

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0524

Date: February 11, 2013

Prime Sponsor(s): Sen. Todd

Bill Status: Senate Business, Labor, & Technology

Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING PRENEED FUNERAL CONTRACTS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund	(\$26,475)	(\$26,475)
State Transfers or Diversions Diversion from the General Fund to the Division of Insurance Cash Fund	(\$2,400)	(\$2,400)
State Expenditures Cash Funds Division of Insurance Cash Fund	(\$2,400)	(\$2,400)
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill modifies the regulation of preneed funeral contracts by the Commissioner of Insurance (commissioner) in the Department of Regulatory Agencies (DORA). It makes the following changes:

- clarifies that preneed contract sellers include funeral establishments, crematories, and insurance agents;
- eliminates the requirement that preneed contract sellers be audited every five years;
- directs the commissioner to make every effort to utilize division employees to conduct audits;
- requires that fees be set by the commissioner to cover only the costs of regulation;
- requires a preneed contract business to obtain commissioner approval prior to selling a preneed contract business;
- directs the commissioner to monitor funds in trust for inactive preneed sellers and cancel the license when the funds in trust are exhausted or each preneed contract is fulfilled; and

- exempts from regulation a person providing a developed final resting place within a designated cemetery, or a person providing undeveloped final resting places that meet certain conditions.

Background

Upon the death of a contract beneficiary, a preneed contract provides for a final resting place, merchandise, or services associated with the disposition of the beneficiary's body. Preneed contracts can be funded with a single payment, an installment plan, or the assignment of life insurance benefits. A minimum of 75 percent of the funds collected are deposited with a qualified trustee.

State Revenue

Neither the bill, nor current law, direct the fees assessed on preneed sellers to be deposited into a cash fund, so fees go to the General Fund. Because this bill lowers the amount of fee revenue collected, **revenue to the General Fund will be reduced by \$26,475 each year beginning in FY 2013-14.** Current fees are set in statute. These include a \$500 license application fee, and an annual license renewal fee based on the aggregate preneed contract price of all contracts outstanding at the end of each calendar year. These range from \$100 to \$2,000. Currently, about 20 sellers pay \$200 or less, and 50 pay \$500 or more for a total of \$60,000. The new fee is required to cover the cost of the program and is estimated at \$447 annually for 75 sellers, for a total of \$33,525. If the new fee revenue, \$33,525, is subtracted from the current fee revenue, \$60,000, the result is a General Fund reduction of \$26,475.

State Diversions

This bill reduces by \$2,400 annually the diversion from the General Fund to the Division of Insurance Cash Fund in FY 2013-14 and FY 2014-15. This reduction occurs because the bill reduces costs in the Division of Insurance in DORA, which are funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

This bill is expected to reduce expenditures to the Division of Insurance from the Division of Insurance Cash Fund by approximately \$2,400 annually. By no longer requiring audits of preneed sellers every 5 years, division staff will no longer be reviewing approximately 15 audit reports a year. This is partially offset by an increase in workload for division staff to conduct one audit per year of a preneed seller in response to a complaint.

State Appropriations

For FY 2013-14, the Division of Insurance in the Department of Regulatory Agencies requires a reduction of \$2,400 from the Division of Insurance Cash Fund.

Departments Contacted

Law Regulatory Agencies