

SUPPORT FOR HB 6261 PRE-NEED FUNERAL INSURANCE

Tracy Whitaker
Vice President, Legal/Compliance & Associate General Counsel
Homesteaders Life Company

Thank you Chair Calley and members of the House Rules and Competitiveness Committee for the opportunity to testify in support of HB 6261. My name is Tracy Whitaker and I am the Vice President, Legal/Compliance, and Associate General Counsel for Homesteaders Life Company who has been in business for over 117 years. We are also a member of the National Alliance of Life Companies. Homesteaders is one of the few insurance companies that sell life insurance to fund pre-need funeral contracts.

Homesteaders made the difficult decision to cease selling life insurance products in the state of Michigan on December 31, 2021. We are one of the latest in a line of insurance companies that have ceased selling insurance products to fund pre-need funeral contracts in Michigan. The sole reason for our departure was the requirement to apply the growth on an insurance policy funding a pre-need funeral contract that is equal to the Detroit Consumer Price Index. Michigan is the only state that ties the rate of growth to a CPI. Insurance companies operate under many investing and reserving rules, and currently investment return rates cannot meet or exceed the current Detroit CPI at 8.6% as of August 2022. In fact, our investments have growth of less than half that percentage.

Pre-need insurance products cover funeral costs and ease the financial and decision-making burden for families at a very difficult time. When insurance companies like Homesteaders cease selling policies there is harm to everyone. The consumer's choices of products that may meet their needs is severely limited. It also removes the competitive market that keeps insurance premiums lower for consumers. When there are fewer choices, funeral homes are no longer able to make a decision on what insurance products to sell based on what is best for their business. They only have one or two options.

The state of Michigan is also harmed when pre-need funeral insurance providers leave the state. Homesteaders and other insurance companies like Homesteaders pay premium taxes that go to the state. When insurance companies stop selling products no further premium taxes are paid. As an example, Homesteaders paid the state of Michigan over \$210,000 in premium taxes last year. Unfortunately, that will not happen this year.

Pre-need funeral insurance offers options for families and a number of providers offer a competitive market. In addition, our providers pay taxes and contribute to Michigan's economy. Thank you for the opportunity to support HB 6261 and we urge your support and passage of this important legislation so Michigan is no longer an outlier in this industry. I am happy to answer any questions.