

# HOUSE BILL REPORT

## EHB 1081

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**As Passed House:**  
February 28, 2017

**Title:** An act relating to authorizing funeral planning and funeral services as noninsurance benefits under group life and disability insurance policies.

**Brief Description:** Authorizing funeral planning and funeral services as noninsurance benefits under group life and disability insurance policies.

**Sponsors:** Representatives Kirby and Vick.

**Brief History:**

**Committee Activity:**

Business & Financial Services: 1/17/17, 1/25/17 [DP].

**Floor Activity:**

Passed House: 2/28/17, 98-0.

**Brief Summary of Engrossed Bill**

- Adds funeral planning and funeral services to the list of authorized noninsurance benefits under a group life or group disability insurance policy.
- Requires a disclosure that the noninsurance benefit of funeral planning and funeral services does not constitute an insurance funded prearrangement contract under laws regulating funeral homes and cemeteries.

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### HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

**Majority Report:** Do pass. Signed by 11 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; J. Walsh, Assistant Ranking Minority Member; Barkis, Bergquist, Blake, Jenkin, McCabe, Santos and Stanford.

**Staff:** Peter Clodfelter (786-7127).

**Background:**

Office of the Insurance Commissioner.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Office of the Insurance Commissioner (OIC) regulates insurance transactions in Washington, including group life insurance policies and group disability insurance policies. Insurance rates and forms are filed with the OIC, which ensures that the rates and forms comply with the Insurance Code. The OIC also has rulemaking and enforcement authority over insurance and insurers.

#### Group Life Policy Noninsurance Benefits.

Group life insurance refers to a policy that insures the lives of more than one individual as part of a specified group allowed by statute. The groups allowed by statute ordinarily have some common feature, such as the same employer, labor union membership, or credit union membership. The group is the policyholder and is required to pay the premiums on the policies, but an insured may contribute to the premium. The proceeds of the insurance policy must be paid to beneficiaries of the insured person at the time of that person's death.

Separate from any monetary payout, and with the OIC's prior approval, group life insurers may offer the following noninsurance benefits:

- will preparation services;
- financial planning and estate planning services;
- probate and estate settlement services;
- grief counseling; and
- other services as the OIC may identify by rule.

#### Group Disability Policy Noninsurance Benefits.

Disability insurance refers to a policy that pays benefits if the insured becomes partially or fully disabled and unable to work. Like group life insurance, group disability insurance policies may only be written for a group of people specified by statute, including employee groups, credit union groups, and labor union groups. The group is the policyholder and must pay the premium, but the insured may contribute.

Separate from any monetary payout, and with the OIC's prior approval, group disability insurers may offer the following noninsurance benefits:

- will preparation services;
- financial planning and estate planning services;
- probate and estate settlement services;
- grief counseling; and
- other services as the OIC may identify by rule.

Any noninsurance benefits offered under a group disability policy must bear a reasonable relationship to the disability insurance provided.

#### Prearrangement Funeral Service Contracts.

Only funeral establishments licensed by the Funeral and Cemetery Board may enter into prearrangement funeral service contracts. A prearrangement funeral service contract is any contract under which, for a specified consideration, a funeral establishment promises, upon the death of the person named or implied in the contract, to furnish funeral merchandise or services. Any monies accepted by a funeral establishment under a prearrangement funeral service contract must be placed in the designated trust account and be held for the benefit of

the contract's beneficiary. A purchaser under a prearrangement funeral service contract may cancel the contract within 30 calendar days of signing the contract and receive a full refund. Additional requirements apply to prearrangement funeral service contracts.

**Summary of Engrossed Bill:**

Funeral planning and funeral services are added to the authorized noninsurance benefits that a life or disability insurer may include as part of a group life or group disability insurance policy. However, it must be disclosed that the noninsurance benefit of funeral planning and funeral services does not constitute an insurance funded prearrangement contract under laws regulating funeral homes and cemeteries.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The bill adds another noninsurance benefit for group life and disability insurance policies and is similar to legislation from 2016, which added grief counseling to the authorized noninsurance benefits under group life and group disability insurance policies. The OIC thanks stakeholders for working on and refining an earlier version of the bill to remove the authorization for discounts on funeral planning and funeral services as noninsurance benefits. The bill includes only authorization for funeral planning and funeral services as noninsurance benefits, not discounts on such services. The OIC supports the bill. Customers have the option of whether to take advantage of the new benefit.

(Opposed) Some funeral homes and cemeteries are concerned about the bill, but are willing to work with proponents to find a solution. Funeral homes and cemeteries are highly regulated, and there is concern that the bill may conflict with provisions of the regulatory scheme applicable to funeral homes and cemeteries with respect to prearranged funeral service contracts. Monies received by a funeral home or cemetery for prearranged funeral service contracts must be placed in a trust account, be accounted for, and the services must be sufficiently explained in the agreement. Other states' experience in adding authorization similar to this shows that it can be confusing for customers. Customers may go to a funeral home or cemetery and expect services to be paid for; but the funeral home or cemetery may not have an agreement with the particular insurer, and customers may not be aware of the services' total costs. Stakeholders do not oppose the bill's intent and are willing to work with proponents to find agreeable language.

**Persons Testifying:** (In support) Lonnie Johns-Browns, Office of the Insurance Commissioner; and Steve Buckner, Metlife.

(Opposed) Steve Gano, Services Corporation International.

**Persons Signed In To Testify But Not Testifying: None.**