

# STATE OF NEW YORK

6143--B

2017-2018 Regular Sessions

## IN SENATE

May 11, 2017

Introduced by Sen. LANZA -- read twice and ordered printed, and when printed to be committed to the Committee on Consumer Protection -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Consumer Protection in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the general business law, the insurance law and the public health law, in relation to preneed insurance; and providing for the repeal of such provisions upon expiration thereof

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraph (a) of subdivision 1 of section 453 of the gener-  
2 al business law, as amended by chapter 557 of the laws of 2001, is  
3 amended to read as follows:  
4 (a) Any and all moneys paid to a funeral firm, funeral director,  
5 undertaker, cemetery, or any other person, firm or corporation, under or  
6 in connection with an agreement, or any option to enter into an agree-  
7 ment, for the sale of merchandise to be used in connection with a funer-  
8 al or burial, or for the furnishing of personal services of a funeral  
9 director or undertaker, wherein the merchandise is not to be actually  
10 physically delivered or the personal services are not to be rendered  
11 until the occurrence of the death of the person for whose funeral or  
12 burial such merchandise or services are to be furnished shall continue  
13 to be the money of the person making such payment and shall be held in  
14 trust for such person by the funeral firm, funeral director, undertaker,  
15 cemetery or any other person, firm or corporation to whom such payment  
16 is made and shall, within ten business days of receipt, be deposited in  
17 an interest bearing account in a bank, national bank, federal savings  
18 bank, federal savings and loan association, savings bank, savings and  
19 loan association, credit union, or federal credit union within the state

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

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1 and duly authorized to receive deposits in the state of New York and  
2 which shall earn interest at a rate which shall be at not less than the  
3 prevailing rate of interest earned by other such deposits in such banks,  
4 savings banks, savings and loan associations, or credit unions under  
5 this section, or shall be placed in a trust company in an investment  
6 backed by the government of the United States and shall not be commin-  
7 gled with other moneys of the funeral firm, funeral director, undertak-  
8 er, cemetery, or other person, firm or corporation or become the funds  
9 of the funeral firm, funeral director, undertaker, cemetery, or other  
10 person, firm or corporation, and shall be so held on deposit, together  
11 with any interest thereon, until said merchandise has been actually  
12 physically delivered and said personal services have been rendered,  
13 unless sooner repaid, in whole or in part; provided, however, that any  
14 and all money paid to a life insurance company as premium for preneed  
15 life insurance as defined in section one hundred seven of the insurance  
16 law shall be considered as premium paid to an insurer. No funeral firm,  
17 funeral director, undertaker, cemetery or any other person, firm or  
18 corporation, shall discharge the obligation established under this  
19 section to deposit or place money with a bank, national bank, federal  
20 savings bank, federal savings and loan association, savings bank,  
21 savings and loan association, credit union, federal credit union or  
22 trust company within the state through a surety bond or other financial  
23 instrument unless expressly provided under this section.

24 § 2. Subsection (a) of section 107 of the insurance law is amended by  
25 adding a new paragraph 55 to read as follows:

26 (55) "Preneed life insurance" means any life insurance policy or  
27 certificate that is issued in combination with, in support of, with an  
28 assignment to, or as a guarantee for, a prearrangement agreement for  
29 goods and services, or other benefits, to be provided at the time of and  
30 immediately following the death of the insured. Goods and services may  
31 include embalming, cremation, body preparation, viewing or visitation,  
32 coffin or urn, memorial stone, and transportation of the deceased. The  
33 status of the policy or certificate as preneed life insurance is deter-  
34 mined at the time of issue in accordance with the policy form filing.

35 § 3. Subsection (d) of section 3208 of the insurance law is amended to  
36 read as follows:

37 (d) No person, firm, association, society, or corporation engaged in  
38 this state in the business of providing for the payment of funeral,  
39 burial or other expenses of deceased members, whether or not it be  
40 subject to the other provisions of this chapter, and no insurer shall:

41 (1) deliver or issue for delivery in this state any contract or policy  
42 whereby the benefit or any part thereof accruing under such contract or  
43 policy, upon the death of such member or of the person insured, shall be  
44 payable to a designated or restricted funeral director or funeral  
45 directing concern or other person engaged in such trade or business, or  
46 to any official or designated group of them, provided, however, that the  
47 insured may, pursuant to paragraph one of subsection (b) of section  
48 three thousand two hundred five of this article, immediately assign a  
49 contract or policy so procured or effectuated to a designated funeral  
50 home so long as the assignment is contingent upon the provision of  
51 funeral goods and services by the assignee at the time of death of the  
52 insured; or

53 (2) pay any such benefit or any part thereof to any funeral director  
54 or funeral directing concern or other person engaged in such trade or  
55 business or to any official or designated group of them, without the  
56 consent of the person or persons entitled to such benefits, subject

