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**Business & Financial Services Committee**

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**ESB 5042**

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

**Sponsors:** Senators Angel, Hobbs and Wellman.

**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 establishments.

**Hearing Date:** 3/15/17

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

**Background:**

Office of the Insurance Commissioner.

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,

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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 a 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 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 establishments.

**Appropriation:** None.

**Fiscal Note:** Available.

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