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## SENATE BILL NO. 679

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on General Laws  
on March 1, 2022)

(Patron Prior to Substitute—Senator Spruill)

A *BILL to amend and reenact §§ 38.2-3100.3 and 54.1-2820 of the Code of Virginia, relating to preneed funeral contracts.*

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 38.2-3100.3 and 54.1-2820 of the Code of Virginia are amended and reenacted as follows:**

**§ 38.2-3100.3. Requirements of life insurance or annuity contracts used to fund preneed funeral contracts.**

A. For purposes of this section, "preneed funeral contract" means any agreement where payment is made by the insured prior to the receipt of services or supplies contracted for, which evidences arrangements prior to death for (i) the providing of funeral services or (ii) the sale of funeral supplies.

B. Each individual and group life insurance policy issued or issued for delivery in Virginia, each individual and group annuity contract issued or issued for delivery in Virginia, and each certificate issued in connection with a group life insurance policy or group annuity contract issued or issued for delivery in Virginia shall include a provision specifying the means by which face amount adjustments will be made and benefits payable upon death will be adjusted, ~~according to the provisions of subsection C of § 54.1-2820~~, when such a policy or contract will be used to fund a preneed funeral contract.

C. Each insurer proposing to issue individual or group life insurance policies or individual or group annuity contracts in Virginia for purposes of funding preneed funeral contracts shall clearly disclose the intended purpose and market for such policies and contracts when submitting the forms with the Commission for approval, in accordance with § 38.2-316.

**§ 54.1-2820. Requirements of preneed funeral contracts.**

A. It shall be unlawful for any person residing or doing business within this Commonwealth, to make, either directly or indirectly by any means, a preneed funeral contract unless the contract:

1. Is made on forms prescribed by the Board and is written in clear, understandable language and printed in easy-to-read type, size and style;

2. Identifies the seller, seller's license number and contract buyer and the person for whom the contract is purchased if other than the contract buyer;

3. Contains a complete description of the supplies or services purchased;

4. Clearly discloses whether the price of the supplies and services purchased is guaranteed;

5. States if funds are required to be trusted pursuant to § 54.1-2822, the amount to be trusted, the name of the trustee, the disposition of the interest, the fees, expenses and taxes which may be deducted from the interest and a statement of the buyer's responsibility for taxes owed on the interest;

6. Contains the name, address and telephone number of the Board and lists the Board as the regulatory agency which handles consumer complaints;

7. Provides that any person who makes payment under the contract may terminate the agreement at any time prior to the furnishing of the services or supplies contracted for except as provided pursuant to subsection B; if the purchaser terminates the contract within 30 days of execution, the purchaser shall be refunded all consideration paid or delivered, together with any interest or income accrued thereon; if the purchaser terminates the contract after 30 days, the purchaser shall be refunded any amounts required to be deposited under § 54.1-2822, together with any interest or income accrued thereon;

8. Provides that if the particular supplies and services specified in the contract are unavailable at the time of delivery, the seller shall be required to furnish supplies and services similar in style and at least equal in quality of material and workmanship and the representative of the deceased shall have the right to choose the supplies or services to be substituted;

9. Discloses any penalties or restrictions, including but not limited to geographic restrictions or the inability of the provider to perform, on the delivery of merchandise, services or prearrangement guarantee; and

10. Complies with all disclosure requirements imposed by the Board.

If the contract seller will not be furnishing the supplies and services to the purchaser, the contract seller must attach to the preneed funeral contract a copy of the seller's agreement with the provider.

B. Subject to the requirements of § 54.1-2822, a preneed funeral contract may provide for an irrevocable trust or an amount in an irrevocable trust that is specifically identified as available exclusively for funeral or burial expenses, where:

1. A person irrevocably contracts for funeral goods and services, such person funds the contract by

60 prepaying for the goods and services, and the funeral provider residing or doing business within the  
61 Commonwealth subsequently places the funds in a trust; or

62 2. A person establishes an irrevocable trust naming the funeral provider as the beneficiary; however,  
63 such person shall have the right to change the beneficiary to another funeral provider pursuant to  
64 § 54.1-2822.

65 C. If a life insurance or annuity contract is used to fund the preneed funeral contract, the life  
66 insurance or annuity contract shall provide either that the face value thereof shall be adjusted annually  
67 by a factor equal to the annualized Consumer Price Index as published by the Bureau of Labor Statistics  
68 of the United States Department of Labor, or a benefit payable at death under such contract that will  
69 equal or exceed the sum of all premiums paid for such contract plus interest or dividends, which for the  
70 first 15 years shall be compounded annually at a rate of at least five percent. In any event, interest or  
71 dividends shall continue to be paid after 15 years. In addition, *the face amount of any life insurance*  
72 *policy issued to fund a preneed funeral contract shall not be decreased over the life of the life insurance*  
73 *policy except for life insurance policies that have lapsed due to the nonpayment of premiums or have*  
74 *gone to a nonforfeiture option that lowers the face amount as allowed for in the provisions of the*  
75 *policy. The following must also be disclosed as prescribed by the Board:*

76 1. The fact that a life insurance policy or annuity contract is involved or being used to fund the  
77 preneed contract;

78 2. The nature of the relationship among the soliciting agent, the provider of the supplies or services,  
79 the prearranger and the insurer;

80 3. The relationship of the life insurance policy or annuity contract to the funding of the preneed  
81 contract and the nature and existence of any guarantees relating to the preneed contract; and

82 4. The impact on the preneed contract of (i) any changes in the life insurance policy or annuity  
83 contract including but not limited to changes in the assignment, beneficiary designation or use of the  
84 proceeds, (ii) any penalties to be incurred by the policyholder as a result of failure to make premium  
85 payments, (iii) any penalties to be incurred or moneys to be received as a result of cancellation or  
86 surrender of the life insurance policy or annuity contract, and (iv) all relevant information concerning  
87 what occurs and whether any entitlements or obligations arise if there is a difference between the  
88 proceeds of the life insurance policy or annuity contract and the amount actually needed to fund the  
89 preneed contract.

90 D. When the consideration consists in whole or in part of any real estate, the contract shall be  
91 recorded as an attachment to the deed whereby such real estate is conveyed, and the deed shall be  
92 recorded in the clerk's office of the circuit court of the city or county in which the real estate being  
93 conveyed is located.

94 E. If any funeral supplies are sold and delivered prior to the death of the subject for whom they are  
95 provided, and the seller or any legal entity in which he or a member of his family has an interest  
96 thereafter stores these supplies, the risk of loss or damage shall be upon the seller during such period of  
97 storage.