1984

Session Law 84-196

Florida Senate & House of Representatives

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### COMMITTEE RECORDS

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### Senate/House Journals

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### Committee/Floor Tapes

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### Other Documentation

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### NOTES
By Representative Meffert

A bill to be entitled
An act relating to qualifications for license
for life insurance agents; amending s. 626.785,
F.S., authorizing funeral directors or
employees of funeral establishments holding
certificates of authority pursuant to s.
639.09, F.S., to become licensed life insurance
agents to sell life insurance policies covering
final expenses; providing that insurance
policies sold pursuant to this act shall not
exceed $7,500; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Subsection (3) is, added to section
626.785, Florida Statutes, to read:

626.785 Qualifications for license.--

(3) Notwithstanding any provision of subsection (1), a
funeral director or an employee employed by a funeral
establishment which holds a certificate of authority pursuant
to s. 639.09 may obtain an agent's license to sell limited
policies of life insurance covering the expense of a preneed
contract issued pursuant to chapter 639; provided the amount
covered by such insurance policy shall not exceed $7,500.

Section 2. This act shall take effect July 1, 1984.

*****************************************************************

HOUSE SUMMARY

Authorizes funeral directors or employees of funeral
establishments holding certificates of authority pursuant
to s. 639.09, F.S., to become licensed life insurance
agents to sell life insurance policies covering final
expenses. Provides that insurance policies sold pursuant
to this act shall not exceed $7,500.

CODING: Words in struck through type are deletions from existing law, words underlined are additions.
I. SUMMARY AND PURPOSE

This bill authorizes funeral directors or employees of funeral establishments who sell preneed funeral merchandise or service contracts to qualify as life insurance agents in order to sell limited policies of life insurance to cover the expense of a preneed contract issued pursuant to chapter 639. The amount covered by such an insurance policy may not exceed $7,500.

II. CURRENT LAW AND EFFECT OF CHANGES

A. CURRENT LAW

Under chapter 639, F.S., funeral directors can become authorized to sell preneed merchandise or service contracts. Preneed contracts are contracts sold by funeral or direct disposal establishments to furnish funeral merchandise or service in the future. The Department of Insurance has regulatory authority over all administrative and enforcement provisions regarding preneed contracts.

According to s. 626.785, F.S., directors or employees of funeral establishments may not qualify for a license to sell life insurance and therefore are prohibited from selling life insurance policies to cover the expense of a preneed funeral contract. However, as amended in 1982, s. 626.785 allows a funeral establishment to contract with a life insurance agent to sell a preneed contract and the life insurance agent may sell limited policies of insurance covering the expense of final disposition or burial of an insured in an amount not exceeding $5,000.
B. EFFECT OF PROPOSED CHANGES

This bill adds subsection (3) to s. 627.785, F.S., relating to qualifications for a license to sell life insurance. It would allow funeral directors or employees who are authorized to sell preneed contracts to become licensed as a life insurance agent to sell limited life insurance policies to cover the expense of such contracts. The amount of such policies may not exceed $7,500.

III. ECONOMIC IMPACT CONSIDERATIONS

A. PRIVATE SECTOR CONSIDERATIONS

To the extent there is an increase in the number of qualified agents selling this type of insurance, competition in the marketplace also increases. However, because the bill allows funeral directors or employees to engage in an activity for which they now contract, it is anticipated that the number of contracts between insurance agents and funeral establishments will decrease.

B. PUBLIC SECTOR CONSIDERATIONS

An increase in the number of qualified life insurance agents increases the number of agents the Department of Insurance regulates. At the same time, more licensing fees are filed by those seeking to be agents. Therefore, the cost of the increase in regulatory responsibilities should be offset by the increase in regulatory fees.

IV. COMMENTS

Allowing funeral directors or employees to sell limited life insurance should increase the availability of this alternate funding mechanism for preneed contracts. At the same time, funeral establishments can still contract with life insurance agents to sell insurance. However, because the bill adds to, but does not change the existing law on this point, life insurance agents who contract with funeral establishments to sell expense policies will be subject to the $5,000 limitation whereas funeral directors or employees may sell policies subject to a $7,500 limitation.

