

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 647
Economic Matters

(Delegate Harrison)

**Insurance Producers - Limited Lines License - Sale of Insurance Products by
Licensed Morticians or Licensed Funeral Directors**

This bill authorizes the Insurance Commissioner to issue a limited lines license to a licensed mortician or licensed funeral director to sell life insurance or annuity contracts that fund a pre-need contract between an individual and a funeral establishment or the payment of benefits for funeral goods or services.

Fiscal Summary

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

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: None.

Analysis

Current Law: Morticians and funeral directors are licensed by the State Board of Morticians and Funeral Directors. The board also regulates pre-need contracts executed by licensees.

The creation of a pre-need contract by a licensed mortician, a licensed funeral director, or a holder of a surviving spouse license is not the practice of writing insurance and is not subject to the Retail Installment Sales Act. However, a pre-need contract may be funded by a life insurance policy or an annuity contract if:

- the mortician, funeral director, or surviving spouse is not the owner of or beneficiary under the life insurance policy or annuity contract;
- an assignment of benefits to the mortician, funeral director, or surviving spouse may be revoked at any time by the owner of the life insurance policy or annuity contract;
- the mortician, funeral director, or surviving spouse accepts the benefits payable under the life insurance policy or annuity contract as payment in full for the services and merchandise agreed to in pre-need contract; and
- any benefits payable under the life insurance policy or annuity contract exceeding the amount necessary to pay the total price at the time of death of the insured, of the services and merchandise agreed on in the pre-need contract are paid to the beneficiary under the life insurance policy or annuity contract.

A pre-need contract funded by a life insurance policy or an annuity contract terminates if the assignment of benefits to the mortician, funeral director, or surviving spouse is revoked by the owner of the life insurance policy or annuity contract.

Background: As of February 2009, 883 morticians and 16 funeral directors held licenses issued by the State Board of Morticians and Funeral Directors.

The Maryland Insurance Administration (MIA) issues limited lines licenses for certain restricted kinds of insurance, including automobile, credit products, health maintenance organization, motor vehicle rental car, and travel insurance. For rental car insurance, MIA issues a two-year limited lines license to the rental company or its franchisee. MIA also issues limited lines licenses to individuals selling a common carrier's transportation tickets for the sale of travel-related life insurance, accident insurance, or baggage insurance.

The board issues licenses for apprentices, morticians, funeral directors, the surviving spouse of a mortician or funeral director who will continue operating the funeral establishment in the event of the mortician's or funeral director's death, funeral establishments, corporations, and individuals who practice mortuary science in another state or country and apply for a courtesy card authorizing them to transport dead human bodies into or out of Maryland to the other state or country of licensure. All licenses are issued on a biennial basis except apprentice licenses, which are issued annually.

MIA is an independent State agency that regulates Maryland's \$26 billion insurance industry by monitoring insurer solvency and compliance; investigating consumer complaints; reviewing insurance rates; educating consumers; and licensing approximately 1,500 insurance companies and 110,000 insurance producers.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 18, 2009
ncs/ljm

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