



NATIONAL ALLIANCE OF LIFE COMPANIES

An Association of Life and Health Insurance Companies

May 29, 2020

Federal Trade Commission
Office of the Secretary
Constitution Center
400 7th Street S.W., 5th Floor
Washington, DC 20024

Re: Funeral Rule Regulatory Review- 16 CFR Part 453, Project Number PO34410

Dear Commissioners:

I am writing on behalf of the National Alliance of Life Companies (the NALC), a trade group of small and mid-sized life and health insurers from across the United States. Our members write insurance in all fifty states, and our group includes most major writers of pre-need and final expense insurance. We are pleased to share our thoughts regarding the Funeral Rule, as well as share some insights regarding the interplay of existing state and federal laws and regulations that are providing robust consumer protection.

In a typical pre-arrangement, a consumer works with a funeral home to plan and pre-arrange all aspects of the funeral service. The consumer and funeral home enter into a formal pre-arrangement that delineates the details of the services to be provided and the pricing of those services. When the transaction is insurance funded, the consumer will buy an insurance product with a face amount equal to the cost of services chosen. The death benefits of the insurance policy are contingently assigned to the funeral home, and are paid upon the performance of the funeral services described in the pre-arrangement contract.

Most states have specific statutes and regulations that regulate pre-arrangement contracts and the funds that are used to pay for those pre-arrangement contracts. All states except two allow the sale of life insurance to fund pre-arrangement contracts, with strict guidelines designed to protect consumers, as well as to insure that services promised are delivered.

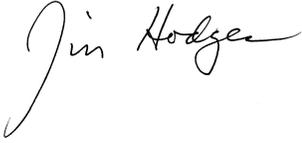
You received a comment letter from a group of attorneys general that references concerns regarding how funeral homes handle the funds of pre-arrangement contracts. Allegations are made that funeral homes increase the deliverable goods and services they provide to maximize the use of insurance proceeds so there are no funds left for the next-of-kin. This shows a misunderstanding of how insurance funded pre-arrangements work- the insurance product that funds the pre-arrangement is purchased after the consumer and funeral home enter into the pre-arrangement contract that details the funeral services to be provided. These insurance products are specifically tailored towards these arrangements and the face amount equals the total amount agreed to in the pre-arrangement contract. Upon performance of the pre-arrangement contract, the funeral home receives the death benefits of the insurance product which were assigned to specifically cover the costs at the time of need. There is no "surplus" that is available for distribution to the funeral home for increasing the amount of goods or services it provides. The use of insurance products specifically tailored to pre-arrangements is a useful tool for middle class Americans to fund funeral services carefully selected in advance. Without this insurance, many American families would have limited options to fund funeral costs.

We certainly respect the role the FTC plays in protecting consumer interests. With respect to insurance funded funeral costs, we believe the combination of state and federal laws and regulations is working quite well without a need for the FTC to institute additional laws or regulations within the Funeral Rule. Additionally, we believe that insurance funded pre-arrangement contracts continue to play an important role in providing needed protections to many American families.

Our hope is the FTC recognizes these important factors as it examines the existing rules, and balances the cost of any new regulations with the potential benefits to consumers. Existing state and federal regulations provide strong consumer protections as a result of the collaboration of the preneed insurance industry, funeral homes, and regulators.

Thank you for allowing us to comment.

Sincerely,

A handwritten signature in black ink that reads "Jim Hodges". The signature is written in a cursive style with a large, sweeping initial "J".

Jim Hodges
Executive Director, NALC