

House Bill 4603
Sponsor: Rep. Stephen Ehardt
Committee: Commerce

Complete to 5-7-01

A SUMMARY OF HOUSE BILL 4603 AS INTRODUCED 4-17-01

Under Section 19 of the Prepaid Funeral Contract Funding Act, a prepaid funeral contract can be made with an applicant for or recipient of assistance under the Social Welfare Act (e.g., Medicaid, state disability assistance, family independence program assistance, or supplemental security income) or a patient or legal guardian in a mental health care facility. If the relevant state department determines that the contract is a fully paid guaranteed price contract of not more than \$2,000, and that the state is not liable for funeral expenses, the contract is made irrevocable at the recipient's or the patient's or guardian's request. (Such an irrevocable contract is not considered an asset in determining eligibility for state aid under the Social Welfare Act.)

House Bill 4603 would amend the act to raise the maximum contract amount under this section. As of June 1, 2001, the maximum for a fully paid guaranteed price contract would be \$9,837. (This would be adjusted annually.) Under the bill, the provision would apply to a fully paid guaranteed price contract "which when added to the amount of a death benefit from an associated life insurance policy or annuity contract . . . does not exceed more than the amount allowed under Section 2080(6)(g) of the Insurance Code, plus \$2,000." As explained below, the amount allowed under Section 2080(6)(g) will be \$7,837 as of June 1, 2001. Also, where the act now refers to funeral goods and funeral services, the bill would refer to funeral goods and "cemetery merchandise" and would refer to funeral services and "cemetery services".

[A guaranteed price contract is defined in the act to mean a prepaid funeral contract under which specified funeral goods or funeral services are required to be sold or made available for a contract buyer or a contract beneficiary, regardless of the cost or value of the funeral goods or services at the time of the death of the beneficiary. Under such a contract, there can be no additional charges for the goods and services originally contracted for at the time of the delivery of the contract. The current definition of "funeral goods" in the act does not include land, crypts, lawn crypts, or niches sold by a cemetery complying with the endowment fund care requirements of the Cemetery Regulation Act or to certain related cemetery burial vaults or other outside containers, markers, monuments, urns, and merchandise items used to memorialize a decedent.

Section 2080(6)(g) of the Insurance Code applies to the pre-death assignment of the proceeds of a life insurance policy or annuity contract as payment for cemetery or funeral services or goods. Such an assignment is allowed if certain conditions and criteria are met. One of those is that the policy or contract not exceed a set amount of money at the time the first premium is made. The figure was originally set at \$5,000, but is adjusted annually for inflation. The figure is set at \$7,565 for June 1, 2000 through May 31, 2001 and at \$7,837 for June 1, 2001 through May 31, 2002, according to the Office of Financial and Insurance Services.]

The bill would also make other technical changes to the act. It would update references so as to refer to the Department of Community Health and the Family Independence Agency (rather than refer to their predecessor agencies). Similarly, the term “mental health care facility” would be replaced by “community health care facility”.

MCL 328.229

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