

MISSOURI STATE BOARD OF EMBALMERS
AND FUNERAL DIRECTORS

CHAPTER 436 LEGISLATION MEETING

COUNTRY CLUB HOTEL AND SPA
HH AND CAROL ROADS
LAKE OZARK, MISSOURI 65049

AUGUST 20, 2008
9:10 A.M. - 12:30 P.M.

1 CHAIRMAN: Call the meeting to order. Todd
2 Mahn?

3 MR. MAHN: Here.

4 CHAIRMAN: Gary Fraker. Not here. Vernon
5 Martin?

6 MR. MARTIN: Here.

7 CHAIRMAN: John McCulloch?

8 MR. McCULLOCH: Here.

9 MS. DUNN: And Joy is not here.

10 CHAIRMAN: Joy is not here.

11 MS. DUNN: And Gary is not here.

12 CHAIRMAN: Gary is not here. Okay. I need a
13 motion to approve the agenda.

14 CHAIRMAN: Second by John. Todd?

15 MR. MAHN: Yes.

16 CHAIRMAN: Yes. Okay. Executive director?

17 MS. DUNN: Well, that's in the agenda under
18 Item #3. That just gives the financial summary that I
19 always provide to everyone, and I think it's pretty
20 self-explanatory unless anyone has any questions.

21 CHAIRMAN: Okay. Embalmers and funeral
22 directors renewal update.

23 MS. DUNN: Okay. That, we're going to be
24 posting our statistics on our Web site in the next

1 week. And we had 1,085 embalmers renew, 2,270 funeral
2 directors renew, and then we'll have all those
3 statistics on our Web site in the next week or so.
4 And, also, the end-of-the-year report will be on
5 there, as well.

6 CHAIRMAN: Well, that covers the end-of-the-
7 year report. Kim, do you have a legal-counsel update?

8 MS. GRINSTON: I just have a yes on 436
9 recommendations. As you guys know, we have sent out a
10 very, very preliminary draft recommendations summary,
11 if you will. It went out to the working group, I
12 think, on Monday. We are asking for working-group
13 participants to provide comments by Friday so that we
14 can revise the draft. What you have is a very
15 preliminary draft and we need to -- and I talked with
16 Don this morning. We need to make sure -- even with
17 comments coming in, we need to make sure that what we
18 have in our notes and in the record as votes are
19 really what everyone remembers, you know, supporting,
20 and/or if what they see is different from what they
21 thought was voted out. So, comments on that, again,
22 are due back to the office on Friday. We are thinking
23 that this will be the format of the final report
24 unless I hear the working group -- unless the working

1 group poses objections to formatting or would like
2 another suggestion, we would like to send out the
3 report in this format, but we, again, want to make
4 sure everything is formalized correctly. On the
5 recommendations, I believe that the Board, my
6 understanding is, will be looking at this once it's
7 all pulled together, all comments in and incorporated
8 into the document from working-group participants.
9 However, I do need to know, for purposes of pulling
10 this draft together, where the Board is, or I need a
11 position from the Board on the 80-20 funding mechanism
12 of 436. That is one of the things that is not
13 reflected in this draft, and I think for working-group
14 participants, I think that they believe that they
15 would have some guidance as to where the Board was in
16 the draft before it was finalized. So, Mr. Chairman,
17 I would like the Board, if we could, to possibly take
18 a vote on how you want to -- what is the official
19 position of the Board on the 80-20 funding mechanism,
20 if you will, under 436.

21 CHAIRMAN: Discussion from the Board?

22 MR. McCULLOCH: I would recommend that we put
23 100 percent in and then, by contract, you can take the
24 20 percent out.

1 CHAIRMAN: Okay. Any other discussion?

2 MR. VERNON: Is that a motion or just a
3 recommendation?

4 MR. McCULLOCH: Just discussion.

5 MR. VERNON: Discussion. I would agree with
6 his discussion.

7 MS. DUNN: Kim, if the Board does take a vote,
8 Gary and Joy do want to be called to be included in
9 that vote. So, at what point would you like to do
10 that?

11 CHAIRMAN: Well, let's call them.

12 MS. GRINSTON: Are they ready just that you
13 can call them?

14 MS. DUNN: Well, when this discussion is done
15 and you're ready for a vote, they do want to be
16 included in a vote.

17 MS. GRINSTON: Okay. Are they going to call
18 in?

19 MS. DUNN: No, I have to call them.

20 MS. GRINSTON: Okay. Well, then do you want
21 to go ahead and call them and let them know that we
22 are discussing it now.

23 MS. DUNN: Okay. Is that the only item we're
24 going to discuss or we're going to discuss --

1 CHAIRMAN: Aren't we going to do -- try the
2 portability.

3 MS. GRINSTON: Yes. Well, the 80-20 -- I'm
4 sorry. And also the portability issues, the funding
5 on portability, cancellation, transfers. If we could
6 just get, again, the Board's position on that. And if
7 we're going to do all that together, then maybe we can
8 go ahead and call them now, Becky, and let's bring
9 them into the discussion on that.

10 MS. DUNN: Okay.

11 CHAIRMAN: All right. Joy, what we're
12 discussing is, like, what percentage to put in trust,
13 cancellation, and portability is what the Board is
14 discussing.

15 MS. GERSTEIN: Okay.

16 CHAIRMAN: Can you hear all right?

17 MS. GERSTEIN: I can hear just fine.

18 CHAIRMAN: Can you hear that, Gary?

19 MR. FRAKER: Well, it's just kind of coming
20 and going, but, yeah, go ahead.

21 MS. DUNN: And, Joy, we're in open session, so
22 I just wanted to make sure you knew; okay?

23 CHAIRMAN: And it's the same people that's
24 always been in open sessions --

1 MS. GERSTEIN: Okay. Thank you.

2 CHAIRMAN: -- the same old bunch, Don, Darlene

3 --

4 MS. DUNN: Mr. Speaks.

5 CHAIRMAN: Mr. Speaks. Okay. John McCulloch

6 had made -- well, we were visiting about this, says

7 that he -- that 100 percent into the trust and then

8 back out a percentage for expenses, no more than 20.

9 MR. McCULLOCH: And do it by contract.

10 CHAIRMAN: And do it by contract. Gary?

11 MR. MAHN: Are you there, Gary?

12 MR. FRAKER: Yeah. I'm just getting bits and

13 pieces of what you're saying. If you can repeat it,

14 I'll --

15 MS. DUNN: Maybe you can just pick up the

16 phone and tell him.

17 MR. MAHN: Do you want me to tell him?

18 MS. DUNN: Yeah.

19 MS. GERSTEIN: Are you asking if I could hear

20 that?

21 MS. DUNN: Joy, we're explaining it to Gary

22 Fraker. He's on a cell phone, as well.

23 MS. GERSTEIN: Oh, okay. Okay. But I heard

24 it just fine.

1 CHAIRMAN: Joy, do you have any suggestions?

2 MS. GERSTEIN: Not at this point, no.

3 CHAIRMAN: Okay.

4 MS. GERSTEIN: That's what he recommended.

5 What is the overall consensus? What is that?

6

7 MS. DUNN: We just opened up the discussion.

8 MS. GERSTEIN: Okay.

9 CHAIRMAN: Right.

10 MR. MAHN: So, Gary said he's fine with that.

11 CHAIRMAN: Okay. Joy are you fine with that,
12 too?

13 MS. GERSTEIN: Am I fine with that?

14 CHAIRMAN: Right.

15 MS. GERSTEIN: And what he wants to do is put
16 in 100 percent, but you back out expenses no more than
17 20 percent; right?

18 MS. DUNN: By contract.

19 CHAIRMAN: Yeah. Per contract.

20 MS. GERSTEIN: Okay.

21 MS. DUNN: Now, we haven't taken a vote or
22 anything. We're just explaining it to you.

23 MS. GERSTEIN: Okay. And so, it's just like
24 instead, we're just -- we're doing a 20, it's just

1 we're wording it differently; right?

2 CHAIRMAN: Right. Yeah. A hundred percent
3 would go into trust, and then, you know, per contract,
4 you would back out your expenses, no more than 20
5 percent.

6 MR. MAHN: Gary likes the terminology up to 20
7 percent, he said.

8 CHAIRMAN: All right. Do you want a motion?

9 MR. VERNON: I make the motion.

10 CHAIRMAN: Okay.

11 MR. MAHN: Second.

12 CHAIRMAN: Okay. Joy?

13 MS. GERSTEIN: Yes, sir.

14 CHAIRMAN: Yeah. Okay. We have a motion by
15 Martin and a second by Todd, and I'm going to call a
16 roll call. Joy?

17 MS. GERSTEIN: Okay.

18 CHAIRMAN: John?

19 MR. McCULLOCH: Yes.

20 CHAIRMAN: Gary?

21 MR. FRAKER: Yes.

22 CHAIRMAN: And, Jim, yes. Okay. Now, we're
23 going to discuss -- do you want to discuss
24 portability?

1 MR. MAHN: Yes. My suggestion on portability
2 is that 100 percent be payable to the funeral home
3 plus interest that provides the actual funeral home
4 that provides the funeral, so families have the option
5 to use any funeral home that they prefer. Gary?

6 MR. FRAKER: Yes. That's --

7 MR. MAHN: Gary said yes.

8 MS. DUNN: Okay. So, 100 percent of
9 portability to any funeral home and the funeral home
10 that provides the service would get the interest? Did
11 I get that right?

12 MR. MAHN: Well, 100 percent of the preneed
13 and the interest, yeah.

14 MS. DUNN: A hundred percent of the preneed
15 and interest. Okay. I just wanted to make sure I had
16 it right.

17 CHAIRMAN: Now, would that be in the trade
18 area?

19 MR. McCULLOCH: I think --

20 MR. VERNON: Do we even need that verbiage,
21 whether it's in the trade area or not?

22 CHAIRMAN: You know, I mean, it's --

23 MS. DUNN: That's always been confusing.

24 CHAIRMAN: It's always been confusing, is

1 right.

2 MR. MAHN: I wouldn't have that in there. I
3 don't recommend having that in there because there's
4 all kinds of reasons that family may want to move to
5 XYZ funeral home, and I think they need the option.
6 And whether that funeral home sells out to someone
7 that they don't want to use or if someone works there
8 that they don't want to use or -- you know what I'm
9 talking about, Gary?

10 MR. FRAKER: Yeah, I got you.

11 MR. MAHN: Okay.

12 MR. McCULLOCH: One of the problems, I think,
13 would be defining how much interest because everyone
14 has different arrangements. So, again, you're going
15 to do all this by contract; right?

16 CHAIRMAN: Right.

17 MR. MAHN: Right. By contract, Gary.

18 MR. FRAKER: Okay.

19 CHAIRMAN: So, now that's 100 percent of the
20 80 back; right?

21 MR. MAHN: No. Hundred percent, period.

22 CHAIRMAN: Of face amount.

23 MR. MAHN: Of face amount.

24 MR. McCULLOCH: I think he's talking about

1 face amount.

2 CHAIRMAN: Okay.

3 MR. MAHN: A hundred percent face amount with
4 whatever the contract calls for the interest.

5 CHAIRMAN: Well, I just want to clarify that.
6 I mean, because you could do it the other way.

7 MR. VERNON: Yeah. You're right.

8 MS. GRINSTON: A hundred percent face amount.
9 Okay.

10 CHAIRMAN: Okay. Joy, what they're saying is
11 they -- like, on portability, you would have 100
12 percent of the face amount of the contract plus the
13 interest. Nobody wants to keep a part of that
14 interest?

15 MR. MAHN: Well, the contract is going to call
16 -- whatever the contract calls for on the interest is
17 -- so, that funeral home that was writing that trust
18 company has an interest cap of 3 percent, then it
19 would be the 100 percent plus 3, whatever the contract
20 was, or 2 and a half percent.

21 MR. McCULLOCH: Yeah. Because everybody is
22 going to have different arrangements.

23 CHAIRMAN: Yeah. Per the contract.

24 MR. McCULLOCH: I think where some of the

1 problems will be is say the individual funeral home;
2 okay? Because you're going to have some type of a
3 contract with yourself, but you're going to have to
4 let this Board know; you see what I'm -- that's where
5 I think it gets kind of tricky on how this is going to
6 -- really, how are you going to spell this out?

7 MR. MAHN: Well, we should put a minimal cap
8 on the interest can't be any lower than a certain
9 percentage.

10 MR. McCULLOCH: Yeah. But what if, say, it's
11 yourself, and your trust --

12 MR. MAHN: Right.

13 MR. McCULLOCH: -- had a bad run and you
14 didn't have any interest earnings? You know, it was
15 below par value and you couldn't pay out anything?
16 There's a lot of problems with that, but --

17 MR. VERNON: And your thought is on 100
18 percent, when you say that, for let's say the guy that
19 maybe the 20 is gone and 80 is all that's in the trust
20 -- I'm not saying this is bad, I'm just asking the
21 question.

22 MR. MAHN: Right.

23 MR. VERNON: Then that particular individual
24 would make up the 20 percent on a transfer regardless

1 of that?

2 MR. MAHN: Right. Right.

3 MR. VERNON: Okay. I was just making sure.

4 MR. MAHN: Okay.

5 MR. McCULLOCH: And maybe you should just do
6 the 100 percent only then and no interest on it
7 because that's going to be very confusing and I think
8 it's going to be very difficult to write something to
9 cover all that.

10 MR. MAHN: And, Gary, we're talking about on
11 portability, transfer of 100 percent of the contract,
12 but we're talking about the interest as far as, you
13 know, confusion on what people would have in their own
14 trust as far as interest goes. Any suggestions?
15 Gary?

16 MR. FRAKER: You're talking about minimum
17 interest or -- (inaudible.)

18 MR. MAHN: Yes, minimum interest.

19 MR. McCULLOCH: And, of course, right now, you
20 know, worst-case scenario, again, that outside trade
21 area, it's 100 percent. That's what we do now.

22 MR. FRAKER: (Inaudible.)

23 MR. MAHN: You know, I've spoke to folks on
24 this before in the financial world of things, and, you

1 know, on other trusts that they've worked on, and
2 they've had minimal caps on them of one and a half, 2
3 percent. I mean, if, over a lifetime, you can't
4 accumulate -- you know, you can't maintain an average
5 at 2 percent, you probably don't need to be managing a
6 trust.

7 MR. FRAKER: Yeah, that's true.

8 MR. McCULLOCH: So, it would work out that if
9 it was in there for five years, you pay one percent
10 interest on that total amount along with the face
11 amount, something like that.