1 however, to any contingent assignment, the contingency of which has been  
2 satisfied through the provision of funeral goods and services by the  
3 assignee; or

4 (3) in any way deprive the personal representative or family of the  
5 deceased of the advantages of competition in procuring and purchasing  
6 supplies and services in connection with the burial of such deceased; or

7 (4) permit the seller or provider of the preneed life insurance policy  
8 to be named as the owner or beneficiary of the policy of preneed life  
9 insurance; or

10 (5) sell or offer to sell any contract or policy of preneed life  
11 insurance with a face value greater than twenty thousand dollar, plus an  
12 annual percentage increase based on the Annual Consumer Price Index  
13 compiled by the United States Department of Labor, beginning with the  
14 Annual Consumer Price Index announced by the United States Department of  
15 Labor for two thousand nineteen.

16 § 4. Section 3208 of the insurance law is amended by adding a new  
17 subsection (e) to read as follows:

18 (e) The following information shall be adequately disclosed at the  
19 time an application is made, prior to accepting the applicant's initial  
20 premium or deposit, for any contract or policy of preneed life insur-  
21 ance:

22 (1) The fact that a life insurance policy is involved or be used to  
23 fund a prearrangement;

24 (2) The nature of the relationship among the soliciting agent or  
25 agents, the provider of the funeral or cemetery merchandise services,  
26 the administrator and any other person;

27 (3) The relationship of the life insurance policy to the funding of  
28 the prearrangement and the nature and existence of any guarantees relat-  
29 ing to the prearrangement;

30 (4) The impact on the prearrangement of any:

31 (A) Changes in the life insurance policy including but not limited to,  
32 changes in the assignment, beneficiary designation or use of the  
33 proceeds;

34 (B) Penalties to be incurred by the policy holder as a result of fail-  
35 ure to make premium payments;

36 (C) Penalties to be incurred or monies to be received as a result of  
37 cancellation or surrender of the life insurance policy;

38 (5) A list of the merchandise and services which are applied or  
39 contracted for in the prearrangement and all relevant information  
40 concerning the price of the funeral services, including and indication  
41 that the purchase price is either guaranteed at the time of purchase or  
42 to be determined at the time of need;

43 (6) The fact that the applicant has the right to surrender the life  
44 insurance policy, together with a written request for cancellation, to  
45 the insurer during a period of not less than ten days nor more than  
46 thirty days from the date the policy was delivered to the policy owner  
47 for a refund of premium paid pursuant to paragraph eleven of subsection  
48 (a) of section three thousand two hundred three of this article;

49 (7) All relevant information concerning what occurs and whether any  
50 entitlements or obligations arise if there is a difference between the  
51 proceeds of the life insurance policy and the amount actually needed to  
52 fund the prearrangement;

53 (8) Any penalties or restrictions, including but not limited to  
54 geographic restrictions or the inability of the provider to perform, on  
55 the delivery of merchandise, services or the prearrangement guarantee;

1 (9) If so, the fact that a sales commission or other form of compen-  
2 sation is being paid and the identity of the individuals or entities to  
3 whom is it paid.

4 § 5. Paragraph (1) of subdivision 1 of section 3450 of the public  
5 health law, as amended by chapter 560 of the laws of 1998, is amended to  
6 read as follows:

7 (1) has paid, given, has caused to be paid or given or offered to pay  
8 or to give to any person a commission, excluding a commission authorized  
9 pursuant to article twenty-one of the insurance law, or other valuable  
10 consideration for the solicitation or procurement, either directly or  
11 indirectly, of funeral patronage, or has accepted any consideration  
12 (including without limitation a commission, excluding a commission  
13 authorized pursuant to article twenty-one of the insurance law, rebate,  
14 or discount or direct or indirect price reduction on merchandise from  
15 the current value thereof) from any financial institution or trust  
16 company, or agent thereof, with whom the funeral director deposits funds  
17 paid for funeral services in advance of need pursuant to subdivision one  
18 of section four hundred fifty-three of the general business law;

19 § 6. This act shall take effect immediately and shall expire June 1,  
20 2023 when upon such date the provisions of this act shall be deemed  
21 repealed; provided, however, that:

22 a. the amendments to paragraphs 2 and 3 of subsection (d) of section  
23 3208 of the insurance law made by section three of this act shall take  
24 effect on the same date as the reversion of such paragraphs pursuant to  
25 section 6 of chapter 557 of the laws of 2001, as amended;

26 b. the amendments to paragraph (1) of subdivision 1 of section 3450 of  
27 the public health law made by section five of this act shall take effect  
28 on the same date as the reversion of such paragraph pursuant to section  
29 6 of chapter 557 of the laws of 2001, as amended; and

30 c. if such reversion pursuant to section 6 of chapter 557 of the laws  
31 of 2001, as amended, shall have occurred prior to the effective date of  
32 this act, section three and five of this act shall take effect imme-  
33 diately.