



Funeral Consumers Alliance of Maryland and Environs

Protecting a consumer's right to a meaningful, dignified, and affordable funeral.

HB 1303 - Unfavorable

Testimony for the House Committee on Health and Government Operations Of the Maryland General Assembly

March 5, 2014

Submitted by Brian E. Ditzler, Vice President
Funeral Consumers Alliance of Maryland & Environs

Chairman Hammen, Vice Chair Pendergrass and Members of the Committee:

Thank you for the opportunity to provide testimony from the Funeral Consumers Alliance of Maryland and Environs (FCAME) in opposition to House Bill 1303.

FCAME is the volunteer-run, regional chapter of the Funeral Consumers Alliance (FCA), the oldest and largest non-profit watchdog organization protecting the rights (and wallets) of grieving consumers. FCA's many chapters across the country are dedicated to: helping consumers be more informed about death care options, and protecting the public from fraud and abuse in cremation, funeral and burial transactions. FCA and its chapters take no money from the death care industry or government, and act as a voice for consumer interests.

House Bill 1303 would allow funds prepaid by a consumer to a funeral establishment for future funeral expenses (that are placed in a trust account) to be invested in securities, among other investments. This would create a powerful incentive for a funeral establishment to invest in ways that could make them more money since they get to keep any income earned by a trust until the contract is fulfilled after the death of the beneficiary.

The reason we oppose this bill is that funds prepaid by a consumer for a "pre-need" contract don't belong to the funeral establishment (seller) of the pre-need contract. Rather, the funds belong to the consumer buyer or beneficiary of the pre-need contract who is expecting the full amount prepaid to be available to purchase agreed on funeral merchandise and services at the time of his/her death.

In fact, it is the responsibility of the trustee of the trust account to protect those funds for the beneficiary - and not to put them at risk in order to hopefully increase the profit of the funeral establishment. If the prepaid funds were invested in one or more securities that had declined in value when the death occurred, the beneficiary would suffer because all the funds he/she prepaid wouldn't be available for use.

If a number of consumers were to lose funds this way, all funeral establishments in the state could be negatively affected. This is because the consumers could seek reimbursement from the Family Security Trust Fund, which was established to reimburse consumers for pre-need funds lost because of actions taken by a licensed funeral establishment in the state. If the balance in the Family Security Trust Fund were to be lowered because of multiple payouts, all funeral establishments in the state would have to pay more into the Fund to return it to the desired level.

In summary, House Bill 1303 would be bad for consumers and potentially bad for funeral establishments in the state. The Funeral Consumers Alliance of Maryland & Environs strongly opposes HB 1303 and asks that this committee give the bill an unfavorable report.

Funeral Consumers Alliance of Maryland & Environs (FCAME)

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