V. AMENDMENTS

Prepared by:  

[Signature]

Tom Cooper

Staff Director:  

[Signature]

Wyatt T. Martin
The following persons (other than legislators) appeared before the subcommittee during consideration of this bill:

<table>
<thead>
<tr>
<th>Name</th>
<th>Representing</th>
<th>Address</th>
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<tbody>
<tr>
<td>(None)</td>
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(If additional persons, enter on reverse side and check here.)

NOTE: Please indicate by an "X" any State employee appearing at the request of Subcommittee Chairman.
The Committee on Commerce offered the following amendment.

Amendment

On page 1, line 18-24

STRIKE all of said lines
AND INSERT:

(3) Notwithstanding any provision of subsection (1), a funeral director or an employee of a funeral establishment which holds a certificate of authority pursuant to s. 639.09 may obtain an agent's license to sell only policies of life insurance covering the expense of a prearrangement for funeral services and merchandise so as to provide funds at the time the services and merchandise are needed. The face amount of insurance covered by such policy shall not exceed $5,000.
Amendment 2

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<td>AND INSERT: $5,000</td>
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The Committee on Commerce offered the following title amendment:

HB 782

SEE BACK OF FORM FOR INSTRUCTIONS

Committee Amendment No 2

DO NOT USE FELT TIP PEN

Senate Action: House Action

H 39 (1981)
Committee Information Record

Committee on Commerce

Date of meeting 4/18/84
Time 1:15 p.m.
Place 21 HOB

Final Action: ___ Favorable
___ Favorable with 2 Amendments
___ Favorable with Substitute
___ Unfavorable

Vote:

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<tr>
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<td>Rep. Danson</td>
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<td>Rep. Ogden</td>
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Total Yeas 17
Total Nays 0

Chairman

Committee Appearance Record

The following persons (other than legislators) appeared before the committee during the consideration of this bill:

Name Representing Address

NOTE: Please indicate by an "X" any State employee appearing at the request of Committee Chairman.

(If additional persons, enter on reverse side and check here)

File 2 copies with Clerk

B-22(1976)
I. SUMMARY AND PURPOSE

This bill authorizes funeral directors or employees of funeral establishments who sell preneed funeral merchandise or service contracts to qualify as life insurance agents in order to sell limited policies of life insurance to cover the expense of a preneed contract issued pursuant to chapter 639. The amount covered by such an insurance policy may not exceed $7,500.

II. CURRENT LAW AND EFFECT OF CHANGES

A. CURRENT LAW

Under chapter 639, F.S., funeral directors can become authorized to sell preneed merchandise or service contracts. Preneed contracts are contracts sold by funeral or direct disposal establishments to furnish funeral merchandise or service in the future. The Department of Insurance has regulatory authority over all administrative and enforcement provisions regarding preneed contracts.

According to s. 626.785, F.S., directors or employees of funeral establishments may not qualify for a license to sell life insurance and therefore are prohibited from selling life insurance policies to cover the expenses of a preneed funeral contract. However, as amended in 1982, s. 626.785 allows a funeral establishment to contract with a life insurance agent to sell a preneed contract and the life insurance agent may sell limited policies of insurance covering the expense of final disposition or burial of an insured in an amount not exceeding $5,000.
B. EFFECT OF PROPOSED CHANGES

This bill adds subsection (3) to s. 627.785, F.S., relating to qualifications for a license to sell life insurance. It would allow funeral directors or employees who are authorized to sell preneed contracts to become licensed as a life insurance agent to sell limited life insurance policies to cover the expense of such contracts. The amount of such policies may not exceed $7,500.

III. ECONOMIC IMPACT CONSIDERATIONS

A. PRIVATE SECTOR CONSIDERATIONS

To the extent there is an increase in the number of qualified agents selling this type of insurance, competition in the marketplace also increases. However, because the bill allows funeral directors or employees to engage in an activity for which they now contract, it is anticipated that the number of contracts between insurance agents and funeral establishments will decrease.

B. PUBLIC SECTOR CONSIDERATIONS

An increase in the number of qualified life insurance agents increases the number of agents the Department of Insurance regulates. At the same time, more licensing fees are filed by those seeking to be agents. Therefore, the cost of the increase in regulatory responsibilities should be offset by the increase in regulatory fees.

IV. COMMENTS

Allowing funeral directors or employees to sell limited life insurance should increase the availability of this alternate funding mechanism for preneed contracts. At the same time, funeral establishments can still contract with life insurance agents to sell insurance. However, because the bill adds to, but does not change the existing law on this point, life insurance agents who contract with funeral establishments to sell expense policies will be subject to the $5,000 limitation whereas funeral directors or employees may sell policies subject to a $7,500 limitation.

