

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: HB2467

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Morgan

3. Committee: Commerce and Labor

4. Title: Funding preneed funeral contracts with life insurance.

5. Summary/Purpose: Adds § 38.2-3100.3 to provide requirements for life insurance or annuity contracts used to fund preneed funeral contracts. The bill defines “preneed funeral contract” as meaning “any agreement where payment is made by the insured prior to the receipt of services or supplies contracted for, which evidences arrangements prior to death for (i) providing funeral services or (ii) the sale of funeral supplies.” The bill requires individual and group life insurance policies and individual and group annuity contracts and certificates for group life or group annuity contracts issued or issued for delivery in Virginia to have a provision specifying the means face amounts of the policy will be adjusted and death benefits will be adjusted, according to § 54.1-2820 in the Professions and Occupations Title, when the policy or contract is used to fund a preneed funeral contract. Insurers proposing to issue individual or group life insurance policies or annuity contracts in Virginia for funding preneed contracts must disclose the purpose and market for the policies and contracts when forms are submitted to the State Corporation Commission for approval according to § 38.2-316.

6. Fiscal Impact Estimates: No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: The Bureau of Insurance assisted the patron with language for House Bill 2467 to accomplish his objective to create a mechanism by which the Bureau could identify and track forms used to fund pre-need contracts and to verify that face amount calculations are compliant with the requirements of the Code of Virginia. It will require that insurance policies issued to fund pre-need contracts include provisional language specifically clarifying the basis under which face value adjustments to the policies will be made. Insurers are required to identify the intended market for the form (i.e. pre-need) when submitting the form for approval by the Bureau, which will alert us to the need to review the provisional language to verify that the above requirements are met.

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House Bill 2467 is assigned to Subcommittee #2 of House Commerce and Labor.

Date: 1/25/09 V. Tompkins

cc: Secretary of Commerce and Trade

Secretary of Health and Human Resources