12 MS. GERSTEIN: Jim.

13 CHAIRMAN: Yeah, Joy. We're still here.
14 They're --

15 MS. GERSTEIN: Oh, okay. I couldn't hear
16 anything, so I didn't know if I had been disconnected
17 or not.

18 CHAIRMAN: No. They're just discussing --

19 MR. VERNON: Plus interest?

20 MS. GERSTEIN: Okay.

21 MR. MAHN: Right. With a cap.

22 MR. VERNON: I think you would almost have to
23 -- if you were going to do the interest thing, you
24 would almost have to come up with just a -- how would

1 you -- I mean, unless you're just going to -- in some
2 situations where commingled funds are there, it would
3 be difficult to calculate what just that exact
4 interest is for those three or four years, so it
5 almost would just be like you're saying. I'm kind of
6 viewing that as picking a random number out of the
7 wind and where you just mathematically compute 2
8 percent on it and go on.

9 MR. MAHN: Right.

10 MR. VERNON: So, to say just the interest
11 earned or that number is just this way all the time.

12 MR. MAHN: Well, I thought it was going to be
13 on their contracts, so if you have a contract with XYZ
14 -- say, you're working with a third party and your
15 contract reads 100 percent plus 3 percent interest,
16 you would either reflect to the contract or if there's
17 not a contract, a minimum of one, two percent on the
18 interest. You know, if you want to do 100 percent
19 with a one-percent cap on the interest, then do that.

20 MR. McCULLOCH: Something like that.

21 MR. MAHN: Yeah.

22 MR. VERNON: I agree with that.

23 MR. MAHN: Hundred percent, Gary, with a one
24 percent minimum on the interest cap.

1 MR. FRAKER: Yeah. I'm fine with that if
2 there's a contract.

3 MS. DUNN: And, Kim, how do you monitor that
4 in the office?

5 MS. GRINSTON: You just look at the -- you
6 mean, what they're talking about?

7 MS. DUNN: Yeah.

8 MS. GRINSTON: I'm hearing 100 percent of the
9 face value plus one percent of the face value as in --

10 MR. VERNON: A hundred percent paid in.

11 MR. McCULLOCH: If you just set on amount,
12 it'll be easier if you didn't. You're going to have
13 to require even -- let's just use Todd's example. He
14 does his own selling. You're going to have him have a
15 contract with himself as seller/provider, which comes
16 into your office so that the inspectors can know if
17 they want to try to figure out is Todd really sending
18 over the proper amount of money to the next funeral
19 home.

20 MS. GRINSTON: So, am I hearing that the
21 proposal is one percent of just the face value?

22 MR. VERNON: Basically --

23 MR. McCULLOCH: Interest on that.

24 MR. VERNON: -- that's just the interest.

1 MS. GRINSTON: Yeah.

2 MS. EULER: Interest at the rate of one
3 percent.

4 MR. VERNON: Yeah.

5 MS. GRINSTON: Yeah. Okay. Then I think we
6 just look at the face value of the contract, calculate
7 --

8 MR. VERNON: Or what's paid in.

9 MS. EULER: No. Face value of the contract.

10 MR. VERNON: Yeah, but what if they've only
11 paid \$1,000 or \$5,000?

12 MR. MAHN: It's not finished being paid.

13 MS. EULER: Of what the consumer has paid?
14 Yeah. Not what's been just simply --

15 MS. GRINSTON: Yeah. Then we just need to see
16 what the contract says. If the contract says \$5,000,
17 one percent.

18 MS. DUNN: Okay.

19 MS. GRINSTON: Or the amount paid in.

20 MR. MAHN: I made a motion on that and --

21 MR. VERNON: I'll second.

22 CHAIRMAN: Okay.

23 MR. DUNN: Can you repeat the motion for Joy?

24 CHAIRMAN: Yeah. Here -- for Joy?

1 MS. DUNN: Well, I want to make sure I
2 understand the motion, too.

3 CHAIRMAN: Yeah. I do, too.

4 MR. MAHN: All right. Joy and Gary, I'm
5 talking to you both at the same time. I made a motion
6 on portability -- everybody is talking. Hold on a
7 second here. All right. We're going on portability,
8 100-percent portability with a one-percent cap on the
9 interest minimum.

10 MS. GERSTEIN: Is that was decided in the
11 proposal?

12 MR. MAHN: This is what we're -- no.

13 MS. GERSTEIN: We're changing it or --

14 MR. MAHN: Right. Uh-huh. This is a motion
15 that we have made.

16 MS. DUNN: This is a new one.

17 MS. GERSTEIN: Okay.

18 MR. MAHN: This is a new motion that we have
19 made.

20 MS. DUNN: She probably hasn't understood
21 everything. This is on portability.

22 MR. MAHN: This is on portability, Joy. This
23 is when, say, for instance, a funeral made
24 arrangements at X funeral home, but they want to use

1 Y, and they're going to move it. Previously, they
2 only -- previously, the current 436 is they only get
3 80 percent of the original amount, and I'm making a
4 motion that we change that to they get 100 percent
5 plus one-percent cap on interest.

6 MS. GERSTEIN: And by they, you're talking
7 about the buyer not the seller?

8 MR. MAHN: The second funeral home, Joy.

9 MS. GERSTEIN: Okay. They get -- the second
10 funeral home -- because I'm having difficulty hearing.
11 So, what your motion is and the second was would get
12 100 percent of the interest?

13 MS. DUNN: No.

14 MR. MAHN: They would get 100 percent of the
15 face amount.

16 MS. GERSTEIN: Okay.

17 MR. MAHN: They currently only get 80 percent;
18 okay?

19 MS. GERSTEIN: Oh.

20 MR. MAHN: So, they're going to get 100
21 percent of the face amount with one-percent interest.

22 MS. GERSTEIN: Okay.

23 MR. MAHN: Okay? So, is that okay a yes?

24 MS. GERSTEIN: Oh, I'm sorry.

1 MR. MAHN: We're voting on this.

2 MS. GERSTEIN: I thought you were just
3 explaining. I didn't --

4 MR. MAHN: No. We made a motion on it.

5 MS. GERSTEIN: Is that -- okay.

6 MR. MAHN: I made a motion, Martin seconded
7 it, and we're waiting for you and Gary.

8 MS. GERSTEIN: Okay. I'll vote --

9 MR. MAHN: And Gary is a yes.

10 CHAIRMAN: Joy?

11 MR. MAHN: Joy?

12 MS. GERSTEIN: I'm here.

13 MR. MAHN: Are you a yes or a no?

14 MS. GERSTEIN: Yes.

15 MR. MAHN: Okay.

16 CHAIRMAN: John?

17 MR. MAHN: All right. Gary, we made it
18 through that.

19 CHAIRMAN: John, vote?

20 MR. McCULLOCH: Yes.

21 CHAIRMAN: Yes.

22 MR. MAHN: All right. Next?

23 MS. DUNN: What's the next item?

24 MS. GRINSTON: You guys have done transfer,

1 pay -- oh, cancellations.

2 CHAIRMAN: Cancellations.

3 MR. MAHN: We're on cancellation now, Gary.

4 Are you there?

5 MR. FRAKER: Yeah, I'm here.

6 MR. McCULLOCH: It just seems like there ought
7 to be some penalty for cancellations. We're kind of
8 currently, you know, after 30 days, you would refund
9 80 percent after --

10 MR. VERNON: After 30 days.

11 MR McCULLOCH: I mean, after 30 days.

12 MR. MAHN: A hundred percent up till 30 days?

13 MR. McCULLOCH: Hundred percent up till 30.

14 MR. MAHN: Eighty after?

15 MR. McCULLOCH: Eighty after.

16 MR. MAHN: Is that a motion?

17 MR. McCULLOCH: I'll make it a motion.

18 MR. MAHN: He's got a motion, Gary, of 100
19 percent if they cancel within 30 days, 80 percent
20 after 30 days.

21 MR. FRAKER: I'm okay with that.

22 MR. MAHN: Gary is yes.

23 CHAIRMAN: Well, we've got to have a second.

24 MR. MAHN: Are you seconding, Gary?

1 MR. FRAKER: Yeah, I'll second.

2 MR. MAHN: He seconds.

3 CHAIRMAN: Okay. Gary seconded. All right.

4 Martin?

5 MR. VERNON: Yes.

6 CHAIRMAN: Todd?

7 MR. MAHN: Yes.

8 MS. DUNN: Joy -- could you explain it to her.

9 I don't want to put her on speaker.

10 CHAIRMAN: Joy, what they're saying is on
11 cancellation you get 100 percent back within 30 days;
12 you get 80 percent back after that. Okay. All right.

13 She's fine with that. Okay. So, the Board all
14 agreed on that, Joy.

15 MR. MAHN: Can I let Gary go now? I know he's
16 busy.

17 MS. DUNN: Yes.

18 MR. MAHN: Gary, that's it. We'll call you
19 back later; okay?

20 CHAIRMAN: Okay. Joy, thank you. We're going
21 to let you go. All right. We've got the Board's
22 position on that. Do you want -- any other thing,
23 Kim?

24 MS. DUNN: Well, I thought maybe for the

1 benefit of Representative Meadows that joined us, did
2 he get the document? Okay.

3 CHAIRMAN: Okay. No more, Kim?

4 MS. GRINSTON: No more.

5 CHAIRMAN: All right. Sharon?

6 MS. EULER: Yes.

7 CHAIRMAN: Why don't you give us an update on
8 how bad our Federal Trade Commission is.

9 MS. EULER: It's all good, Jim. It's all
10 good.

11 CHAIRMAN: Okay. All good. All is good.

12 MS. EULER: It's all good. The Federal Trade
13 Commission entered their final order. A copy of it is
14 in the materials; right, Becky?

15 MS. DUNN: That's correct.

16 MS. EULER: A copy of the final order is in
17 the materials. The Board has complied with everything
18 that needed to be done within a short time frame.
19 There are some annual requirements that the Board will
20 need to do from now on for the next ten years, but all
21 of those aren't due yet. So, everything is in place
22 and we will be sending a letter to the FTC indicating
23 the Board's compliance, and I have heard nothing more
24 from them, so all is good.

1 CHAIRMAN: Okay.

2 MS. DUNN: And, again, thanks to -- I think
3 Don has left the room, but Don is helping me put our
4 notice in each one of your newsletters, so I
5 appreciate that. And as you get your rule books, this
6 notification in your rule book is a requirement, so
7 you'll see that in your rule book for a while, so --

8 CHAIRMAN: All right. New rules and
9 regulations. There has been a handout, if everybody
10 has got one. Has everybody got that? A proposed
11 rule?

12 MS. DUNN: It's just a draft. I didn't put a
13 rule number on it. It has to do with limitations on
14 funeral-director apprenticeships. Yes, it's for
15 discussion, John.

16 MR. McCULLOCH: Are you all saying that you
17 think that a person shouldn't be able to continue to
18 try to get a license?

19 MS. DUNN: Right now, there is no limitations
20 on funeral-director apprenticeships. They can keep
21 applying every two years and being a permanent
22 apprentice if they want to. So, there's no
23 limitations on that, and some other states do have
24 limitations so that they work towards being a funeral

1 director and not just a full-time apprentice.

2 MR. McCULLOCH: So, how do you make that work
3 so that you're not restricting someone from trying to
4 become a funeral director? I mean, do you draft
5 something?

6 MS. DUNN: By the third time, the Board would
7 have the ability to put some restrictions on that.

8 MR. McCULLOCH: And what would that be?

9 MS. DUNN: That they have to complete an exam.
10 Help me, Kim.

11 MR. McCULLOCH: But as long as they take the
12 test, but if they keep failing it, they can keep
13 trying, though, as long as they take the test?

14 MS. GRINSTON: I think the thought that Becky
15 had was that after the third time, that they wouldn't
16 get extended with approval from the Board for good
17 cause. Like, you would have to show there is a reason
18 why you're on your third or fourth apprenticeship; if
19 it's the test or, you know, you had to sit out or
20 change funeral homes, it would at least give the
21 Board, you know, discretion to look at it and say,
22 okay, there's a reason why you're still an apprentice.

23 But you couldn't be an apprentice for 20 years and
24 never take the test, never do anything else.

1 MR. McCULLOCH: As long as you're taking the
2 test, but you just can't pass it, that's --

3 MS. DUNN: For good cause, yes.

4 MS. GRINSTON: Yeah.

5 MR. McCULLOCH: Okay.

6 MS. DUNN: What you have right now is some
7 apprentices that never attempt to take the exam.

8 MR. McCULLOCH: I got you.

9 MR. VERNON: They just renew every two years;
10 right?

11 MS. DUNN: Yes.

12 MS. GRINSTON: And they treat -- it's being
13 treated like a license.

14 MR. McCULLOCH: I got you. That makes sense.

15 MR. VERNON: So, what are you wanting to do
16 with this? Are you wanting a motion that we just
17 enact what this says or --

18 MS. GRINSTON: We're going to have to do the -
19 -

20 MS. DUNN: We'll have to tweak that a little
21 bit, Martin.

22 MR. VERNON: So, this is just kind of --

23 MS. DUNN: That's a rough draft totally of
24 what we could consider, and we can certainly work on

1 language that would be a little bit more explicit to
2 that, but it was just a proposal.

3 MR. VERNON: So, then the idea is just are we
4 all in agreement with this thought?

5 MS. DUNN: Yes. Open it up --

6 CHAIRMAN: Public comment? Bob?

7 MR. BAKER: Is the embalmer now five years; is
8 that correct? So, is this, what, a two-year period
9 each time?

10 MS. DUNN: That's what the funeral-director
11 apprenticeship is now.

12 MR. BAKER: So, they could go a total of four
13 years?

14 MS. DUNN: Yes. No. They would have -- what
15 they do right now is they make application and they
16 have 24 months. And then they -- that expires. They
17 can make application again for 24 months, and that
18 expires. And -- but this is proposing that on their
19 third time, they would -- if they haven't attempted to
20 meet the requirements, then they would -- may need to
21 talk to the Board to see if there was a reason or a
22 concern about why they're not attempting to take the
23 exam.

24 MR. BAKER: So, the third time would be a

1 total of six years?

2 MS. GRINSTON: Up to 20 -- yeah. If you
3 assume a 24-month window.

4 MS. DUNN: And that third application, then
5 the Board would consider meeting with them or talking
6 with them if they hadn't attempted to take any exam at
7 all. We have some individuals that appear to be just
8 not attempting to apply for the examination and it
9 doesn't appear to be fair to those that are working on
10 taking the exams and being --

11 MR. BAKER: So, it would be two times --

12 MS. DUNN: Uh-huh.

13 MR. BAKER: -- two two-year periods?

14 MS. DUNN: Uh-huh.

15 MR. BAKER: After that, they would have to
16 come and show good cause?

17 MS. DUNN: Yes.

18 MR. GRINSTON: Okay. Sorry.

19 MR. MAHN: What about the idea of them
20 combining the two licenses to one, going -- and
21 getting the education and going to school for
22 embalmer/funeral director. In order to be a funeral
23 director, you've got to go to mortuary school?