V. AMENDMENTS

Amendment #1 by Commerce: Specifies that funeral directors or their employees may obtain a life insurance agent's license to sell only policies of life insurance covering the expense of a prearrangement for funeral services or merchandise. Also the amount of such policies shall not exceed $5,000, instead of $7,500 as in the bill.

Amendment #2 by Commerce: Title amendment.

Prepared by: Tom Cooper

Staff Director: Wyatt T. Martin
Bill Analysis

Florida House of Representatives

H. Lee Moffitt, Speaker  Steve Pajcic, Speaker pro tempore

Committee on Commerce

Samuel P. Bell, III
Chairman
Dexter W. Lehtinen
Vice Chairman

FINAL STAFF SUMMARY

SB 489 by Commerce & Plummer
(as enacted by the Legislature)
relating to life insurance
agents; funeral directors
Date: June 14, 1984
Became Law: June 14, 1984
Ch. 84-196, Laws of Florida
Effective Date: July 1, 1984

I. SUMMARY AND PURPOSE

This bill authorizes funeral directors or employees of funeral establishments who sell preneed funeral merchandise or service contracts to qualify as life insurance agents in order to sell limited policies of life insurance to cover the expense of a prearrangement for funeral services or merchandise. The amount covered by such an insurance policy may not exceed $5,000.

II. CURRENT LAW AND EFFECT OF CHANGES

A. CURRENT LAW

Under chapter 639, F.S., funeral directors can become authorized to sell preneed merchandise or service contracts. Preneed contracts are contracts sold by funeral or direct disposal establishments to furnish funeral merchandise or service in the future. The Department of Insurance has regulatory authority over all administrative and enforcement provisions regarding preneed contracts.

According to s. 626.785, F.S., directors or employees of funeral establishments may not qualify for a license to sell life insurance and therefore are prohibited from selling life insurance policies to cover the expenses of a preneed funeral contract. However, as amended in 1982, s. 626.785 allows a funeral establishment to contract with a life insurance agent to sell a preneed contract and the life insurance agent may sell limited policies of insurance covering the expense of final
disposition or burial of an insured in an amount not exceeding $5,000.

**B. EFFECT OF CHANGES**

This bill adds subsection (3) to s. 627.785, F.S., relating to qualifications for a license to sell life insurance. It allows funeral directors or employees who are authorized to sell preneed contracts to become licensed as life insurance agents to sell limited life insurance policies to cover the expense of prearranged funeral services and merchandise so as to provide funds at the time the services and merchandise are needed. The amount of such policies may not exceed $5,000.

**III. ECONOMIC IMPACT CONSIDERATIONS**

**A. PRIVATE SECTOR CONSIDERATIONS**

To the extent there is an increase in the number of qualified agents selling this type of insurance, competition in the marketplace also increases. However, because the bill allows funeral directors or employees to engage in an activity for which they now contract, it is anticipated that the number of contracts between insurance agents and funeral establishments will decrease.

**B. PUBLIC SECTOR CONSIDERATIONS**

An increase in the number of qualified life insurance agents increases the number of agents the Department of Insurance regulates. At the same time, more licensing fees are filed by those seeking to be agents. Therefore, the cost of the increase in regulatory responsibilities should be offset by the increase in regulatory fees.

**IV. COMMENTS**

None.

**V. LEGISLATIVE HISTORY**

**A. ENACTED BILL**

On April 24, 1984, the Senate Commerce Committee considered SB 489. The Committee amended the bill to emphasize the limited nature of the life insurance policies to be sold by funeral directors or employees. Also, SB 489 originally authorized policies to be sold to cover the expenses of a preneed contract issued pursuant to Chapter 639. The Committee deleted reference to coverage for expenses of a preneed contract, allowing instead coverage for expenses of a prearrangement for funeral services or merchandise. Finally, SB 489 originally set the face amount of insurance covered by policies at $7,500. The Committee amended the bill to set such a limit at $5,000. The Committee passed the bill as a Committee Substitute, CS/SB 489. On May 15, 1984, the Senate passed the bill. The House passed CS/SB 489 on May 29, 1984 and on June 13, 1984, the bill was signed into law by the Governor, enacted as Chapter 84-196, Laws of Florida.

