

SENATE BILL REPORT

SB 5346

As of January 24, 2019

Title: An act relating to the use of life insurance to pay for the last illness and death of the insured.

Brief Description: Concerning the use of life insurance to pay for the last illness and death of the insured.

Sponsors: Senators Sheldon and Randall.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/22/19.

Brief Summary of Bill

- Provides that the first 5 percent or \$15,000 of a life insurance policy is to be used to pay for funeral or expenses related to the last illness of the individual insured.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Staff: Clint McCarthy (786-7319)

Background: Group Life Insurance. Group life insurance is a type of life insurance in which a single contract covers an entire group of people. Typically, the policyowner is an employer or an entity such as a labor organization, and the policy covers the employees or members of the group. Group life insurance is often provided as part of a complete employee benefit package. In most cases, the cost of group coverage is far less than what the employees or members would pay for a similar amount of individual protection. Current statute reserves a sum not exceeding 10 percent or \$1,000, whichever is greater, to cover the costs of a funeral or the last illness of the insured.

Individual Life Insurance. Individual life insurance is a policy that is paid by one person and covers a single person. It is distinguished from group life insurance, which covers employees of a company or members of an organization. Individual life insurance is intended to meet

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the financial needs of a surviving spouse or family members in the event of the insured's death.

Average Cost of Funerals and the Average Value of an Individual Life Insurance Policy. According to the National Funeral Directors Association, the national median cost of an adult funeral with viewing and burial was \$7,360 in 2017. According to the American Council of Life Insurers, the average size of new life insurance policies is \$163,000 in 2017.

Summary of Bill: The first 5 percent or \$15,000, whichever is greater, of a life insurance policy shall be used to pay for funeral or other expenses related to the last illness or death of the individual insured.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: CON: This might violate the life insurance compact. The bill puts a priority payment on funerals and last illness, and the beneficiaries might have all kinds of issues to resolve after the loss of a loved one.

OTHER: This bill is in response to how a cash value must be surrendered to the state for a nursing home if the insured needs to go on Medicaid. There are instances where families and beneficiaries of the insured are not allowed to pay for costs related to funerals or expenses related to the deaths of a loved one.

Persons Testifying: CON: Jean Leonard, State Farm.

OTHER: Marlene Taylor.

Persons Signed In To Testify But Not Testifying: OTHER: Lonnie Johns-Brown, Office of the Insurance Commissioner.