24 MR. McCULLOCH: No.

1 CHAIRMAN: I like that idea.

2 MR. MAHN: I do, too. I think in the current
3 times we're in and things that are going on, that the
4 more education you can have in this industry, the
5 better, you know. And I think --

6 MR. McCULLOCH: We can't get people now to go
7 to work. If you do that, it's going to be --

8 CHAIRMAN: Well, we're trying to get a better
9 job because when our funeral homes go out because of
10 NPS, we're --

11 MR. MAHN: Well, I don't hear that problem in
12 Illinois, and I'll give you an example. Being on the
13 St. Louis side, you go across the river, you have to
14 be an embalmer to go on a removal. You come on the
15 St. Louis side of the river, you can hire a kid in
16 high school to go out on removals. That's the level
17 of professionalism within a mile apart. And a
18 licensed undertaker on this side, this state, you
19 know, pick up someone's loved one and handling them,
20 you've got a possibility of an 18-year-old high school
21 kid on this side handling someone's loved one.

22 CHAIRMAN: Do you want to explain the statute
23 change?

24 MS. GRINSTON: Yeah. To do that, we would

1 have to do a statutory change, but it's under #10 on
2 your agenda. If it's something that the Board would
3 like us to work on or pull some language together on,
4 we could, if that's where you would like us to go.

5 CHAIRMAN: Well, why don't we put a committee
6 together on that of you and I, and we'll work on that,
7 and we'll see if we can work on these two over here.

8 MR. MAHN: Okay. Unless we want to call Gary
9 back and put it to a vote.

10 CHAIRMAN: Yeah. Get Gary back on the phone.
11 All right. Well, we'll look into that and kind of
12 pull some ideas together, and then if everybody wants
13 to look at that rule about the funeral directors.

14 MS. DUNN: Do you want to make a motion on the
15 apprenticeship or --

16 MR. VERNON: Well, I have a question about
17 that, since that's what we're discussing.

18 MS. DUNN: Okay.

19 CHAIRMAN: Go ahead, Martin.

20 MR. VERNON: Okay. So, now, this person is
21 actually going to be able to be an apprentice for four
22 years or six years? I heard both.

23 MS. DUNN: Well, would you like us to make
24 some --

1 MR. VERNON: I think six is too long. If
2 we're really wanting to get -- two, I can deal with,
3 but to carry it out for six, I mean, that just is --

4 MS. DUNN: Then -- okay. You --

5 CHAIRMAN: That was Baker's idea, six years.

6 MR. VERNON: Well, I heard six.

7 MS. DUNN: No. No. On your third --

8 MR. VERNON: I'm just going to say --

9 MS. DUNN: Martin, on your third application,
10 that's going into your fifth year, then you're going
11 to have to probably come before the Board. But --

12 MR. VERNON: So, to actually keep it four
13 years, you would have to consider it only --

14 MS. DUNN: In four years, if you haven't made
15 an attempt, on your third application --

16 MR. VERNON: When you make the third
17 application, you should have to come to the Board.

18 MS. DUNN: And explain.

19 MR. VERNON: Okay. Okay.

20 MS. DUNN: But Kim suggested that we make --
21 write some language for your review before we take a
22 motion on it.

23 MS. GRINSTON: Yeah. If what I'm hearing is
24 that four may be probably more acceptable, four years

1 as opposed to a six-year window, and that -- you know,
2 that there should be a requirement that you at least
3 attempt to take the exam, let us pull the language
4 together and give it back to you all to look at so
5 you'll see what it looks like on paper. If that's
6 okay -- if you guys will give us permission to at
7 least start that process.

8 MR. VERNON: Okay.

9 CHAIRMAN: Okay. There's an informational
10 brochure on the agenda --

11 MS. DUNN: Under #9, which Connie provided to
12 us.

13 CHAIRMAN: -- under #9.

14 MS. DUNN: It just gives a legislative
15 overview of what was proposed this past year, and
16 Connie is here to help us explain that if we need to.

17 MS. GRINSTON: A review of what passed last
18 year.

19 MS. DUNN: Yes. I'm sorry.

20 CHAIRMAN: Connie, do you want to explain any
21 of that? Does anybody have any questions, or she
22 doesn't have to explain anything? Okay. Ten?

23 MS. DUNN: Each year, we're -- the boards are
24 allowed to draft legislative proposals to the Division

1 with the department's approval. And the Board, each
2 year, has allowed me to provide a legislative proposal
3 for outside legal counsel, which I'm working on with
4 the Division right now. And, also, we had a vacant
5 FTE position that, several years ago, all the vacant
6 positions were frozen or removed. Mr. Broeker, you
7 might be able to help me with this. But we did have
8 an open FTE in our office that was taken or removed
9 from our Board. What we're going to do is ask for a
10 full-time licensing technician II again, which would
11 just be the same of what we had before. We were
12 getting ready to fill it, but we hadn't had the
13 opportunity yet, so I'm doing a legislative proposal
14 for a full-time licensing technician II and also
15 outside legal counsel which would be contractual,
16 which the Board could absorb those expenses. Right
17 now, Kim is helping a great deal, which she would
18 continue to do. Our attorney general provides only
19 litigation counsel, so the ability to hire outside
20 legal counsel would give us the ability to process
21 some of our cases a little bit quicker, not anything
22 against the attorney general.

23 CHAIRMAN: All right. Thank you, Becky. Item
24 #11, St. Louis County Health Department medical-

1 examiner death certificate.

2 MS. DUNN: That was provided for informational
3 purposes, and if there's any discussion.

4 CHAIRMAN: And that's also in your packet
5 there, and anybody have any discussion on that?
6 Number 12, future meeting dates, December 2nd through
7 the 4th this year, Kansas City, March of 2009 --

8 MS. DUNN: Yet to be determined.

9 CHAIRMAN: That may be in the zoo at St.
10 Louis.

11 MR. MAHN: What's the December one, 2nd to
12 something?

13 CHAIRMAN: December 2nd through the 4th.

14 MS. DUNN: It's already scheduled in Kansas
15 City.

16 CHAIRMAN: And then #13, open discussion.
17 Anybody have anything to bring up?

18 MS. DUNN: Kim, do you mind, since some of our
19 guests weren't here yet, just giving an overview of
20 what we've been doing?

21 MS. GRINSTON: On the 436?

22 MS. DUNN: Uh-huh.

23 MS. GRINSTON: Sure. We -- for those who
24 didn't join us for the very tedious, yet productive,

1 process, we have been -- the working group that was
2 working on 436 has been reviewing that chapter for the
3 last six weeks, I think it is. We have a draft-
4 recommendation report that has been given to working-
5 group members. We are asking that comments on the
6 recommendation report, please, be forwarded to Connie
7 Clarkston. Again, I'll stress please forward comments
8 to Connie to make sure that we have them all in one
9 space. On any changes or anything you see in the
10 report -- the report is a very preliminary report. We
11 want to make sure that what we have in our notes and
12 in our record matches what was, in fact, intended and
13 what the vote actually was. So, please, if you don't
14 remember voting on it, if it's something that you
15 believe your vote was different, let us know. We'll
16 make sure that we reflect that. The recommendation
17 report, the draft report right now, is in the format
18 that I think that we would like to send it to the
19 Joint Committee in -- just the format, unless there is
20 a concern. But, again, if you have any comments, if
21 you have any changes, please e-mail Connie Clarkston
22 and we'll make sure those are incorporated into the
23 draft.

24 MS. DUNN: There was a handout on the table

1 that referenced the statute and the reg on register
2 logs. While we had everyone here, we wanted to make
3 sure that you were aware of that reference in the reg.

4 There has been some question in the industry about
5 register logs. If you want to talk about it, we can,
6 but it is also in the statute and the reg, and we will
7 be making sure that those are kept at the funeral
8 homes. And if you have any questions at all, this
9 would be the opportunity. No talking today. Everyone
10 is quiet.

11 MR. KAISER: I'm Chris Kaiser from Kaiser-
12 Wieggers Funeral Home. It reads that the log is
13 supposed to include the information of where the body
14 was embalmed and the signature of the embalmer. So,
15 if the body is embalmed 60 miles from my funeral home
16 and I still have to log it in because it's come into
17 my preparation room, how am I, technically -- I know
18 it's a technicality -- how am I supposed to have the
19 embalmer's signature in my log?

20 MS. DUNN: You won't.

21 CHAIRMAN: Just reference, like, what trade
22 embalmer you did or who you used.

23 MR. KAISER: I'm just questioning it as it's
24 written.

1 MS. DUNN: Yes. Is it clarified in the reg,
2 Chris? No, it's not?

3 MR. KAISER: I don't know.

4 CHAIRMAN: Give us a half hour, we'll get back
5 to you.

6 MS. DUNN: Chris, if you didn't have someone
7 embalm, you could reference that on your register log.

8 MR. KAISER: I always write the name of the
9 embalmer in there.

10 MS. DUNN: That's right.

11 MR. KAISER: And it's, obviously, something I
12 have not called you about, but since I was here and
13 you brought it up, I thought I would ask.

14 MS. DUNN: Sure. The register log is not only
15 for -- to keep track of the embalmings, but it's also
16 for anybody that that funeral home has taken care of.

17 As everyone knows, we've had some concerns in the
18 industry. This is very important for the industry,
19 yourselves, and also for the consumer. So, if there's
20 ever a question, if you don't have the signature of
21 embalmer, of course, you wouldn't have it, you can
22 make a notation on there. Does that answer your
23 question?

24 MR. KAISER: It does. I just wanted to make

1 sure that was acceptable.

2 MS. DUNN: Is that the position of the Board?

3 MR. MAHN: Yes.

4 CHAIRMAN: Yes.

5 MR. KAISER: It seems like the only prudent
6 way to handle it, but I just wanted to make sure that
7 that was the intention.

8 CHAIRMAN: Appreciate the question.

9 MR. VERNON: As far as, like, the embalmer's
10 name, though, you don't even -- like, if it's done
11 somewhere else --

12 MS. DUNN: Trade service or --

13 MR. VERNON: -- you don't -- you're not -- but
14 you don't have to --

15 CHAIRMAN: You just put, like --

16 MR. VERNON: Yeah. Just the name of the trade
17 service and that's all that's required.

18 MR. KAISER: Right.

19 MS. DUNN: Right.

20 CHAIRMAN: Right.

21 MR. KAISER: But it asks for a signature, so
22 that's why I was -- I just wanted to clarify.

23 CHAIRMAN: Yeah. But that's -- yeah, we'll
24 accept that -- this year. Now, next year, we many

1 not. I don't know. Anybody else have any discussion?

2 Oh, Larry?

3 MR. STROUD: I have just one question to
4 clarify. Larry Stroud, Adams Funeral Home, Nixa,
5 Missouri. Does this also apply to a cremation that
6 doesn't even come into my facility? Does the hospital
7 --

8 CHAIRMAN: Yes.

9 MR. STROUD: I just take it directly to the
10 crematory?

11 CHAIRMAN: Yes. We want everything logged.
12 We're not happy about it, either, but I think it
13 really is going to -- we've had some situations,
14 Larry, in the past few weeks that we've got to get
15 started doing that.

16 MR. STROUD: Okay.

17 CHAIRMAN: And you probably are familiar with
18 it. We've got a little time here. Representative
19 Meadows is here today. We appreciate you coming. Do
20 you have any comments?

21 REPRESENTATIVE MEADOWS: Great to be here.
22 Thank you for all your work.

23 CHAIRMAN: Thank you. The department have any
24 -- Mary, do you have any comments or not yet? How

1 about David?

2 MR. BROEKER: Not at this time.

3 UNIDENTIFIED: Senator Scott is here. He's in
4 the hallway.

5 CHAIRMAN: I saw him come in. Senator -- yes.
6 Senator Scott is here today, too.

7 MS. DUNN: If everyone could sign in, we have
8 our sign-in sheet that everyone is passing around. Do
9 you have something else, Kim?

10 CHAIRMAN: Associations, Don, do you have any
11 updates or anything? We're trying to kill a half
12 hour, Don, so --

13 MR. OTTO: Oh, okay. Well, it's my
14 understanding -- this -- if you want to talk about
15 something completely different?

16 CHAIRMAN: Yes.

17 MR. OTTO: It's my understanding that the
18 long-term formaldehyde study from the feds is due out
19 today -- the new long-term formaldehyde study, which
20 indications are it's going to show that a lot of
21 places are not meeting the formaldehyde standard
22 across the country and we'll just have -- but we also
23 think it's likely going to show that there is no
24 groundwater-infiltration problem, so that part is

1 good. But the smart money at the national level
2 thinks that we'll probably -- because they already
3 have some meetings scheduled -- will be new
4 formaldehyde rules coming down soon. So, that's
5 something to look out for and we'll be having,
6 hopefully, a seminar starting in the fall and early
7 winter season dealing with, once this report comes
8 out, as to what the formaldehyde situation is and what
9 alternatives are out there if things get sticky with
10 that.

11 CHAIRMAN: So, do you think there will be more
12 OSHA inspections then?

13 MR. OTTO: Yeah. I mean, there are a lot of
14 people at the national level that think, depending on
15 how the election goes, particularly, that within five
16 to ten years, formaldehyde might be just flat-out
17 banned. I mean, that's not a for certain, but there's
18 a lot of people that think that. And it's not because
19 of the danger to the public because there's very
20 little danger to the public, it's to the embalmers and
21 funeral directors and funeral-home personnel --
22 employees, and the people that work at other places.

23 CHAIRMAN: So, now we know why we act like we
24 do, the formaldehyde.

1 MR. OTTO: But that's some of the news out on
2 the national level. The other thing, of course, is
3 the push for green funerals. And we're also going to,
4 hopefully, have some seminar information there. If
5 you're planning your calendars long term, next -- our
6 convention is the week -- it is the last week of May
7 here at this hotel again. Instead of our normal
8 Sunday, Monday, Tuesday convention, it's going to be a
9 Wednesday, Thursday, Friday. It's the week after the
10 holiday weekend, and it's going to be a good one. The
11 theme is "It's a whole new ball game." Just think
12 about it. There will be no real bats and balls
13 available for people. They'll all be foam or fake, so
14 --

15 MR. MAHN: Should have had them at the last
16 one.

17 CHAIRMAN: Thank you, Don. Why don't we just
18 go around the room and everybody -- you know, we --
19 you know all of us and we know most of you, but if you
20 want to start back in the back and maybe introduce
21 yourselves, and then we'll take a short break, and
22 then we'll get down to the next order of business.

23 (All attendees introduce themselves.)

24 CHAIRMAN: I think that's everybody. Matt, as

1 a Board, I want to speak for them, I want to thank you
2 for all your hard work the last couple of weeks on all
3 of the press releases we've had, and you've done a
4 great job and it's made it a lot easier in a bad
5 situation. All right, folks. We'll take a break here
6 till 10:30.

