

Senate Bill 13-125 - Concerning Preneed Funeral Contracts

Supported by the Colorado Funeral Directors Association

1. Clarifies definitions in statutes
 - a. Regulates all entities that offer preneed funeral contracts to consumers
2. Modifies the examination of records section
 - a. Restores the exam procedure to pre-2010 language*
 - b. Eliminates the mandatory audit requirement and 5-year frequency for audits*
 - c. Eliminates provision that mandates an independent examiner and exam costs paid by licensee*
 - d. Allows for Insurance Commissioner to examine the books, records and accounts of a preneed contract seller as often as necessary upon receiving a complaint or indication of non-compliance
3. Adds provisions recommended by the Division of Insurance staff
 - a. Reporting and approval for change of ownership of a preneed contract
 - b. Provisions for surrender of license of a preneed contract seller
4. More consumer protections
 - a. Closes the loop on tracking funds: Contract sellers must provide evidence to each contract buyer after a deposit is made to establish a preneed trust and disclose to the consumer the name and address of trustee/financial institution in which funds are deposited. Consumers may report to the Insurance Commissioner if they don't receive a deposit notification.
 - b. Contract portability: Clarifies that the buyer may transfer the preneed contract to another provider with a limit on the funds that may be retained by the preneed contract seller.
 - c. Emergency provision to allow Insurance Commissioner to administer preneed contracts and accounts if the business of the contract seller closes due to financial insolvency, criminal activity or license suspension.

*House Bill 10-1220 changed examination requirements based on DORA's 2009 Sunset Review. This legislation created expensive unintended consequences for preneed contract sellers.

The exams are performed by an outside contractor at \$135 per hour and the process requires numerous hours of staff time and other resources for funeral establishments (preneed contract sellers). The exams did not uncover significant problems that would cause consumer harm.

Costs for the first seven (7) preneed contract seller examinations that were conducted in 2011:

Exam #1: \$4,623.75	Exam #5: \$4,522.50
Exam #2: \$4,320.00	Exam #6: \$4,176.54
Exam #3: \$3,780.00	Exam #7: \$4,253.00
Exam #4: \$3,543.75	

These examinations are ineffective, detrimental for small businesses, and will lead to higher funeral prices for consumers.



Revised 3/22/2013