

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Banking and Insurance

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BILL: CS/SB 1386

INTRODUCER: Banking and Insurance Committee and Senator Richter

SUBJECT: Life Insurers

DATE: January 27, 2016

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Knudson	BI	Fav/CS
2.			CM	
3.			RC	

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 1386 increases the maximum coverage limit for a preneed life insurance policy sold by a licensed life agent, funeral director, a direct depositor or employee of an authorized funeral establishment. Currently, the coverage limit may not exceed \$12,500, plus an annual percentage increase based on the Department of Labor's Annual Consumer Price Index (CPI), beginning with the 2003 CPI. The bill increases the coverage limit to \$21,000 plus an annual increase based on the CPI, beginning with the 2016 CPI.

The bill is effective upon becoming a law.

**II. Present Situation:**

Part III of chapter 626, F.S., provides for the regulation of life insurance agents. Under s. 626.785, F.S., a licensed agent on behalf of a funeral establishment or a funeral director, a funeral director, a direct disposer, or an employee of a funeral establishment that holds a certificate of authority pursuant to s. 497.452, F.S.,<sup>1</sup> may obtain an agent's license to sell only policies of life insurance covering the expense of a prearrangement for funeral services or merchandise so as to provide funds at the time the services and merchandise are needed. Such policies are referred to as preneed contracts.

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<sup>1</sup> Chapter 497, F.S., entitled the Florida Funeral, Cemetery, and Consumer Services Act, provides for the regulatory oversight of the death care industry. The Act is administered jointly by the Division of Funeral, Cemetery, and Consumer Services of the Department of Financial Services and the Board of Funeral, Cemetery and Funeral Services.

A preneed contract is any arrangement or method of which the provider of funeral merchandise or service has actual knowledge, whereby any person agrees to sell burial merchandise or burial service in advance. Examples of “burial merchandise” are caskets, outer burial containers, urns, monuments, floral arrangements, and register books, and “burial service” includes any service offered or provided in connection with the final disposition, memorialization, interment, entombment, inurnment, or other disposition of human remains or cremated remains.

The face amount of insurance covered by any such policy may not exceed \$12,500 plus an annual percentage increase based on the Annual Consumer Price Index compiled by the United States Department of Labor, beginning with the Annual Consumer Price Index announced by the United States Department of Labor for 2003. When taking into account the consumer price index from 2003 through 2015 the current cap for a preneed contract is \$16,105.06<sup>2</sup>

### **III. Effect of Proposed Changes:**

The bill increases the maximum coverage limit for a preneed life insurance policy sold by an agent, funeral director, a direct depositor or employee of a funeral establishment. Currently, the coverage limit may not exceed \$12,500, plus an annual percentage increase based on the Department of Labor’s Annual Consumer Price Index, beginning with the 2003 index. The bill increases the coverage limit to \$21,000 plus an annual increase based on the Consumer Price Index announced by the United States Department of Labor, beginning with the 2016 version of the Index.

The bill is effective upon becoming a law.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

### **V. Fiscal Impact Statement:**

#### **A. Tax/Fee Issues:**

None.

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<sup>2</sup> Email received from the Office of Insurance Regulation (Jan 24, 2016) (On file with the Senate Committee on Banking and Insurance).

**B. Private Sector Impact:**

The public will be able to purchase a larger preneed contract to cover the costs of funeral services.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 626.785 of the Florida Statutes.

**IX. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Banking and Insurance on January 26, 2016:**

- Replaces the limit of \$22,500 with \$21,000 and also includes this new limit in subsection (1)(d).
- Changes the CPI date from 2003 to 2016.

**B. Amendments:**

None.