7 (Off the record)

8 CHAIRMAN: Sharon, do you want to introduce
9 who is on the phone with you.

10 MS. EULER: On the phone, we have Rich Weaver
11 with -- Rich, you're with the Department of Insurance
12 or Finance?

13 MR. WEAVER: Division of Finance.

14 MS. EULER: Division of Finance. Keith
15 Thornburg with Finance will be joining. We also have
16 Robert Cowherd who is an attorney from Chillicothe,
17 and Donna Garrett who is the special deputy receiver,
18 and Chris Fuller who is the counsel for the special
19 deputy receiver. Is there anyone else on the phone?
20 Apparently not.

21 CHAIRMAN: Well, at this time, I'll turn it
22 over to Mary Erickson and she'll do the introductions.

23 MS. ERICKSON: Thank you, Jim. Good morning,
24 everyone. Again, my name is Mary Erickson; I'm senior

1 enforcement counsel for the Missouri Department of
2 Insurance, financial institutions, and professional
3 registration. First of all, let me say it's been a
4 pleasure to meet with many of you over the past weeks
5 in our 436 review committee, as well as have the
6 opportunity to discuss a lot of important issues, one
7 of which is what brings us here today to talk about
8 the liquidation plan for NPS and Lincoln Memorial.
9 Before we get to that, first, I'd like to make some
10 introductions, if I could. Representative Meadows is
11 with us today. Thank you, Representative. And for
12 Senator Scott, we have his chief of staff, Charlie
13 Ballard. Charlie? Thank you. We also have right
14 beside me, Division director for professional
15 registration, Mr. David Broeker. We have Matt Barton
16 with the insurance. He's in back. He is our
17 licensing director, as well as our interim
18 communications director. You know Sharon Euler with
19 the AG's office who just spoke, and we have some folks
20 that Sharon just identified on the telephone. And our
21 featured speaker, if you will, this morning is Mr.
22 Chuck Renn. Chuck is with the Missouri Guaranty
23 Association and he is going to talk with us regarding
24 what led us to this point a little bit and then what's

1 going to happen now and in the future. Chuck, if you
2 would, please?

3 MR. RENN: Okay. Chris, Donna, can you hear
4 me?

5 MR. FULLER: Yeah.

6 MS. GARRETT: We can, Chuck, yes. Thank you.

7 MR. RENN: Yeah. If I say something I'm not
8 supposed to, cough real loud, will you?

9 MS. GARRETT: Okay.

10 MR. RENN: Thank you, Mary. As Mary
11 indicated, I'm the executive director of the Missouri
12 Insurance Guaranty Association, and let me kind of
13 give you a little background there so you understand
14 the significance of the Guaranty Association's role in
15 this and kind of where we come in. Insurance is
16 regulated on a state-by-state basis. Likewise, the
17 Guaranty Associations that are in effect around the
18 nation are -- exist because of individual state laws,
19 so you're not dealing with me individually, you're
20 dealing with 50 entities that function collectively
21 through a national organization. Early on in the year
22 when we got a call both from the Department of
23 Insurance and from the attorney general's office that
24 there could be a problem that involved an insurance

1 company that was domiciled in Texas and, also, it had
2 a significant presence in Missouri, through the
3 preneed industry. And from there forward, the
4 Guaranty Associations engaged. There was discussions.
5 What I'll try to do is tell you a little bit of what
6 the problems were that we encountered, but the most
7 significant thing to know is that this national
8 organization pulls together a task force. The task
9 force, there's standards in the bylaws and the
10 organizational documents of how this task force will
11 be made up, but, for the most part, it involves states
12 that are impacted sort of in a matrix way, either
13 large premium volume, state of domicile, states that
14 have little interest to make sure that there's no
15 conflicts that are just inherent in the task-force
16 process. Then the task force goes about engaging
17 consultants. We engage financial consultants, legal
18 consultants, if need be, you know, actuarial and what
19 have you, to come in and look at the information.
20 Probably the most significant thing I can say about
21 the Guaranty Association involvement is that we have
22 to remain focused solely on the insurance side of
23 this. And whenever we got into the middle of this and
24 understood the impact that this company's insolvency -

1 - Lincoln Memorial and its affiliate company that's
2 Texas only, Memorial Services -- was going to have on
3 the preneed industry and the concern expressed by the
4 regulatory bodies, we knew that we were dealing with
5 something that was unusual. The dollar amount is
6 significant, but to say that it's the largest
7 insolvency that we've ever dealt with would be wrong.
8 We've dealt with Executive Life that was \$2 billion
9 in total payout, and so, we've had large insolvencies.
10 We've had international insolvencies with
11 Confederation Life that had a significant presence in
12 Canada, and we had to deal with the Canadian
13 regulators. But this has probably been the most -- I
14 would say in many regards the most unwieldy situation.
15 Guaranty Associations, we live and die by a term
16 called contractual obligations, and that's specific in
17 statute which is the commitment in the products that
18 the company sells. The company sells you a whole-life
19 policy that's \$5,000, that's a contractual obligation.
20 If they sell you a variable-life product and
21 guarantee you that the death benefit will be \$100,000,
22 but, you know, you could make \$500,000 in investments
23 and it goes broke because it's tied to mutual funds or
24 whatever, we would cover that \$100,000 death benefit,

1 but we wouldn't have anything to do with the
2 investment aspect of it. So, contractual obligations
3 are pretty well defined in the statute that we operate
4 under. That kind of gets us to the Lincoln Memorial
5 situation and what we encountered there. And knowing
6 the preneed law just enough, probably, to misquote it
7 -- and I will rely on the regulators to step in and
8 see if I have something wrong -- I understand in
9 Missouri -- and I think that's important -- in
10 Missouri that there's an obligation to pay -- to place
11 80 percent of the value of the preneed service in a
12 trust, and the 20 percent, I guess, can be used for
13 whatever other purposes -- administrative costs or
14 whatever -- but 80 percent is obligated to go into a
15 trust. It was NPS's practice, in many instances, to
16 fund at least the 80 percent with an insurance
17 product. And what we encountered is, initially, an
18 insurance product with cash values to it would be
19 issued to fund their obligation to the trust, and
20 sometimes they would buy another policy to 100-percent
21 fund the contract that would go in the trust. So, if
22 you -- at a point in time someone paid \$5,000 to buy a
23 preneed contract, and that was the cost of the
24 services at that date, there was a policy issued

1 either for \$4,000 or potentially two policies
2 totalling \$5,000, and that was owned by either the
3 trust, NPS, some entity other than the insured or the
4 contract holder, but there was always insured life
5 which was the contract holder. The patterns that we
6 saw take place for whatever purpose, cash values were
7 borrowed on on these policies, so if you have a whole-
8 life policy that's worth \$4,000, and you borrow \$2,000
9 from it, then, at the time of death, the outstanding
10 loan is netted against the face amount and you have a
11 \$2,000 policy. In an attempt, I think, to make sure
12 that the trust was flush, there would be term policies
13 issued to make up the difference, so you might have a
14 whole-life policy with a \$2,000 loan that was a \$4,000
15 face amount, and then you would have a \$2,000 term
16 policy that appears, and it was funded through premium
17 payments. Then additional activities occurred with
18 the policies where the policies were allowed to lapse
19 and they went into what was called a reduced paid-up
20 status, so you would have a \$4,000 policy that had a
21 certain amount that had been collected on it. The
22 \$4,000 policy would lapse, but rather than lapse, the
23 required nonforfeiture benefits -- and I'm talking
24 insurance a little bit. If I lose somebody, you know,

1 stick your hand up. The nonforfeiture benefit, one of
2 the options is a reduced paid up, so now you had a
3 policy that was perpetual in nature, but it was for
4 some reduced amount -- maybe \$1,000. And then a term
5 policy would be issued now to make up the difference
6 there, so there was always an attempt to try to keep
7 some degree of insurance protection, but as it moved
8 further and further away from cash-value contracts to
9 term policies, term policies require continual
10 payments. And at the end of the road, whenever we
11 were engaged, what we saw was an inordinate amount of
12 term coverage that was on a monthly premium-paying
13 basis and, apparently, there was nobody left to pay
14 the premiums. So, we were faced with, you know, about
15 \$2 or \$3 million worth, but we were talking hundreds
16 of millions of dollars worth of term insurance that
17 would have been canceled because of nonpayment of
18 premium. They would have just lapsed, as a course of
19 business, within 30 days and there would have been
20 zero funding available. I mean, this would have just
21 gone away. So, in looking at this problem, the
22 Guaranty Association system has put together the plan
23 that has been presented to the Texas Department, and
24 the plan has, basically, created two large buckets.

1 One bucket is what we call the standard policy. In
2 some states, the law required certain things be done
3 that precluded all of this activity going on with the
4 policies and there were just whole-life policies --
5 and I use the term "whole life," I'll say cash-value
6 policies because whole-life implies a continual
7 payment and, in many instances, this would have been
8 policies that were paid up after ten years or five
9 years or maybe single premium. But in some states,
10 the requirements were such in the preneed industry
11 that they had to be issued to the insured. The
12 policies were owned by the insured, and that's what it
13 was, just a standard policy that had no activity and
14 that would be deemed questionable. That's one bucket.

15 The other bucket and the dominant bucket is what's
16 called disputed policies. The disputed word, I think,
17 in retrospect and it's kind of caused me and I think
18 other Guaranty Associations a little bit of problem in
19 conveying to their boards of directors whenever they
20 go to them and say, you know, this is the presented
21 plan, "disputed" is kind of a negative moniker. I
22 wish we would have picked some other term. But
23 they're disputed from the standpoint that what the
24 original intent was was to have a cash-value product

1 to carry at least the cost -- the initial cost of the
2 insurance to the end -- or the contract to the end.
3 Because of the allowing the policies to lapse, to
4 borrow against the policies, all that was done
5 allegedly without any knowledge of the preneed
6 contract holder. They weren't a party; they didn't
7 get any of the proceeds of the loan, they didn't ask
8 the policies to be converted, they didn't pay any
9 additional premiums for supplemental term policies.
10 They were kind of -- they're out there, they're
11 oblivious to what's going on. The transactions are
12 questionable. Those policies -- and when we say
13 disputed, we're really talking about all the interim
14 activity. The original contracts is what the Guaranty
15 Association says we're going to try to honor the
16 original intent of that contract and we're going to
17 recognize that as a "contractual obligation." And
18 that's where we're moving. Now, the people that are
19 on the phone at the special deputy receiver's office,
20 they're out of Texas. They've looked at the plan.
21 They're the ones that will doing the analysis, and
22 many, many of you have already interacted with Donna
23 Garrett and her staff up there or had the opportunity
24 to talk to Chris Fuller. I don't think you're going

1 to find a whole lot of additional documentation
2 required in presenting the claim, but whenever they
3 present the claim, we'll look at it, and this is where
4 I think -- you know, this is going -- I know this is a
5 big issue. I've heard a lot of about it. We're
6 paying the face amount as it was originally issued.
7 We feel that that's an obligation that falls square
8 within the Guaranty Association's statutes, and we
9 don't have to push the edge of any envelope to get
10 there. We feel that that's a construction of our
11 statute that allows us to step in and provide the
12 protection. We can't go beyond that and provide some
13 additional accumulation or inflation factor or any
14 other benefit that would really be a relationship
15 between the preneed company, NPS, and the funeral
16 home. So, that's kind of the plan in a nutshell. We
17 don't know where we'll ultimately end up. I see a
18 hand. Go ahead.

19 MR. GIBSON: Does that include all of the
20 whole-life policies and all of the disputed policies?

21 MR. RENN: Well, see, that's -- the disputed
22 policies will be policies that -- okay. We have a
23 preneed contract that was sold ten years ago for
24 \$10,000, and there was a cash-value product or maybe

1 two that were issued in conjunction with that
2 particular preneed contract that covered \$10,000. All
3 right. Somewhere along the line, the cash value was
4 borrowed against, was allowed to lapse, and then term
5 policies were issued. All of that activity between --
6 you know, in the interim that we cannot determine that
7 it was somehow directed by the preneed contract
8 purchaser, the consumer, but this was just action
9 taken by the corporate -- related corporate entities
10 for whatever purpose, and that's yet to be determined.

11 We're considering those things disputed. We're going
12 to go back and we're going to say, yeah, there was two
13 -- one or two whole-life policies, cash-value policies
14 issued, and that's -- and we'll pay you the \$10,000.
15 So, if inflation doubled the cost of the funeral from
16 \$10,000 to \$20,000, you're going to have 50 percent.
17 If the guys, you know, bought it a year ago and it's
18 \$10,500, well, you know, then \$10,500. Yes, sir.

19 MR. MEYERS: And I may be getting ahead of
20 myself, but you're going to pay -- you're saying
21 you're going to pay the face amount, if possible?

22 MR. RENN: Yes.

23 MR. MEYERS: If the deputy receiver, if they
24 liquidate NPS, liquidate the company and all -- cash

1 these assets, does that liquidation make up for our
2 inflation growth or will that money go to the Guaranty
3 fund?

4 MR. RENN: The way that the Guaranty
5 Association laws are written is that to the extent
6 that we pay a claim, to the extent that we paid
7 benefits dollar for dollar, then we are subrogated to
8 the individual's rights. In this case, it would be
9 the contract holder because that's what the
10 Liquidation Act does; it basically says at the --
11 whenever this order becomes final, the funeral homes
12 become the beneficiary and the contract purchaser, the
13 consumer, becomes the owner. But the rights and the
14 ability to do anything with the policy are limited.
15 They can't cash it in because we want to maintain the
16 values for the benefit of the funeral home. We
17 understand that that's where the obligation that
18 provides the service goes. So, if we pay \$10,000 on
19 behalf of the new -- or the owner, consumer, and we
20 now have that consumer's \$10,000 claim against the
21 estate. Now, to the extent that assets can be
22 recovered that exceed the amount that we pay out in
23 benefits, then that's going to be subject and falling
24 through the priority class. And, Donna, you and Chris

1 speak to any of this. I'm not familiar with the total
2 priority classifications in Texas. But it rolls down,
3 you know. It's the policyholders are close to the top
4 probably after administrative expenses, and then
5 whoever else has a claim. I don't know where that
6 would fall. Do you want to speak to that, Donna?

7 MS. GARRETT: I'm going to have Chris address
8 the distribution from the estate side.

9 MR. RENN: Okay.

10 MR. FULLER: This is Chris Fuller; I'm the
11 attorney for the special deputy receiver. Chuck has
12 accurately laid out what happens once the Guaranty
13 Association funds payment on the death claim. They
14 get an assignment up to the amount of the death-claim
15 payment. And in the example, I think Chuck used an
16 example of a \$20,000 funeral home -- \$20,000 funeral
17 with a \$10,000 face value. Ten thousand dollars of
18 that claim is funded by the Guaranty Association, and,
19 in turn, the Guaranty Association has an assignment of
20 \$10,000 worth of that cause of action against the
21 former management and the affiliates of NPS and the
22 other companies. So, in essence, there will be --
23 both be -- in this case, the funeral home and the
24 Guaranty Association will share and share alike in any

1 future collections and then distributions out of the
2 estates.

