

**TESTIMONY IN SUPPORT OF LD 867, AN ACT REGARDING PRE-NEED
FUNERAL INSURANCE**

**SUBMITTED BY
MARLA LACEY, HOMESTEADERS LIFE COMPANY**

Senator Bailey, Representative Mathieson and members of the Health Coverage, Insurance and Financial Services Committee.

Thank you for the opportunity to testify in support of the amendments to Sections 24-A and 32 of the Maine Revised Statutes regarding preneed funeral insurance. My name is Marla Lacey and I am the Executive Vice President and General Counsel for Homesteaders Life Company. Homesteaders has been in business for over 119 years and operates almost exclusively in the preneed insurance space supporting funeral homes and their families with preplanning and end of life services. We are also a member of the National Alliance of Life Companies and I am a member of the Board of Directors of the Compliance and Ethics Forum for Life Insurers, otherwise known as CEFLI. Homesteaders is one of the few insurance companies that sell life insurance to fund pre-need funeral contracts, along with NGL, FDLIC and Global Atlantic.

- Homesteaders provides products and services in 48 states and the District of Columbia. Along with other preneed insurance carriers, we have not, up to this point, been able to provide those products and services in Maine due to current legislation not allowing life insurance funded preneed arrangements. Maine is one of only two states in the United States with such legislation – the other state being New York. We, along with the Maine Funeral Directors Association, would advocate for this to be changed. We join with the Maine Funeral Directors Association in our support of this bill which will provide consumers with expanded choices for their funeral preplanning options and help ease financial burdens families experience during the death of a loved one.
- Pre-need insurance products cover funeral costs and ease the financial and decision-making burden for families at a very difficult time. Individuals are able to pre-plan and fund funeral services in advance which provides their families with the peace of mind that funeral arrangements have been made according to their loved ones' wishes and have been pre-funded with a product backed by the strength and claims paying abilities of the insurance companies.
- In a typical preneed funeral plan prearrangement, a consumer works with a funeral home to plan and prearrange his or her funeral service, in advance, in a highly specific manner. The consumer and the funeral home enter into a formal prearrangement contract where the goods and services are specified in detail and priced. In an insurance funded prearrangement, the consumer will then apply for a life insurance policy which will fund the preneed funeral plan. The consumer is the owner of the policy. There is a contingent assignment of the policy death benefits to the funeral home whereby the funeral home is only paid if they perform the services set forth on the prearrangement agreement. It is also

important to note that the face value of the life insurance will never be reduced and, for the majority of the policies funding preneed funeral plan, discretionary growth is applied to the policies each year so the face value actually increases to help keep up with inflation that the funeral homes experience in the costs of providing their goods and services.

- I have attached to my testimony recommended language changes to the bill to ensure clarity on the amount of benefits payable, payment of benefits and the guidelines for solicitation and payment of commissions.
- Enacting this bill will provide additional revenue to Maine in the form of premium taxes which are paid by insurance companies including Homesteaders and other companies like Homesteaders. Preneed insurance also qualifies for Medicaid spend-down which is a great benefit to Maine consumers who are in need of those benefits.
- Thank you for the opportunity to support the amendments and we urge your support and passage of these important pieces of legislation so Maine will no longer be an outlier in this industry.

LD 867 Proposed language changes

Sec. 4 24-A MRSA

§2176-A – Disclosures required for the sale of pre-need funeral insurance

5. Contract and Policy Proceeds.

(a) The fact that when a new insurance policy is purchased to fund the pre-need contract, the face amount will be equal to or greater than the current retail price of the goods and services to be delivered under the pre-need contract, or, if less, the face amount will be equal to the total of all payments to be submitted by the purchaser pursuant to the pre-need contract.

(b) The fact that the policy may have an increasing death benefit or similar feature that provides some means for increasing the funding as the cost of the goods and services contracted for increases.

(c) The fact that any policy benefits payable that exceed the cost of the goods and services provided at the time of need shall be payable to the policy beneficiary(ies) unless otherwise assigned for Medicaid eligibility purposes.

Sec. 6 32 MRSA §1401, sub §1-B

1-B Plan funded with proceeds of pre-need insurance policy.

B. (i) The face amount of the policy shall be equal to or greater than the current retail price of the goods and services to be delivered under the pre-need contract or, if less, a face amount equal to the total amount of all payments to be submitted by the purchaser pursuant to the pre-need plan.

(ii) The policy may have an increasing death benefit or similar feature that provides some means for increasing the funding as the cost of the goods and services contracted for increase.

(iii) Any policy benefits exceeding the cost of the goods and services provided at the time of need shall be payable to the policy beneficiary(ies) unless otherwise assigned for Medicaid eligibility purposes.

Sec. 8 32 MRSA §1402

§1402 Solicitation of prearranged funerals and funeral business

2. Permitted contact and advertising. ...may

D. Solicit an individual who initiates discussion of a prearranged funeral service or plan or who responds to a general advertisement or other communication made for the purpose of soliciting a prearranged funeral service or plan, or otherwise in the course of discussions of funeral services.

3. **Commission or gratuity for securing business prohibited.** [at the end of the current wording add the following]: Nothing in this section shall prohibit the payment of commissions or other standard compensation to producer licensees or licensed agencies affiliated or contracted with the funeral home.