

**806 KAR 12:131. Requirements for disclosure for life insurance and annuity contracts used to fund preneed funeral contracts or prearrangements.**

RELATES TO: KRS 304.12-020, 304.12-240

STATUTORY AUTHORITY: KRS 304.2-110, 304.12-240

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 authorizes the Executive Director of Insurance to adopt administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation establishes disclosure requirements for life insurance or annuity contracts which are used to fund preneed funeral contracts or prearrangements.

Section 1. Definitions. As used in this administrative regulation: "Preneed funeral contract or prearrangement" shall have the meaning set forth in KRS 304.12-240.

Section 2. Required Disclosure. If a life insurance or annuity contract is to be used to fund a preneed funeral contract or prearrangement, the following information shall be disclosed adequately when an application is made for such life insurance or annuity contract prior to acceptance of the applicant's initial premium or deposit:

- (1) The fact that a life insurance or annuity contract is involved or is being used to fund a preneed funeral contract or prearrangement;
- (2) The nature of the relationship among the soliciting agent or agents, the provider of the funeral or cemetery merchandise or services, the administrator, and any other person;
- (3) The relationship of the life insurance or annuity contract to the funding of the preneed funeral contract or prearrangement and the nature and existence of any guarantees relating to the preneed funeral contract or prearrangement;
- (4) The impact on the prearrangement of:
  - (a) Changes in the life insurance policy, including, but not limited to, changes in the assignment, beneficiary designation, or use of the proceeds;
  - (b) Penalties to be incurred by the contract holder as a result of failure to make premium payments; and
  - (c) Penalties to be incurred or monies to be received as a result of cancellation or surrender of the life insurance or annuity contract;
- (5) A list of the merchandise and services which are applied or contracted for in the preneed funeral contract or prearrangement and all relevant information concerning the price of the funeral services, including an indication that the purchase price is either guaranteed at the time of purchase or to be determined at the time of need;
- (6) An explanation of any entitlements or obligations which arise if there is a difference between the proceeds of the life insurance or annuity contract and the amount actually needed to fund the preneed funeral contract or prearrangement; and
- (7) Any penalties or restrictions, regarding either geographic restrictions or constraints or the inability of the provider of funeral goods or services to perform, on the delivery of merchandise, services, or the prearrangement guarantee.

(17 Ky.R. 2579; Am. 2949; eff. 4-5-91; TAm eff. 8-9-2007; Crt eff. 2-26-2020.)