: Any impact would be small enough that it could be absorbed within the existing budget of the Office of Cemetery Oversight.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: By written notice, a buyer may cancel the purchase of a casket or casket vault from a cemetery under a preneed burial contract at any time prior to the time the buyer needs the casket or casket vault for burial.

A preneed contract with a funeral home is ended and a seller must refund to a buyer all payments and interest held for the buyer if the buyer or the legal representative of the buyer demands in writing a refund of all payments made. A refund is also payable if the buyer fails to pay the entire contract price before the death of the beneficiary and the seller considers the preneed contract void.

Background: The burial needs industry has undergone some major changes over the past few years. There has been a high level of consolidation and a gradual disappearance of locally owned funeral homes. With these developments, there has been a perceived lack of personal attention and some dissatisfaction with the level of service some firms provide.

Current law makes no provision for altering preneed contracts after the beneficiary's death. This bill attempts to give the buyer and those acting on the buyer's behalf more flexibility in managing their purchases of death services.

State Fiscal Effect: The Office of Cemetery Oversight (OCO) collects \$3 for every sales contract written in the industry. This is a major source of funding for the Cemetery Oversight Fund, which is the special fund the OCO administers. The Department of Labor, Licensing, and Regulation estimates a potential, but incalculable, decrease in special fund revenues as a result of this bill.

The Department of Legislative Services (DLS) believes any special fund fiscal effect will be minimal inasmuch as the bill increases the consumer's flexibility after the beneficiary's death and that the individual will still need death services. While there may be some business shifting within the industry, DLS estimates that in the aggregate the bill will not materially affect the number of contracts written.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Health and Mental Hygiene; Department of Legislative Services

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