**B. DISPOSITION OF COMPANION**

The Subcommittee on Health Care and Life and Health Insurance discussed HB 782 on April 11, 1984. The Subcommittee amended the bill to include the identical language subsequently adopted by the Senate Commerce Committee on April 24, 1984. The House Commerce Committee passed the amended bill on April 16, 1984.
On May 24, 1984, the House read the bill for the second and third time having substituted the Senate Bill, CS/SB 489 for HB 782.

Prepared by:  

[Signature]

Tom Cooper

Staff Director:  

[Signature]

Wyatt T. Martin
A bill to be entitled
An act relating to qualifications for license
for life insurance agents; amending s. 626.785,
F.S., authorizing funeral directors or
employees of funeral establishments holding
certificates of authority pursuant to s.
639.09, F.S., to become licensed life insurance
agents to sell life insurance policies covering
final expenses; providing that insurance
policies sold pursuant to this act shall not
exceed $7,500; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Subsection (3) is, added to section
626.785, Florida Statutes, to read:

626 785 Qualifications for license.--

(3) Notwithstanding any provision of subsection (1), a
funeral director or an employee employed by a funeral
establishment which holds a certificate of authority pursuant
to s. 639.09 may obtain an agent's license to sell limited
policies of life insurance covering the expense of a preneed
contract issued pursuant to chapter 639; provided the amount
covered by such insurance policy shall not exceed $7,500.

Section 2. This act shall take effect July 1, 1984.
HOUSE SUMMARY

Authorizes funeral directors or employees of funeral establishments holding certificates of authority pursuant to s. 639.09, F.S., to become licensed life insurance agents to sell life insurance policies covering final expenses. Provides that insurance policies sold pursuant to this act shall not exceed $7,500.
A bill to be entitled
An act relating to qualifications for license
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which holds a certificate of authority pursuant to s. 639.09
may obtain an agent's license to sell only policies of life
insurance covering the expense of a prearrangement for funeral
services and merchandise so as to provide funds at the time
the services and merchandise are needed. The face amount of
insurance covered by such policy shall not exceed $5,000.

Section 2. This act shall take effect July 1, 1984.
I. SUMMARY:

A. Present Situation:

Currently, chapter 639, Florida Statutes, provides for the regulation of preneed funeral merchandise or service contracts. In order to be able to sell preneed contracts, a certificate of authority must be obtained from the Department of Insurance. However, no person can obtain a certificate from the Department of Insurance pursuant to chapter 639, Florida Statutes, unless such person holds a license as a funeral establishment or as a direct disposer under chapter 470, Florida Statutes.

Chapter 639, Florida Statutes, requires that all of the funds received on a preneed contract for services and 70 percent of all the funds received under a preneed contract for funeral merchandise must, within 30 days after the end of the calendar month in which payment is received, be deposited in trust with a national or state bank, savings and loan association or a trust company.

Section 626.785, Florida Statutes, provides that a funeral director or an employee or representative thereof cannot qualify for a license to sell life insurance. This prohibition includes life insurance policies designed to fund the expense of a preneed contract. However, the funeral establishment may contract with a life insurance agent to sell a preneed contract. The life insurance agent may also sell limited policies of insurance to cover the expense of final disposition or burial of the insured in an amount not to exceed $5,000.

B. Effect of Proposed Changes:

This bill would allow a funeral director or an employee employed by a funeral establishment which holds a certificate under chapter 639, Florida Statutes, to sell preneed contracts, to obtain an agent's license to sell life insurance. The policies which could be sold under this bill would be limited to life insurance covering the expense of a preneed contract, not to exceed $7,500.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

Under this bill, the funeral director or his employee will have to be licensed by the Department of Insurance in the same manner as any other life insurance agent. Generally, the funeral director or his employee will have to be appointed by an insurance company and meet the following qualifications:

(1) Be at least 18 years of age;
(2) Be a Florida resident;
(3) Successfully complete 40 hours of insurance instruction approved by the department; and
(4) Take and pass an examination given by the department.

There is an examination and filing fee of $10 and a biennial license fee of $40.

It is not known at this time how many funeral directors or their employees will apply to become life insurance agents. It is anticipated that of the 209 funeral establishments who hold certificates of authority to sell preneed contracts, less than 20 percent will want to sell life insurance to fund their preneed contracts. As noted previously, the funeral establishment may currently contract with a life insurance agent to sell policies to fund such contracts. Such policies would still be limited to $5,000 or less.

