

Kansas Administrative Regulations

Kansas Department of Insurance

Article 2.—Life Insurance

40-2-23. Life insurance; preneed funeral contracts or arrangements; disclosure; requirements.

(a) This regulation shall apply to any solicitation, negotiation or procurement occurring within this state with respect to life insurance or annuity contracts used to fund a preneed funeral contract or arrangement. As used in this regulation, the term "preneed funeral contract or arrangement" shall mean an agreement by or for an individual before that individual's death relating to the purchase or provision of specific funeral or cemetery merchandise or services.

(b) The following information shall be adequately disclosed at the time an application is made, prior to accepting the applicant's initial premium, for a preneed funeral contract or arrangement:

(1) The fact that a life insurance policy or annuity contract is involved or being used to fund a preneed funeral contract or arrangement;

(2) the nature of the relationship between the soliciting agent or agents, the provider of the funeral or cemetery merchandise or services, the administrator and any other person. This requirement shall not apply to officers, directors or bonafide employees of the funeral home or cemetery to which the original preneed funeral contract or arrangement applies;

(3) the relationship of the life insurance policy or annuity contract to the funding of the preneed funeral contract or arrangement and the nature and existence of any guarantees relating to such contract or arrangement;

(4) the impact on the preneed funeral contract or arrangement:

(A) Of any changes in the life insurance policy or annuity contract including but not limited to, changes in the assignment, beneficiary designation or use of the proceeds;

(B) of any penalties to be incurred by the policyholder as a result of failure to make premium payments; and

(C) of any penalties to be incurred or monies to be received as a result of cancellation or surrender of the life insurance policy or annuity contract;

(5) a list of the merchandise and services which are applied or contracted for in the preneed funeral contract or arrangement and all relevant information concerning the price of the funeral services, including a clear disclosure that the purchase price is either guaranteed at the time of purchase or to be determined at the time of need;

(6) all relevant information concerning what occurs and whether any entitlements or obligations arise if there is a difference between the proceeds of the life insurance policy or annuity contract and the amount actually needed to fund the preneed funeral contract or arrangement; and

(7) 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 the preneed funeral contract or arrangement guarantee.

(c) In accordance with the provisions of K.S.A. 40-283a, the following requirements shall apply to premium financing arrangements between an insurer or agent and the insured for the first and any future premium payable on any life insurance policy or annuity contract sold to fund a preneed funeral contract or arrangement.

(1) Each premium financing arrangement and any renewal of such arrangement shall be signed by the applicant and shall include the total amount of the loan, the amount of any down payment made to an agent at the time of sale, and the unpaid balance.

(2) The policy shall contain a provision or endorsement which fully describes the financing arrangement.

(3) Upon delivery, a policy receipt or acceptance form shall be executed which states that the insured acknowledges and understands the provisions and obligations of the financial indebtedness incurred, including the fact that the premium financing arrangement cannot be effective for a term exceeding one year.

(Authorized by K.S.A. 40-103, 40-2404a; implementing K.S.A. 40-283a, K.S.A. 1992 Supp. 40-2404(l); effective Nov. 29, 1993.)