3 MS. GARRETT: For NPS.

4 MR. FULLER: For NPS. But I want to say that
5 if from, you know, doing this for almost 20 years,
6 that type of collections is down the road and they
7 never come easily. So, from the receiver's
8 perspective, it's important to have this mechanism for
9 funding with the Guaranty Associations that will be
10 able to put money in people's pockets today. It's not
11 100 cents of a dollar, but it's the best we can come
12 up with, so that provides for new -- that provides for
13 immediate money. The additional funds, which,
14 hopefully, we'll recover, are years down the road.

15 MR. MEYERS: And you said NP for NPS. Won't
16 it also be for NPS and all assets owned by the Cassidy
17 family?

18 MR. FULLER: Well, certainly, that's going to
19 be our legal position. Clearly, you know, there's
20 going to be asset-recovery actions against all the
21 players, but I can't tell you today that we're going
22 to get all of their assets. We're certainly going to
23 try.

24 MR. MEYERS: Thank you.

1 MR. RENN: And, Chris, I'm not trying to
2 provide explanation on Texas law, but I do know that
3 receivership laws are complex, but they provide a lot
4 of latitude to look at what's happened to the cash in
5 the past. So, whenever a company is liquidated, the
6 special deputy receiver can look back and there's a
7 lot of authority in the statute to make a
8 determination whether the money that went out went out
9 appropriately in the course of business, or whether it
10 was, you know, somehow a preferential transfer to
11 another affiliated entity and there is -- that gives
12 authority to call that back and to go after it. I
13 mean --

14 MR. FULLER: Yeah. Chuck, there is a wealth
15 of Texas law, both statutory and our insurance code,
16 and also in the business statutes in Texas, that
17 provides for the recovery of these types of -- from
18 this very type of plan, and this is a fairly common
19 process by which special deputy receivers get after
20 the bad actors, and it's going to happen in this
21 estate. We are going to get after these people, but I
22 don't want anyone thinking that, you know, we're going
23 to send a demand letter, and we're going to get a big
24 old check in the mail. One could always hope, but

1 I've never seen that happen yet.

2 MR. RENN: Yeah. Nobody usually says, "Oh,
3 you're right. We stole the money. Here you go."
4 Chris, I'd like to go back and maybe emphasize a point
5 that you made about when the payment is made and the
6 funeral homes are asked to assign the rights to the
7 extent that they have received benefits for recovery
8 back to the Guaranty Associations.

9 MR. FULLER: Yes.

10 MR. RENN: That's a significant point, and it
11 sounds like that the funeral homes are being asked to
12 give up something. But the level of comfort that you
13 should have in that is that the Guaranty Association
14 system, collectively, we have resources to step
15 alongside the special deputy receiver and state
16 agencies -- you know, you can relate to this -- the
17 ability to expend money to pursue litigation by state
18 agencies and especially, you know, an individual
19 funeral home even collectively if you decide -- and
20 I'm reluctant to throw this phrase out, but, you know,
21 class action is not going to be an answer in
22 litigation on this because class action is going to --
23 if you've seen most results in a class-action lawsuit,
24 you know, you get a \$10 certificate off your next

1 computer monitor, and the plaintiffs' attorneys get
2 millions of dollars for their costs of litigation.
3 But the Guaranty Associations, our vested interest is
4 to put assets -- we can't collect that and stick it in
5 our pocket, per se, but we can collect it and it goes
6 back to the estate and then comes into the priority
7 scheme, and I think that's important for the funeral
8 homes to understand is that that assignment is really
9 allowing the Guaranty Associations that have
10 significant resources to pursue these type of
11 recoveries to be able to engage and go after it, so
12 we're interested in that.

13 CHAIRMAN: Gentlemen or ladies, when you
14 speak, you've got to tell your name to the court
15 reporter, so --

16 MR. SPEAKS: Brad Speaks from Kansas City.
17 Chuck, first, I want to say you're my personal hero
18 and very much appreciate the way you have gone to bat
19 for Missouri funeral homes and Missouri consumers.
20 Thank you. I've got a question for you and also for
21 Chris Fuller. As I understand the plan, NOGA intends
22 to fund the policies in future dollars; in other
23 words, taking advantage of the time value of money, so
24 policies are not being -- new policies not purchased

1 today so that they could mature and pay off contracts
2 when they mature in the future. I wonder if that
3 question has been addressed, because if it were
4 possible to do it that way, funeral homes could accrue
5 something rather than just face value.

6 MR. RENN: If I'm understanding what you're
7 saying is that NOGA, whatever is on the books today, a
8 \$10,000 policy, or looking at a contract even ten
9 years ago, it was a \$10,000 funeral, there was \$10,000
10 worth of cash-value policies. If that contract is
11 still in effect and that insurance would be deemed to
12 be applicable to it, what you're saying is there is no
13 consideration given even from this point forward.

14 MR. SPEAKS: Right.

15 MR. RENN: You're right. It's the face amount
16 of the policy, which would be the way that we would
17 handle any other -- you know, if an insurance company
18 - like the Metropolitan, you know.

19 MR. SPEAKS: Obviously, is the policies are
20 worthless, so it would seem to be possible that new
21 policies could be issued on the entire list that Donna
22 has, fund those now, and accrue the growth from now
23 until whenever death occurs. So, I don't know if that
24 was considered or not, but it seems like a viable

1 alternative, at least, to me, and I don't know
2 anything about your business.

3 MR. RENN: The reason that could be extremely
4 difficult to do, especially in Missouri, and since we
5 have so much of the business located here because of
6 the situs of the trust, we're limited in our capacity
7 to the amount that we can assess the industry which is
8 2 percent of their annual -- it's a formula, but it's
9 fundamentally 2 percent of an average premium amount.

10 The most I can assess at this point in time in any
11 one year is about 46 million bucks. And Missouri's
12 obligation on this, even under the plan which moves --
13 I'm just going to throw out round numbers -- about
14 \$100 million into other jurisdictions, other states,
15 it's still going to leave us close to \$200 million.
16 So, to do what you're talking about and whether that
17 would even be a practical approach and if it would
18 produce any advantage would require taking --

19 MR. SPEAKS: Cash up front.

20 MR. RENN: Yeah. Well, you would have to --
21 you may not gain anything because you might have to
22 look at the individual who is insured and actuarially
23 calculate what the present value of his face amount
24 is, which is -- you know, it is predicated on a

1 mortality table that would put him at 100 years. And
2 you buy a \$10,000 policy, the premium that your paying
3 is your premium in relation to a mortality table and
4 you're expected -- or your life expectancy, it would
5 run out to 100 years, so that's kind of the
6 calculation that goes into developing your premium, so
7 you would have to do a cash-value surrender for this
8 guy at this point in time. You may not even gain
9 anything, and even if you did come up with a number,
10 it's going to be somewhere south of the face amount
11 and, in Missouri's case, somewhere less than \$200
12 million. It may not get you anywhere to begin with,
13 so -- and we may not be able to just be able to afford
14 to do that.

15 MR. SPEAKS: My other question is for Chris
16 Fuller. Chris, want can you tell us about a
17 classified claim under Texas insurance law?

18 MR. FULLER: I'm not certain of the term
19 you're using. We have--

20 MR. SPEAKS: I probably misstated it, but in
21 the liquidation plan, it says "Funeral homes claims" -
22 -

23 MR. FULLER: Okay. I'm familiar with the
24 reference. Under our statutes, there is a priority of

1 payment scheme set out in the statute, so Section 301,
2 and that lists the priority of payments, distributions
3 out of the estate, and it's in descending order; that
4 is, Class I are expenses of the special deputy
5 receiver and the Guaranty Associations, Class II will
6 be policyholder claims, III and IV are small
7 government tax claims, if I recall correctly. I don't
8 have the statute in front of me. Class V are your
9 regular contractual debts; vendors. In this case with
10 NPS, it will be growth claims and things of that
11 nature. And then there's a scattering of lower
12 priority claims.

13 MR. SPEAKS: So, if Agent Aldridge and the IRS
14 end up with any money, at the end of the chain are
15 the funeral homes?

16 MR. FULLER: Yes. But the work that we're --
17 we're working with the FBI, to the extent anyone can
18 work with them. I think we're really working for
19 them. Additionally, what's done in these kind of
20 cases is a restitution order is entered as part of the
21 criminal proceedings, and that restitution would be
22 payable in this case either through a liquidating
23 trustee or, more likely, it would be, in essence,
24 assigned to the special deputy receiver for

1 distribution under the priority statute, but that's
2 what we've done in prior criminal matters. And the
3 FBI -- and, frankly, it's the U.S. Attorney's Office
4 who is making that call -- they've been receptive to
5 that. We don't have anything in writing because,
6 frankly, they haven't indicted anybody yet, but I
7 understand that's coming. So, at the end of the day,
8 I think the money that the feds hopefully will recover
9 through any restitution orders will be, in essence,
10 paid to you all through the special deputy receiver.

11 MR. SPEAKS: Okay. In the meantime, Donna, it
12 looks like you'll be getting about \$4 million a year
13 in administration fees. Do you want to split that
14 with us?

15 MS. GARRETT: I don't think it's going to be
16 quite that high and that is an adjustable number as
17 you will see if you read all the way through that.

18 MR. SPEAKS: Well, it goes down over time.

19 MS. GARRETT: All of the account goes down.
20 That's correct.

21 MR. SPEAKS: All right.

22 MR. OTTO: Don Otto, Missouri Funeral
23 Directors and Embalmers Association. If you know,
24 what is the procedure going to be for those contracts

1 where the money never got to insurance, although it
2 was supposed to? In the last year, there were a
3 number of what we call here in Missouri rollovers
4 where the contracts between NPS -- the contract said
5 that money was supposed to go into insurance within 60
6 days or something like that, but it's our
7 understanding that with at least some of those, it may
8 never have gotten to insurance.

9 MR. RENN: Don, I'm glad you brought that up.
10 That's a great question, and I hope this will elicit
11 somewhat of a sigh of relief. In the plan, there is
12 term that's used called indicia of insurance. Again,
13 this is going to be predominantly a Missouri issue
14 because just volumewise. But if -- what we're doing
15 is going through the documentation. Not only are we
16 trying to reconstruct the existing policy
17 manipulations and determine what was intended to be
18 insured to begin with, but whenever we're finding
19 transactions where there is communications where the,
20 in essence, NPS is acting as an agent for Lincoln
21 Memorial and representing to an individual we're going
22 to do this and we're going to do that, and these will
23 be insured, if we can substantiate that the intent was
24 to place these contracts in an insured state, we feel

1 that, ultimately, the consumer and the funeral home --
2 I mean, we're sensitive that you guys -- the contracts
3 and the funeral homes and the services provided to the
4 benefit of both the consumers and the funeral home,
5 you guys are just too closely linked, so I don't want
6 to just pretend like we're helping the consumers. The
7 funeral homes are being considered here, too. But if
8 we see that this has happened, we're going to go ahead
9 -- yeah, that's insurance. Even though there's no
10 policies on the records of Lincoln Memorial, but we
11 have this whole dossier, if you would, of
12 correspondence that would indicate this was what was
13 intended to happen, we're not going to ignore that.
14 We'll go ahead and insure it.

15 MR. OTTO: And that leads to my next question
16 is then: When will a funeral home know or how will a
17 funeral home know that they have indicia of insurance
18 for their contracts?

19 MR. RENN: Donna, maybe it would be better --
20 could you speak to that?

21 MS. GARRETT: Yes, I can. And we've looked at
22 a number of those rollover cases already and we've
23 already started compiling the documentation to present
24 to the various Guaranty Associations so that they can

1 take a look at it and say yes or no, it's going to be
2 covered. The only way you'll know is if we can notify
3 you at a later date. And I can tell you that we are
4 compiling the documentation, and most of the ones that
5 we have looked at so far, there isn't evidence of
6 insurance or an indicia of insurance or any intent to
7 purchase insurance, but that may not be the case with
8 every single rollover. So, we're going to have to
9 look at the documents and we're going to have to
10 confer mostly with Chuck because it is a Missouri
11 issue and get him to accept or reject based on the
12 documentation submitted, and then we will turn around
13 and get back to the funeral home and tell them the
14 outcome.

15 MR. OTTO: Because our funeral homes may very
16 well have, for all I know, documents that you don't
17 have.

18 MS. GARRETT: Once we get to the point where
19 we've got the plan approved and we're ready to start
20 doing that review and investigation, we will certainly
21 contact the funeral homes and say this is what we
22 have, what else do you have. I mean, it's not just a
23 one-sided thing. We'll be talking to each funeral
24 home as required.

1 MR. RENN: As much as somebody said that I'm
2 their hero, you know, I can say Donna and the Texas
3 folks, at least from the Guaranty Association's
4 standpoint, have been extremely easy to work with,
5 very helpful. We've gotten in there. I've been to
6 St. Louis a handful of times sitting side by side with
7 the Texas folks and looking at the data. And, again,
8 Don, great question. I've already looked at one
9 rollover that I would have to say, you know, there's
10 no question in my mind that there's indicia of
11 insurance. I have not been able to tell Donna that,
12 yeah, you know, because what that means, they're going
13 to have to go in the Lincoln Memorial system and
14 create individual records and policies, so to speak,
15 for these contract orders, but I can't do that until
16 my board approves the plan, so I can't give her the
17 okay. But we've got a couple of them that already
18 ginned up, ready to jump right on it, and we'll be
19 able to send out notification when the plan is
20 approved. Yes, sir.

21 MR. HILL: Along those lines, it's apparent
22 that maybe there's possibly a third bucket. You've
23 addressed the standard policies and then the disputed
24 policies. But in your notice of liquidation plan, it

1 references the Guaranty Association does not provide
2 coverage for preneed funeral contracts.

3 MR. RENN: Yes.

4 MR. HILL: Can you define what that would be
5 then if it's not a disputed policy?

6 MR. RENN: We know that there are preneed
7 contracts that do not have any insurance attached to
8 them. I mean -- and we started out with kind of what
9 Don just described, you know. There was a block of
10 contracts that had nothing that we could tell on the
11 surface that would indicate insurance was ever
12 intended to be issued with it. Now, some of those --
13 I mean, that population has gone down because we've
14 gotten in there and looked and found instances of
15 communications where, yeah, they were going to insure
16 it. It was obvious that was the intent. It just
17 didn't get done before they fell through the cracks.
18 But we know that there's going to be preneed contracts
19 that don't have insurance products backing them up.
20 And to the extent there is no trust money for that,
21 that something was put in there, you know, bonds from
22 NPS or whatever they came up with to throw in the
23 trust, all I can tell you is that I am sensitive to
24 that, and I've contemplated what could be done maybe.

