

HOUSE RESEARCH

Bill Summary

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Overview

This bill deals with “preneed insurance,” which is a type of life insurance that pays for an insured’s future funeral, burial, or cremation. The bill consists of three sections that interact with each other in a complex way, but they seem to be designed to make preneed insurance more attractive.

Section

- 1** **Group insurance.** Adds to the existing definition of “group insurance” to include insurance sponsored by, or issued to, a trust established for a group of individuals, to pay for their future funeral expenses. The definition includes a trust established by the insurance company. This type of insurance is called “preneed insurance.”
- 2** **Exception.** Amends a section of the chapter dealing with life insurance to specify that preneed insurance is not subject to section 72A.207, which is amended in section 3 of this bill.
- 3** **Graded death benefits.** Provides that an insurance policy that provides pre-need insurance for goods and services to be needed in connection with a future funeral is not subject to the section of law that permits “graded death benefits” within a life insurance policy. (A graded death benefit within a life insurance policy is less than the face value of the policy in the early years, but increases with the passage of time.)