B. Government:

This will may increase the number of life agents to be regulated by the Department of Insurance. However, an increase will be accompanied by the appropriate license and examination fees which should offset the additional cost of regulation.

III. COMMENTS:

Technical errors--none noted.

IV. AMENDMENTS:

None.
I. SUMMARY:

A. Present Situation:

Currently, chapter 639, Florida Statutes, provides for the regulation of preneed funeral merchandise or service contracts. In order to be able to sell preneed contracts, a certificate of authority must be obtained from the Department of Insurance. However, no person can obtain a certificate from the Department of Insurance pursuant to chapter 639, Florida Statutes, unless such person holds a license as a funeral establishment or as a direct disposer under chapter 470, Florida Statutes.

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Section 626.785, Florida Statutes, provides that a funeral director or an employee or representative thereof cannot qualify for a license to sell life insurance. This prohibition includes life insurance policies designed to fund the expense of a preneed contract. However, the funeral establishment may contract with a life insurance agent to sell a preneed contract. The life insurance agent may also sell limited policies of insurance to cover the expense of final disposition or burial of the insured in an amount not to exceed $5,000.

B. Effect of Proposed Changes:

This bill would allow a funeral director or an employee of a funeral establishment which holds a certificate under chapter 639, Florida Statutes, to sell preneed contracts, to obtain an agent's license to sell life insurance. The policies which could be sold under this bill would be limited to life insurance covering the expense of a preneed contract, not to exceed $5,000.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

Under this bill, the funeral director or his employee will have to be licensed by the Department of Insurance in the same manner as any other life insurance agent. Generally, the funeral director or his employee will have to be appointed by an insurance company to meet the following qualifications:

(1) Be at least 18 years of age;
(2) Be a Florida resident;
(3) Successfully complete 40 hours of insurance instruction approved by the department; and
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B. Government:

This may increase the number of life agents to be regulated by the Department of Insurance. However, an increase will be accompanied by the appropriate license and examination fees which should offset the additional cost of regulation.

III. COMMENTS:

Technical errors--none noted.

IV. AMENDMENTS:

None.
I. SUMMARY:

A. Present Situation:

Currently, chapter 639, Florida Statutes, provides for the regulation of preneed funeral merchandise or service contracts. In order to be able to sell preneed contracts, a certificate of authority must be obtained from the Department of Insurance. However, no person can obtain a certificate from the Department of Insurance pursuant to chapter 639, Florida Statutes, unless such person holds a license as a funeral establishment or as a direct disposer under chapter 470, Florida Statutes.

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B. Effect of Proposed Changes:

This bill would allow a funeral director or an employee of a funeral establishment which holds a certificate under chapter 639, Florida Statutes, to sell preneed contracts, to obtain an agent's license to sell life insurance. The policies which could be sold under this bill would be limited to life insurance covering the expense of a preneed contract, not to exceed $5,000.

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III. COMMENTS:

Technical errors--none noted.

IV. AMENDMENTS:

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I. SUMMARY:

A. Present Situation:

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This bill would allow a funeral director or an employee of a funeral establishment which holds a certificate under chapter 639, Florida Statutes, to sell preneed contracts, to obtain an agent's license to sell life insurance. The policies which could be sold under this bill would be limited to life insurance covering the expense of a preneed contract, not to exceed $5,000.
(1) Be at least 18 years of age;
(2) Be a Florida resident;
(3) Successfully complete 40 hours of insurance instruction approved by the department; and
(4) Take and pass an examination given by the department.

There is an examination and filing fee of $10 and a biennial license fee of $40.

It is not known at this time how many funeral directors or their employees will apply to become life insurance agents. It is anticipated that of the 209 funeral establishments who hold certificates of authority to sell preneed contracts, less than 20 percent will want to sell life insurance to fund their preneed contracts. As noted previously, the funeral establishment may currently contract with a life insurance agent to sell policies to fund such contracts. Such policies would still be limited to $5,000 or less.

B. Government:

This may increase the number of life agents to be regulated by the Department of Insurance. However, an increase will be accompanied by the appropriate license and examination fees which should offset the additional cost of regulation.

III. COMMENTS:

Technical errors--none noted.

IV. AMENDMENTS:

None.