1 Is there still value in those contracts? In some
2 instances, those contracts are still on installment-
3 paying basis, and there's cash flows and, you know,
4 I've talked to people; you know, is there potentially
5 goodwill in that business to have an affiliation with
6 the funeral homes, you know? Is this something --
7 and, you know, I've been trying to think creatively
8 outside of my responsibility as a Guaranty Association
9 executive director. I mean, I feel like it's not
10 going to do anybody any good, including the insurance
11 industry, if, you know, Aunt Ethel gets buried and the
12 funeral homes gets some money in conjunction with
13 that, but Uncle Joe doesn't get the service that he
14 was provided or the family has to pay double or
15 whatever is going to happen, you know, what the
16 fallout is going to be, I just don't think that's good
17 for the insurance industry because, you know, our name
18 on this a little bit, too. So, I've been trying to
19 just contemplate that and working with Donna, so we're
20 kind of in the brainstorming stages, but we haven't
21 completely forgotten about it.

22 MR. HILL: But at this point in time, there is
23 no coverage for those policies?

24 MR. RENN: No. We like to make sure. We talk

1 about preneed contracts and insurance policies, so
2 there is no coverage for those preneed contracts
3 because there was never any indication at this point
4 that there was insurance intended.

5 MR. HILL: And if it was strictly put into the
6 trust with never intent for insurance, those funds
7 have been -- are being liquidated so that, really, the
8 value on those preneed contracts is zero?

9 MR. RENN: Well, I wouldn't say it's zero
10 because, like I said, many of those preneed contracts
11 with no insurance attached to them or affiliated with
12 them are still on an installment-payment basis. So,
13 what do you do with that? You don't want to -- you
14 know, what if they paid \$4,000 on a \$5,000 preneed
15 contract? If they quit paying, do they lose that, you
16 know?

17 MR. OTTO: Which is why we need to know --
18 it's Don Otto again. I'm sorry -- the indicia of
19 insurance as soon as possible on those contracts so
20 that we know is the person just sending money down a
21 black hole or not. So, that's why that issue of a
22 funeral home knowing how many of my contracts are
23 backed by insurance and how many are not, because if
24 they're on an installment payment and they're not

1 backed by insurance, that funeral home may need to do
2 something -- inform the consumer, obviously, but they
3 may -- together, may need to do something differently,
4 so that indicia of insurance is important.

5 MR. RENN: Let me -- where is Sharon? Ah.
6 Sharon, is the enforcement side of this -- well, first
7 of all, let me speak to that. I would -- if I were
8 going to advise a consumer, I would err on the side of
9 caution and tell them continue making the installment
10 payments. Now, for several reasons. Indicia of
11 insurance may be produced. Something may be worked
12 out, you know. There may be some way that these
13 people are at least -- these contracts are at least
14 partially made whole. There may be something at the
15 end of the road where they might get that money back
16 and I can't -- you know, I can't make that unequivocal
17 statement because that's Donna's territory. But the
18 Guaranty Associations are not interested in getting
19 money that's not rightfully ours. So, if it's a
20 preneed contract that's not insured, what right do we
21 have to the money? At the end of the day, if they've
22 paid six installments and it's given back to them, I
23 don't think it's going to break us, you know, and it's
24 not going to cause me any personal heartburn.

1 Finally, I don't know, does -- you know, the way I
2 read the preneed statute, layman's reading, is there's
3 an obligation on the funeral home to provide the
4 service that was originally contracted for. If they
5 quit making those installments, though, does that
6 breach -- you know, is that breach of contract on
7 their part? I wouldn't want to run that risk.

8 MR. OTTO: Well, here's the scenario that's
9 not uncommon with NPS. We call them a ten pay --
10 they're paying over ten years.

11 MR. RENN: Uh-huh.

12 MR. OTTO: Over that ten-year period, it would
13 not be uncommon for the consumer to have paid \$12,000
14 and the face value is \$6,000; okay? So, if they're a
15 year into it, the consumer is looking at paying
16 another \$11,000 and the funeral home would get \$6,000.

17 That's even if it's backed by insurance. If it's not
18 backed by insurance, it's -- you know, that third pop,
19 and that's the whole --

20 MR. RENN: Okay. Now, hold on just a second.

21 And you're predicating that on, like, the face amount
22 of the original preneed contract?

23 MR. OTTO: Correct.

24 MR. RENN: I don't think -- I think if there's

1 no coverage, if there's no insurance, I don't know
2 what -- I don't know if that -- the plan applies to
3 those because, again, the plan is dealing with the
4 contractual obligations. If this is a preneed
5 contract that's out here all on its own, not insured -
6 - Chris, am I headed down a bad path her?

7 MR. FULLER: No, not a bad path. I think that
8 the --

9 MR. RENN: I don't think that they're locked
10 into the original amount of the preneed contract if
11 the installments are being paid and if there's no
12 insurance involved. That's where I was headed, but I
13 want to make sure that's accurate.

14 MR. FULLER: I think that's accurate, but I
15 think the bucket of claims or contracts you're
16 referring to is pretty small where we have contracts
17 presumably without policies -- and then that brings
18 any indicia issues -- upon which folks are still
19 paying. That is a subset of a subset.

20 MR. RENN: Yeah. This gentleman right here.

21 MR. WATKINS: Steve Watkins. My question is:
22 If -- I'm very fortunate, I have 14 contracts. I'm
23 smiling. But these are old contracts which are all
24 paid up, but were technically those that, if they were

1 insurance funded, I had -- I was not told and I do not
2 know.

3 MR. RENN: Yeah.

4 MR. WATKINS: So, technically, these should be
5 trusted with 80 percent of that money in a trust. Was
6 there no trust fund anywhere for these type of
7 contracts in the assets of National Prearranged, and,
8 if there was, should that be a part of the insurance
9 part of it?

10 MR. FULLER: Let me try to address that
11 because I think I know where you're going. There were
12 certain trusts that were set up early on in the
13 process -- and I'm talking the '90s now when I say
14 early.

15 MR. WATKINS: Well, these, I'm talking '80s.

16 MR. FULLER: Okay. Well -- okay. '90s --
17 '80s and '90s. Those trusts, of course, should have
18 had the 80 percent in them. However, the trusts don't
19 have -- typically don't have the cash. They have --
20 the later trusts have, of course, certificates of
21 insurance from Lincoln Memorial that reputed to have
22 whatever the face value of the policies are. The
23 earlier trusts have such assets as promissory notes
24 from one or more of the Cassidy affiliates; in other

1 words, they -- whatever cash got into the trust
2 originally was siphoned out by the family or
3 management years and years ago. And if you look at
4 the trust statements in the various trustee banks,
5 those show, you know, assets worth X millions of
6 dollars in the trust. But if you look at the actual
7 trust statement, it reflects that the bank is carrying
8 its face value on a promissory note or some other form
9 of a financial instrument, a debenture or documents of
10 that nature, at face value -- the Cassidy affiliates.

11 So, there really is no -- there is little or no money
12 actually in the trusts themselves that we could trace
13 to any particular policies. And I may not have
14 answered your question precisely, but if the question
15 is: Isn't there money in trust to pay these claims on
16 preneed contracts for which there are no policies, the
17 short answer is, no, there's not. That money
18 disappeared long ago.

19 MR. WATKINS: So, technically, Steve Watkins
20 is out of luck?

21 MR. FULLER: I'm sorry? Say that last part
22 again, please.

23 MR. WATKINS: I'm just out of luck?

24 MR. FULLER: That's not entirely certain. As

1 Donna said, we are working with -- and Chuck also has
2 been working hard on this. They're attempting to
3 package up these contracts and attempt to market those
4 as a block. Now, whether or not we're going to be
5 successful at that is uncertain at this time, but
6 that's something we're actively working on. So, it's
7 too early to say that even if one ends up with a
8 contract without a policy or without indicia of
9 insurance, it's too early to say that you're out of
10 luck.

11 MS. GARRETT: Would you believe we want to
12 encourage consumers to continue to pay?

13 MR. RENN: Let me add that, Mr. Watkins, what
14 could also have happened on that, that money was in
15 the trust and they just bought an insurance policy.
16 So, you may have insurance.

17 MR. WATKINS: Right.

18 MR. RENN: But that's the problem, is so much
19 of this stuff went on and it was kind of like, okay,
20 I'm in this cubicle and here's my preneed contract,
21 and I'm going to buy an insurance policy. Is this
22 okay? And I step over here. Yeah, that's fine. That
23 looks good to me. Thanks. We're done. We're off.
24 Yes, sir.

1 MR. MEYERS: Marty Meyers, Meyers Funeral
2 Chapels. You know, that all sounds real good and we
3 appreciate everything you've done for us. However, it
4 sounds like, to me, that we're throwing good money
5 after bad because you've got to realize some of these
6 contracts we have from the '80s, they're 25, almost 30
7 years old. And if these -- you know, say, they live
8 another 20 years, and we're not getting any growth for
9 the first 25 years and we've got to do it for another
10 20 years later, we've got 50 years of growth there
11 where there's no money. I mean, there's funeral homes
12 that can't stand that hit.

13 MR. RENN: And --

14 MR. MEYERS: And you're telling us to throw
15 good money after bad when we can take those premiums,
16 put them in our own trust or funding mechanisms to
17 draw a little bit of interest on them, you know. It
18 sounds like to me -- and, no offense -- but you guys
19 are going to take the premiums or Donna and we're
20 going to throw it out in expenses and not get
21 anything. So, I don't know. I'm a little unsure.

22 MR. RENN: Well, I guess, the important thing
23 to understand is that the special deputy receiver is
24 contracted with the Guaranty Associations to provide

1 the administration. So, we're at least initially
2 footing the bill for that administration. That's not
3 like, you know, the money is coming in and is going to
4 the special deputy receiver. The Guaranty
5 Associations are funding that.

6 MR. MEYERS: Okay.

7 MR. RENN: Secondly, maybe I'm more adamant
8 about the position to continue payment by the
9 consumers on the initial part of it because if people
10 stop paying -- and, you know, I'm not going to try to
11 even predict, you know, what the legal outcome would
12 be, you know. What other -- what rights, you know,
13 what contractual breach is that, you know? If they're
14 supposed to continue making installments, what's gone
15 there, you know? Or do they give up all rights, you
16 know? Is that just completely excludes them from
17 having an opportunity to assert a right against a
18 funeral home? From the consumers' standpoint, that's
19 our main focus. The funeral homes, the fact that they
20 are going to be negatively impacted because of the
21 inside buildup, that is a very big reality. And --
22 but even in the Guaranty Association's statute, in
23 other insolvency situations, people bought annuity
24 contracts that paid 10 percent. And the reason they

1 got such a great deal is because the company was doing
2 fundamentally a similar type of thing, you know. As
3 long as we keep selling annuity contracts, we can keep
4 throwing 10 percent on what we have until finally it
5 gets so big and so heavy, it collapses. And then they
6 give it to us and we have to go and tell the consumer,
7 you know, we understand. You're going to get your
8 principal back, but here's what: We're only going to
9 cover up to \$100,000, so you've got \$150,000 in there,
10 you're out \$50,000. That's a claim against the
11 estate, and that 10 percent you got, we're going to
12 roll it back for three years and tie it to a realistic
13 rate, and that's what you'll get going forward. So,
14 it's kind of like, you know, everybody shares the
15 pain, and this -- I mean --

16 MR. MEYERS: And, also, you know, a question
17 to the Board. I mean, maybe the consumers are going
18 to have to share some of this pain, you know. I
19 bought a bunch of stock from a company called Corelle.
20 It was \$40 a share, and the next day, it was worth 50
21 cents, you know. So, I really feel like -- and I hate
22 -- we're kind of in a catch-22 here to say that, hey,
23 you know, you're going to get face amount, but it's
24 costing us \$5,000 extra to perform this service.

1 We're sorry; you're going to have to pay the
2 difference. And I know law 436 says that we can't do
3 that, but it's --

4 MR. RENN: Well, and, you know, that's a good
5 point.

6 MR. MEYERS: But the money -- 436 also says
7 that the money is supposed to be there, too.

8 MR. RENN: And, you know, that's an
9 interesting decision that will have to be made, you
10 know, aside from the legal part of it because, you
11 know, if I'm the door-to-door insurance salesman, I'm
12 coming through the town, you know, I canvass the area
13 and I throw insurance policies left and right, and I
14 got the premium, I'm gone, the company goes broke,
15 they don't see me again. You guys got a building,
16 you've got a place down the street, you know, you
17 charge double for grandma's funeral. Where's -- you
18 know, where is the son, the daughter, the grandkids,
19 where are they going for their -- I mean, you know,
20 that's just a business decision.

21 MR. MEYERS: It's a catch-22.

22 MR. RENN: Yeah. It's tough. It's tough.

23 MR. MAHN: I've got a question. Right after
24 this happened and Mr. Watkins took -- this might be a

1 question for Don. On the impasse contracts, they
2 covered grandchildren, and I had a family that lost a
3 grandchild under the age of 18. Talked to Mr. Watkins
4 and was told that it would cover their funeral. And
5 right after that, and I spoke to the family, you know,
6 I took care of the funeral, it went into the
7 receivership, and then I was told that it wasn't going
8 to -- would not cover it. So, are they going to cover
9 grandchildren or not, you know? I think I know the
10 answer to that, but then do I just eat this funeral
11 and tell the family I took care of it? How does that
12 work?

13 MR. RENN: Donna, we've looked at this,
14 haven't we?

15 MS. GARRETT: Yes, we have, and we are
16 covering grandchildren as long as it is a part of the
17 policy.

18 MR. MAHN: Okay. So, I just need to resend
19 the claim in?

20 MS. GARRETT: Yes. And I don't know which one
21 you're talking about. There have been some that have
22 been rejected for other reasons, but, yes, if it's a
23 part of the policy, it will be a covered claim.

24 MR. MAHN: Okay.

1 MS. GARRETT: Guarantee fund and past
2 Guarantee fund.

3 MR. MAHN: All right. Thank you.

4 REPRESENTATIVE MEADOWS: I'm Representative
5 Tim Meadows and I have several questions. Many of
6 Missouri's funeral homes are performing services as we
7 speak -- NPS services. They're not receiving any type
8 of compensation for them, and I was just kind of
9 curious, what type of delay and how long are we
10 looking before these funeral homes are compensated,
11 because I'm worried that many of them may go out of
12 business, and we're looking at a serious problem then
13 because who will cover those services for those
14 consumers?

