



**KANSAS FUNERAL DIRECTORS ASSOCIATION**  
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March 18, 2013

To: House Insurance Committee

From: Pam Scott, Executive Director

Re: Senate Bill No. 26

Chairman Shultz and members of the committee, thank you for the opportunity to appear before you today on behalf of the Kansas Funeral Directors Association (KFDA) in support of Senate Bill No. 26.

In the normal course of business, funeral directors assist individuals in planning their funerals prior to death. A part of that process often includes the prefunding of a funeral pursuant to a prepaid funeral agreement. Funds paid to the funeral home by a consumer to prefund their funeral are generally deposited into a certificate of deposit at a financial institution or a funeral trust or are used to purchase an insurance product.

Funeral directors who sell insurance to fund prepaid funeral agreements hold a limited lines life insurance license under which they are only permitted to sell life insurance or annuity contracts for the sole purpose of funding preneed funeral contracts. Currently such agents must obtain two hours of life continuing education every two years to meet the educational requirements to renew their license.

We are in support of discontinuing the continuing education requirements for insurance agents selling preneed insurance only for the following reasons:

1. The sole purpose of preneed insurance is to finance the cost of a funeral. Most policies have a face value of less than \$10,000. Such policies cannot be written for more than the cost of funeral and cemetery expenses. The cost of an average funeral is approximately \$6500. The face of such a policy is often less than the cost of an average funeral. This is because most individuals prefunding their funerals do so to spend down their assets to become eligible for nursing home coverage through Medicaid. Preneed funds are exempt assets. Putting aside such funds will help to assure they will receive a decent burial. The value of a preneed policy often isn't enough to fully pay for a funeral service but will go toward the cost of a funeral.

2. The majority of the policies written are single premium policies that require little or no underwriting.
3. Most funeral directors holding this limited license only write the insurance as an ancillary part of their business. Many funeral directors, especially in the western part of the state, may only issue a few policies a year.
4. Most policies financing prearranged funeral agreements are generally irrevocably assigned to the funeral home that has entered into a prearranged funeral agreement with the insured. The funeral director has agreed to provide the funeral goods and services set forth in the prearranged funeral agreement. If the policy were improperly written, the funeral home would be the party injured because the funeral director would not be paid for the funeral goods and services they have agreed to provide.
5. The changes are needed to meet the uniform licensing standards for insurance agent reciprocity.

In conclusion, we ask that you support Senate Bill No. 26 and recommend it favorable for passage. We believe that the simple and uncomplicated nature of these policies, the low face value of these policies, and the fact that there is little risk that the insured consumer will be injured, eliminates the need for insurance continuing education.

Thanks you for the opportunity to testify. I would be happy to respond to any questions you may have.