

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 401

(Delegate Klausmeier, *et al.*)

Environmental Matters

Morticians - Pre-need Contracts - Pooled Trust Accounts

This bill allows a seller of a pre-need contract to deposit specified funds into a pooled trust account, and provides for an account administrator to receive compensation and to file an annual report for the pooled fund.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill requires that whether an interest bearing escrow or trust account for pre-need funds is with a bank or with a savings and loan association, the account must be insured by an agency of the federal government.

A seller of pre-need burial contracts may deposit or transfer pre-need funds into a pooled account, composed of pre-need funds of other sellers, for the benefit of not less than 200 purchasers or intended funeral recipients. The administrator of a pooled trust account is entitled to a commission of not more than 1% per annum of the corpus of the trust fund, and the commission must be deducted from the interest received by the account, and not the corpus of the account.

The pooled trust administrator must file an annual report with the State Board of Morticians that includes a certification from a certified public accountant that the administrator is in compliance with the provisions governing pre-need trust accounts, and any other information the board deems necessary. If a report is filed by a pooled account administrator, a seller does not have to file the same report.

Current Law: A seller of pre-need contracts must deposit the funds into an escrow or trust account with a bank or savings and loan association that is insured by an agency of the federal government.

The seller does not have to open a separate account for each contract. Any interest or dividends earned by the escrow or trust account prior to service being rendered belong to the buyers of the pre-need contracts. Upon performance of the contract, any interest or dividends earned by the account belong to the seller.

The seller must file an annual report with the board with the certification of a CPA as to the seller's compliance with the provisions governing pre-need escrow and trust accounts and any other information the board deems necessary.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Department of Legislative Services

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