15 MR. RENN: Donna, what sort of a turnaround
16 time are we on now?

17 MS. GARRETT: Right. Up until we filed the
18 application for liquidation, we were on a turnaround
19 time of 60 days from date of receipt of complete
20 information for payment. The last payments went out
21 the week we filed the application, which was the 11th.
22 We are not making any payments at this point because
23 we don't have the cash flow to do it until after the
24 liquidation plan is approved and the Guaranty funds

1 are kicking in. Once the Guaranty funds are
2 kicking in, we will have cash flow back into the
3 estate to make those payments. We are continuing to
4 process the claims and have them ready for putting
5 them in an approved and pending status until the
6 Guaranty fund is eligible for payment. So, once the
7 Guaranty fund is on board, we should be able to issue
8 payments, I would think, within 30 to 60 days.

9 MR. RENN: Okay. So, we're looking -- nothing
10 has gone out the door since August 11th?

11 MS. GARRETT: That's correct.

12 MR. RENN: Okay. And there is no reason to
13 believe that there is any source of cash to come in
14 that would -- other than Guaranty Association
15 participation -- that would generate funding for those
16 contracts?

17 MS. GARRETT: That is correct.

18 MR. RENN: Okay.

19 MS. ERICKSON: And, Donna, this is Mary
20 Erickson. And, Chris, maybe you can address this, as
21 well. After the filing on August 11, what are some of
22 the time frames we're looking at for when those claims
23 payments will resume?

24 MR. FULLER: This is Chris Fuller. The --

1 under the current schedule, the liquidation plan and
2 application is set for submission before a special
3 master who is appointed in all insurance receiverships
4 in Texas, and he is set to consider it beginning on
5 the 25th. That is assuming we don't get any
6 objections between now and Friday. Friday is the
7 deadline to object. In the event we do get
8 objections, he has a hearing set on September 15th in
9 which to consider any objections and rule on them.
10 So, knock wood, if we don't get any objections, we get
11 the order signed next week sometime and then there's a
12 30-day window which is required by most of the
13 Guaranty Associations statutes to provide that there
14 are no appeals or challenges to that order, and, so,
15 we're looking at the end of September. At that point
16 in time, the liquidation plan becomes effective and
17 the process Donna described regarding the payment of
18 claims thereafter would go into effect.

19 MS. ERICKSON: And following up Chris and
20 Donna, because you all will be continuing to process
21 claims during this downtime, if you will, when the
22 Guaranty funds do kick in, the claims processing has
23 continued and money will be pushed out more quickly
24 for these claims payments once the plan is actually in

1 place and funds are available; is that right?

2 MS. GARRETT: That's correct, Mary. The funds
3 will be available once the Guarantee Associations are
4 on board.

5 MS. ERICKSON: And the 60-day or so lag time -
6 - and I know it's been longer at times this past
7 spring for some claims payments -- you anticipate that
8 improving to 30 days, hopefully, in the coming months;
9 is that right, too?

10 MS. GARRETT: Yes. I think we can certainly
11 get within 30 days once the Guaranty is on board.

12 MS. ERICKSON: Thank you, Donna.

13 MR. RENN: To kind of elaborate on that, at
14 least from Missouri's standpoint, I have to meet with
15 my nine-member board and they have to elect to
16 participate in this plan. And it would be -- it would
17 not be an accurate statement to say that everybody is
18 just pleased with, you know, what's going on. I mean,
19 the Board has -- I've supplied them with information.
20 There's been educational opportunities provided,
21 teleconferences and things like that, and, like I
22 said, we've had our general counsel evaluate the plan
23 to make sure that we're consistent within the Guaranty
24 Association Act. We're still -- you know, I still

1 anticipate whenever I meet with my Board to have a lot
2 of questions asked. But assuming that my Board says,
3 yeah, we're going to participate in this. We think
4 it's the thing that we need to do and we see the
5 benefit of it -- and it's -- like I said, it's a big
6 dollar thing for Missouri. I have funds now -- I
7 mean, that -- where we have other obligations that
8 we're paying over time that we've got money, and I
9 have funds that I'll be able to commit to this
10 situation. So, as soon as I can issue -- the very
11 first day we can issue checks, the checks will go out.
12 There won't be any delay. So, we have funding
13 available. And I think Missouri gets hit somewhere
14 between \$1 million and \$1 million-and-a-half a month;
15 does that sound right, Donna?

16 MS. GARRETT: You know, I don't remember the
17 exact amount, Chuck, but that sounds pretty close.

18 MR. RENN: Yeah. I think I've been throwing
19 the figure about \$18 million a year out as Missouri's
20 share of the cost under this plan, and that's a cash-
21 flow situation, so, you know, I'm going to be sending
22 them about, you know, in between a \$1 million and \$1
23 million-and-a-half, I think, every month. But I've
24 got funds on hand that I can go ahead and front that

1 up, so if we're two or three months behind, all of
2 that will go out. Representative?

3 REPRESENTATIVE MEADOWS: Representative
4 Meadows again. When will you be meeting with your
5 Board?

6 MR. RENN: We have a meeting scheduled for
7 tomorrow morning, a telephonic board meeting.

8 REPRESENTATIVE MEADOWS: Okay.

9 MR. RENN: There's been a couple of curve
10 balls that have come in just in the last day that may
11 end up that if we meet tomorrow, we may have to put it
12 off, you know, like, for another week or set a future
13 date to make a conclusive decision because there are
14 some issues that come up that we need to consider.
15 But my hope is that by the end of the day today, we
16 can meet tomorrow and give full consideration to it.

17 REPRESENTATIVE MEADOWS: Okay.

18 MR. RENN: In Missouri, even under the plan,
19 we represent 45 percent of the liabilities, so it's
20 important that we go along with it for the plan to go
21 forward. Sir?

22 MR. SPEAKS: Yeah. Brad Speaks again. Chris
23 and Donna, I've got -- maybe it's a technical,
24 logistical question, but I know it's come up. Chris,

1 you referenced the various trusts that have been set
2 up. In regards to the N2A Trust, which we have been
3 told is unfunded for funeral homes that have submitted
4 claims and had those claims either denied or deferred
5 because of an unfunded status even before the
6 liquidation plan, what mechanism is in place for
7 receiving payment on those once the liquidation plan
8 is in force, assuming that it's passed?

9 MR. FULLER: If they're -- the determination
10 will be made if they're falling into the disputed
11 bucket, vis-a-vis the Guaranty Associations, and
12 assuming that they're -- there's absolutely no indicia
13 of insurance, I think N2A Trusts -- policy contracts,
14 excuse me, fall into that. Unless there is a
15 provision or ability by the FCR to package those
16 contracts and, in essence, sell or assign them to a
17 solvent entity, then there won't be any payments made
18 on those, pending an ultimate distribution out of the
19 assets of the estate at some point in the future, that
20 being from the litigation recoveries and the like.

21 MR. SPEAKS: What if a funeral home has an
22 agreement or a contract with NPS that says that they
23 were to be insurance?

24 MR. FULLER: Oh, that would go to the indicia

1 of insurance that's discussed in the liquidation plan,
2 and there was just -- as Chuck went over, I think,
3 briefly, whereby the documentation from the FCR -- our
4 offices and from the funeral home's office go to the
5 Guaranty Association with the, "Hey, is this
6 sufficient indicia to qualify this death claim for
7 payment of the policy claims?"

8 MR. SPEAKS: Chuck, is that sufficient?

9 MR. RENN: Well, as long as it's not written
10 on a napkin that says Country Club Hotel & Spa, please
11 insure all these contracts.

12 MR. SPEAKS: Signed by Brad Speaks and Marty
13 Meyers.

14 MR. RENN: Yeah. No. If we get documentation
15 that -- and it would -- a single letter that says, you
16 know, well, we can do -- you know, we can do this and
17 this and this or we could do insurance, you know, it's
18 going to have to be substantial, you know, where it
19 says we will --

20 MR. SPEAKS: This is what's to be done.

21 MR. RENN: This is what's going to happen and,
22 you know, it's something that looks like a concrete
23 term sheet or something like that. But, you know,
24 we're not going to be looking for ways to avoid

1 providing assistance. I mean, that's -- you know,
2 we're going to try to --

3 MR. SPEAKS: Back to my question, then, Donna:
4 How does a funeral home -- do we -- you know, it's
5 kind of like Todd's question. Do we resubmit or do we
6 call up or how does that work? Are you keeping track
7 of those?

8 MS. GARRETT: We are keeping track of the ones
9 that have done prereceivership, but probably what
10 we'll ask you to do is resubmit.

11 MR. SPEAKS: Okay.

12 MS. GARRETT: And let me just reiterate that
13 on the indicia of insurance, the ones that we have
14 looked at so far, and those are not the N2T Trust or
15 NT2 Trust, whatever that one was --

16 MR. SPEAKS: N2A.

17 MS. GARRETT: -- what we have looked at so far
18 where they were rollover cases, there is an indicia of
19 insurance and it's in writing and it's in multiple
20 places in a file. There is correspondence going back
21 and forth, there's e-mails going back and forth.
22 "When are my policies going to be issued and where are
23 they," and so forth. So, the ones that have an
24 indicia of insurance, you're not going to have a

1 problem with that. You're going to be able to receive
2 the face value. But if it's one of the older trusts
3 and there is no indicia of insurance, we're going to
4 have to prepare a list of those and ask you to confirm
5 the dollar amount.

6 MR. THORNBURG: This is Keith Thornburg and I
7 have a question Missouri related. Would there be a
8 possibility for the FDR to have a court-appointed
9 trustee for the noncovered claims so that when the
10 estate is set up and you start making recoveries, that
11 trustee could represent some of the noncovered
12 contracts and maybe get pro-rata participation in the
13 settlement, to just tie this all up and maybe avoid
14 the necessity of having some third-party class action
15 then related to all this occurring?

16 MR. FULLER: Chris Fuller. Let me speak to
17 that, Keith. There is not really a provision under
18 the Texas liquidation statute for setting up that type
19 of process. In addition to that, I don't think it's a
20 necessary step at this time. In other words, when we
21 have litigation recovery -- and, knock wood, we're
22 going to -- they're going -- the noncovered contract
23 holders are going to share and share alike with
24 similarly situated creditors; in other words, they're

1 not going to be favored nor are they going to be
2 disfavored. They're going to be treated the same as
3 the other Class V creditors of the estate.

4 MS. GARRETT: After you provide the protection
5 by the class order. If you fall in that class, you'll
6 get the same thing as everyone else in that class.

7 MR. MAHN: Chuck, I had a question.

8 MR. RENN: Yes.

9 MR. THORNBURG: Then you might have better
10 results if the persons in that class of noncovered --
11 noninsured contracts, if they were higher up in the
12 priority, they're going to be more likely to
13 participate in that process. And then the entities
14 you're seeking settlements against, there's going to
15 be more -- if they can get a complete relief, they're
16 going to be more likely to settle with the estate.

17 MR. FULLER: Right. But, obviously, any
18 settlement we're going to do with the folks we're
19 going to -- we're fixing to sue, it's going to provide
20 for release of the various claims.

21 MR. THORNBURG: But if you're not representing
22 the noninsured contracts, how can you get a release
23 for those interests?

24 MR. FULLER: Well, presumably, if the

1 noninsured contract claims, we would process and
2 approve the claim, but not pay it. The approved claim
3 would go against the -- would be listed as a liability
4 of the estate, and that would be part of our damage
5 claim against former management and their affiliates.

6
7 MS. GARRETT: The FDR represents all of the
8 creditors of NPS, so you kind of have to separate the
9 Guaranty Association coverage from the FDR and the
10 estate coverages issues. The FDR will be representing
11 all of the creditors regardless of whether they're
12 Guaranty fund covered or non-Guaranty fund covered.

13 MR. THORNBURG: Okay. I didn't understand
14 that. So, in that sense, you would be able to -- any
15 entity you're trying to reach a settlement with, you
16 would be able to get a release then?

17 MS. GARRETT: That's correct.

18 MR. THORNBURG: Okay.

19 MS. GARRETT: Also, there is no way to move up
20 or change your status in the distribution. I mean,
21 it's what it is in the statute, and you fall within
22 one of those categories, and that's where you are.
23 There is no way for us or you to make a change in that
24 classification.

1 MR. THORNBURG: I'm just thinking a contract
2 holder that didn't have insurance backing would be --
3 to me, they'd be the equivalent of a policyholder.

4 MR. FULLER: Right. If they're going to have
5 a claim against NPS, they won't have a claim against
6 the insurance companies. And, presumably, they would
7 have a claim against that particular money and spent
8 it, didn't put it in the trust.

9 MR. THORNBURG: That's right.

10 MR. FULLER: I will tell you, that's going to
11 be -- as somebody in this call pointed out, there are
12 one -- you know, each funeral home, there are not that
13 many of these contracts. I think at the end of the
14 day, given the totality of 200,000 contracts and
15 policies involved in this estate, the amount that are
16 going to be contracts without policies or indicia of
17 insurance is going to be small.

18 MR. THORNBURG: Yeah, I recognize that. But -
19 - and I know they -- those folks aren't in as good a
20 position as those that had insurance, but they paid
21 their money, too, and, to me, they ought to be higher
22 up.

23 MR. FULLER: I hear you, and there's a strong
24 equitable argument for that, but there is no things in

1 the statute which governs distributions here.

2 MR. THORNBURG: Okay. Well, thanks. That's
3 all I had.

4 MR. COWHERD: This is Robert Cowherd. I've
5 got a couple of questions, if I could. Can you hear
6 me?

7 MR. RENN: Yeah. Go ahead, Robert.

8 MR. COWHERD: Okay. First of all, the plan
9 does not -- there is some money in trust, about \$1.7
10 million or \$1.8 million. And some of that money was
11 late rolled -- what I call late rollovers,
12 particularly, I think, Williams Funeral Home and maybe
13 Marty Meyers. Is there -- how are those going to be
14 treated because it looks to me like those funds really
15 ought to be returned if they're still intact?

16 MR. FULLER: This is Chris Fuller. Robert,
17 I've heard that contention before, and I can't
18 remember if you and I talked about it or not. It's my
19 understanding that the rollover funds that went into
20 the various trust accounts were ultimately spent or
21 taken out by former management, and there is not the
22 ability to trace. Even the account that has about a
23 million bucks in it, you can't trace that back to any
24 particular rollover. In fact, the account went close

1 to zero on a number of occasions after the rollovers
2 came in. So, there just -- and I'm speaking not
3 having done the work myself, but from talking to the
4 financial analysts that say that the money that's in
5 the account is not traceable back to a particular
6 rollover. That money was -- came in and moved out the
7 door pretty quickly.

8 MS. GARRETT: We don't want to create any kind
9 of preference for late rollovers as opposed to early
10 rollovers. Everybody is the same.

11 MR. FULLER: The short answer is, I think,
12 factually, they're isn't a tracing that would allow a
13 particular rollover, see, if Meyers or some of the
14 other later-in-time rollovers, to be able to look into
15 a particular trust and say my money went into Trust
16 #5. It is still in Trust #5; I want my money. It is
17 -- you know.

