



**House
Legislative
Analysis
Section**

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NO FAULT: FUNERAL EXPENSES

Senate Bill 385 (Substitute H-2)
First Analysis (7-28-88)

Sponsor: Sen. Vern Ehlers .
Senate Committee: Commerce and Technology
House Committee: Insurance

THE APPARENT PROBLEM:

The standard no-fault policy that drivers in Michigan are required to carry pays funeral and burial expenses up to a limit of \$1,000 for an auto-related death. (The benefit is part of personal protection insurance.) This limit has not been changed since the no-fault auto insurance system was enacted in Michigan in 1973, despite a significant increase in the cost of living. Reportedly, the families of victims of some fatal automobile accidents whose no-fault insurance was the sole source of payment for funeral and burial expenses have found the amount of the benefit to be inadequate. Some people believe that the level of funeral and burial benefits should be increased.

THE CONTENT OF THE BILL:

The bill would amend the portion of the Insurance Code that deals with no-fault automobile insurance to require that, beginning October 1, 1988, the minimum benefit for funeral and burial expenses in a no-fault policy be \$1,750 and the maximum \$5,000.

The bill would also allow a group disability insurance or group life insurance policy to be issued to a trust or trustees of a fund established by two or more employers to insure one or more of their employees.

MCL 500.3107 et al.

HOUSE COMMITTEE ACTION:

The Senate-passed version set the minimum funeral and burial expense benefit at \$2,500 and the maximum at \$5,000 and required those figures to be adjusted annually. (A policy would pay actual expenses up to the amount specified in the policy.) The House Insurance Committee amended the bill to set the minimum at \$1,750. The committee version did not require annual adjustments. The bill was discharged from committee and a substitute adopted incorporating the committee amendment, along with another amendment pertaining to the sale of life and health policies to a new kind of group entity, employer trusts. That language had previously passed the House as part of another bill, Senate Bill 776 (H-1).

FISCAL IMPLICATIONS:

The bill has no fiscal implications to the state, according to the Senate Fiscal Agency. (11-5-87)

ARGUMENTS:

For:

The current personal protection auto insurance benefit level for funeral and burial expenses is inadequate. Funeral and burial expenses often exceed \$1,000. Unless the victim had other coverage, or a substantial estate, his or her family will end up paying those expenses. Although \$1,000 may

have been sufficient coverage when the provision of the code was enacted in 1973, it falls short today. It should be noted that wage loss and survivors' loss maximum monthly benefits were set at \$1,000 in 1973 and have increased since then to over \$2,500 to reflect changes in the cost of living.

An additional provision would allow group life and disability (health) insurance to be sold to multiple employer trusts, which will increase the availability of group insurance to small employers.

Against:

Personal protection auto insurance should not be the sole source for covering funeral expenses. It merely should complement other sources of payment (e.g. life insurance). A mandatory increase in the minimum benefit will increase auto insurance costs, even if only slightly, for everyone. Even if it is considered necessary to increase the minimum, there is no reason to allow no-fault funeral and burial benefits to go as high as \$5,000, since that could result in consumers unknowingly buying more of the benefit than they need. Perhaps it would be better to let insurance companies decide the level of benefits to offer their customers.

Against:

Some people question why funeral and burial expenses are part of the mandatory no-fault package anyway, and they recommend making the coverage optional. Let those who want the coverage have as much as they want and let them pay for it. People who die unexpectedly from other causes do not automatically get their funeral and burial expenses paid, so why should the victims of automobile accidents?

POSITIONS:

The Insurance Bureau, in the Department of Licensing and Regulation, does not oppose the bill. (7-25-88)

The Michigan Insurance Federation supports the bill. (7-25-88)

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