18 MR. COWHERD: What are you going to do with
19 the money in the trust, because the plan does not
20 speak of that?

21 MR. FULLER: We're going and try and get the
22 money back from the trusts. That's an issue with --
23 (inaudible) -- Bank.

24 MR. RENN: Yes, it is.

1 MR. FULLER: We're not going to be keeping the
2 money.

3 CHAIRMAN: Chris?

4 MS. GRINSTON: Chris, this is Kim Grinston,
5 counsel for the Division of Professional Registration.

6 Did I hear you correctly to say that after the
7 rollovers, those accounts went to a zero balance?

8 MR. FULLER: A zero -- the financial people
9 I've talked to said they went very low, and I can't
10 give you the numbers because, frankly, I have not
11 looked at the tracings, but I've been told by the
12 financial people that the accounts got significantly
13 below the amounts of the rollover funds.

14 MR. MAHN: Chuck, my question is -- this is
15 Todd Mahn. Is there any way for funeral homes to look
16 at their current contract with the funeral home -- I
17 mean with the family and be able to tell whether it's
18 one that's covered by insurance or whether it was one
19 put into a trust? Is there anything that states that?

20 I mean, are you just sitting there with the files and
21 you really don't know whether they're covered or not?

22 So, we're going to continue to service these
23 funerals. We may service a funeral that we have no
24 idea whether it's even covered face amount or not?

1 MR. RENN: I don't think there is anything
2 that we have seen that looked like it came from the
3 funeral-home side of it, any documentation that you
4 could point to and say, oh, this was going to be --
5 you know, going to have a policy issued.

6 MR. MAHN: Right. Well, somebody could
7 service a contract -- some of these guys have a lot of
8 even cash-advance funds and that that could cost them
9 out of pocket \$2,000. And, you know, that would be --
10 they could cover that in their face contracts, but if
11 they're not even going to get that, they have no idea
12 if they're going to be paid out for 60 or 90 days,
13 which I think is -- the guaranteed thing is fabulous.

14 I think what you guys have done is remarkable. But
15 I'm just -- is there -- there's no way for them to
16 look at that preneed contract to know whether that's
17 one of these ones that's in this trust account that
18 hadn't bought any insurance? Or how long before we
19 get a list of names that we know these folks are
20 covered? I mean --

21 MR. RENN: About the only thing I could
22 suggest -- and I don't want to put this off on Donna -
23 - would be, you know, if you want to -- what you're
24 basically talking about, is there any way precertify

1 that there is insurance involved with this?

2 MR. MAHN: Yeah.

3 MR. RENN: At least, initially, the only
4 person that's going to have that information readily
5 available would be the special deputy receiver.
6 They're there with the systems.

7 MR. MAHN: That's Donna?

8 MR. RENN: It would be Donna.

9 MR. MAHN: Donna, is that something possible?

10 I mean, how are we, as undertakers, supposed to know
11 who we're -- if we're servicing an account, whether
12 it's face or zero?

13 MS. GARRETT: I understand the question and
14 that's one that's come up in the last week numerous
15 times on telephone inquiries. And we have hesitated
16 to put out a list and say here's the covered and
17 here's the disputed because I don't want people to see
18 disputed policies and assume they're not going to have
19 Guarantee-fund coverage just because it's in the
20 disputed bucket. So, I would rather address that on a
21 funeral-home-by-funeral-home basis, and, boy, my
22 customer-service people are going to kill me for this.

23 But we can look at the system and we can tell readily
24 which ones we know are tied to insurance policies.

1 Those go into the -- we know they're going to have
2 Guaranty-fund coverage or we think they're going to
3 have Guaranty-fund coverage. I can never speak on
4 behalf of Chuck.

5 MR. MAHN: I think, speaking on behalf of the
6 funeral industry -- and this is Todd Mahn again -- I
7 would prefer to know. I'd rather know what -- you
8 know.

9 MS. GARRETT: I think you would know which
10 ones are in the disputed category.

11 MR. MAHN: Right. If they're in dispute,
12 they're in dispute. I mean, that's -- you know,
13 we'll do what we have to do about that, but, you know,
14 to know is better than not to know because you may
15 service a funeral over a weekend when we can't even
16 get in contact with you to find out if this one is
17 going to be face amount -- make a lot of arrangements
18 over a weekend and have someone buried in the ground
19 before you know anything telling whether this is
20 disputed or not.

21 MR. RENN: At some point, it may be possible
22 for not only Donna to have that information, but for
23 the individual Guaranty Associations to have that
24 information. And it -- I'm just kind of thinking off

1 -- you know, as the question is coming out right now,
2 you know. At some point, we may be able to put a
3 facility in place, you know, where I have someone
4 assigned to responding to those type of inquiries
5 under a special phone number or something like that.
6 But, at this point, we don't have, and Donna is going
7 to be the resource for that.

8 MR. MAHN: And does Donna have the list now,
9 though; she knows what's disputed?

10 MS. GARRETT: We do have a preliminary list of
11 disputed, but, again, it's got rollovers and
12 everything like that in there that probably will end
13 up with guarantee-fund coverage.

14 MR. MAHN: Right.

15 MS. GARRETT: So, we have hesitated to make
16 that a public document simply because it's not a final
17 list and because the respective Guaranty Associations
18 have not had a chance to review it and say, yes, no,
19 yes, no, we'll take that particular claim.

20 MR. MAHN: Okay.

21 MR. RENN: Once again, though, and this is
22 none of my business, but what difference would it make
23 if they had a preneed contract? Would you treat them
24 differently or is it just something that you would

1 have to -- wait a minute, I've got to contact --

2 MR. MAHN: It might decide the size of the
3 cocktail you're going to have that evening, you know.

4 MS. DUNN: I think Ben wanted to ask a
5 question.

6 MR. GIBSON: Yeah. I have a couple things.
7 This is Ben Gibson. First of all, the company
8 practice as a general would -- I feel, would give the
9 indicia of insurance because they went out and bought
10 insurance with this trust money, basically,
11 unknowingly to most of us in the first place. And so,
12 I feel the Guaranty Association and you should both
13 back the position that all of those contracts should
14 be covered, whether they're actually in insurance or
15 not, because the company practice was for them to put
16 it into insurance and then scam off all the money.
17 Now, whether they -- you know, those early contracts,
18 I mean, this is a very small percentage of the whole
19 thing, so I think you all ought to step up and just
20 cover, number one. We don't -- I don't even know if
21 we have any, but I feel sorry for the people that do.
22 And so, you know, my position is if that was their
23 normal company practice, especially after the 1993
24 consent order by Jay Nixon allowing them to purchase

1 insurance, because before that time, they really
2 weren't allowed to purchase insurance, and I still
3 question that consent order myself. So, you know, the
4 practice of purchasing insurance is questionable,
5 number one, but it was their general company practice.

6 And so, as a Guaranty Association, I would appreciate
7 it if you would consider just covering that small
8 portion of those policies; okay? That's number one.
9 Number two is the money that we sent in in March in a
10 rollover, we have the documentation that we sent in
11 \$152,900-and-some to the bank. The bank, basically,
12 acknowledges the receipt of that money, and they don't
13 know where it's at. We are currently making demand
14 upon the bank to refund that money to us, and we would
15 appreciate any support in getting that done.

16 MR. RENN: And I think all of you, in some
17 fashion or another, are going to have some issues with
18 the financial institutions, and that -- I mean, that -
19 - and as far as the Guaranty Associations, I mean,
20 that's why I went to the length that I did. We've got
21 a statute. Love to just, you know, make things good
22 for everybody, pay 100 percent, pay growth, pay
23 everything like that, but then I'm violating my law.
24 It's -- this is a --

1 MR. GIBSON: Well, there were a lot of laws
2 violated here; okay? I mean, more laws than we can
3 imagine.

4 MR. RENN: This isn't pretty, and, I mean, you
5 know, what really begs -- I mean, what it really begs,
6 and I'll -- you know, okay. I'm going to use the
7 soapbox. It really begs for the whole preneed
8 situation to be evaluated.

9 MR. GIBSON: Completely.

10 MR. RENN: And you know what, I want to say
11 this, too, though: There are people in the preneed
12 industry that, looking at the Missouri law and looking
13 at what's happened in this situation, there must be
14 some damn good people in the preneed industry because
15 this could have happened a long time ago. I mean, you
16 know, this -- everybody could be doing this and,
17 apparently, they're not because there are some
18 legitimate, honest people in this industry with
19 integrity. They're doing what they said they're going
20 to do. They understand what the intent of the law is.
21 But this was mishandled, and --

22 MR. GIBSON: And it was a 20-year plan. These
23 guys have been planning this out with the expectation
24 of the Guaranty Associations stepping in and covering

1 this, you know. I feel this is a 20-year conspiracy.

2 MR. RENN: Huh.

3 MR. GIBSON: And, I mean, I have all the
4 documentation from the consent orders, from Locke &
5 Associates from their reports of those audits from '94
6 through 2000, and they were never current. This
7 company has never been current.

8 MR. RENN: And, you know, again, that's all --
9 that's the preneed part of it. We're -- you know,
10 we're probably more of kindred spirits right now with
11 the Guaranty Association, you know. We're here, you
12 know. I don't know who looked at the tie-rod on that
13 car, I don't know what the kid was drinking, I don't
14 know why he was driving 120 miles an hour on that
15 curvy road, but I'm just here to clean up the mess.

16 MR. MEYERS: And we appreciate you. We do
17 appreciate you.

18 MR. RENN: And, you know, we're not going to
19 have an open-casket funeral on this one, guys. Sir?

20 MR. BAKER: Yes. Bob Baker. I've got two or
21 three real quick questions. I'm assuming that if
22 death occurs now and somebody is continuing to make
23 their payments, they are current, that we could expect
24 to get face value?

1 MR. RENN: Yes.

2 MR. BAKER: Okay. And the next one would be:
3 Will we ever receive any type of document if someone
4 quits paying on what the amount of reduced paid-up
5 insurance would be, or is there a chance that -- will
6 it only be put in reduced paid up, or will any of them
7 be put into the extended-term category to take it out?

8 MR. RENN: Donna, do you want to speak to the
9 last one? I think we agreed on that. If someone is
10 in an installment basis and the supporting insurance
11 is still receiving premium?

12 MS. GARRETT: I'm sorry. And they still are
13 making payment; is that the question?

14 MR. RENN: Yeah. Yeah. We have a contract
15 that's still in an installment status and they quit,
16 but there's a certain amount of insurance that was
17 associated with it --

18 MS. GARRETT: Right. The procedure that's in
19 place, and I think it's actually outlined in the plan,
20 is that if they stop making their installment premium
21 payments, their status would go to a reduced paid up,
22 and they would receive a notice of that. If your
23 question is will we notify the funeral home at the
24 same time we notify the insured, yes, we would. There

1 would be a copy of the letter that goes to the funeral
2 home and the owner or the policyholder. Does that
3 answer your question, Bob? I'm not sure we heard you
4 correctly.

5 MR. BAKER: Yes, it does. And my other
6 question is: Assuming that, I guess, best-case
7 scenario, there are funds left where the claims starts
8 against the estate, will that be prorated based upon
9 the amount of loss that each funeral home has, or is
10 that something that you have even worked on at this
11 point?

12 MS. GARRETT: I'm going to let Chris talk
13 about distribution.

14 MR. FULLER: Let me address that. It's done
15 pro rata. For instance, say there is, in this Class
16 V, a -- (inaudible) -- if we're going to have \$400
17 million in Class V claims, and we're going to have \$50
18 million or \$100 million to distribute, it'll be done
19 pro rata. So, if you've got a \$10,000 claim and we're
20 making a distribution of about 20 percent, then you're
21 going to get a \$2,000 distribution. So, I think
22 that's probably a longer answer to your question. It
23 is pro rata.

24 MR. BAKER: Thank you.

1 MR. RENN: Is it Robert Cowherd?

2 MR. COWHERD: Yes.

3 MR. RENN: Yeah. You had a question and you
4 were gracious enough to let us kind of run around a
5 few things.

6 MR. COWHERD: Sure.

7 MR. RENN: What was your second question?

8 MR. COWHERD: The second question is: There
9 is a trust, I think it was Trust #5, that has some
10 policies from another insurance company, American
11 Memorial Life. And what's going to happen on those
12 policies? Are those -- are the funeral homes that
13 have those, are they going to be able to roll those
14 over to another trustee, because right now they're not
15 being paid, period.

16 MR. FULLER: We are currently negotiating with
17 American Memorial to have them pick up the claims
18 administration and then provide us with direct
19 payment. And I'm not handling it personally, but the
20 -- (inaudible) -- firm is handling it, and as late as
21 last night, we were discussing working with American
22 Memorial to get that done. The end game with American
23 Memorial is to get NPS out of the middle. And we
24 believe once we do that -- and there are some legal

1 hurdles we have to jump through to get it done, but
2 once we get that done, then I think the payment stream
3 will start from American Memorial, and, more
4 importantly, NPS will be out of the whole process.

5 MR. COWHERD: And the trustee will be out,
6 also?

7 MR. FULLER: You know, I'm not certain about
8 that part. Either the trustee is out or the trustee
9 and American Memorial work out a system where there's
10 a fair account, and if American Memorial pays the
11 trustee a claim and this trustee is very -- is going
12 to make the payment to the funeral home. But our
13 goal/desire is going to be to have American Memorial
14 pay the funeral home directly, somewhat akin to what
15 we're doing under the liquidation plan.

16 MR. COWHERD: In regard to the filing of
17 claims, there will be -- I assume there will be a time
18 limit to file those claims? For example, Class V
19 growth claims?

20 MR. FULLER: Yeah. There will be -- we'll
21 file a notice of claims filing deadline. And,
22 frankly, I didn't really give it any thought as to
23 what the deadline will be. Normally, it's 18 months
24 out from the date of liquidation.

1 MR. COWHERD: I guess the issue is going to be
2 will these funeral homes -- they're not going to know
3 the amount of their claim on the growth claim until
4 the at-need time.

5 MS. GARRETT: Right.

6 MR. FULLER: Well, what we've seen done in the
7 past has been folks just simply estimate what they
8 think it's going to be based on the number of
9 contracts they've had and some -- you know, some
10 formula to get a legitimate valuation on the future
11 losses.

12 MR. KAISER: This is Chris Kaiser from Kaiser-
13 Wieggers Funeral Home, and I have a question to expand
14 a little bit on Todd Mahn's past question regarding
15 the disputed policies and the covered policies. And
16 is the time line for determining if a disputed policy
17 has an indicia of insurance, is that time line a
18 determination dependent at all upon the verification
19 in September of the -- (inaudible) -- or is that a
20 separate time line? So, in other words, will we find
21 out in September if there's an indicia of insurance on
22 this "small number of policies," or is it going to
23 take longer to determine that?

24 MR. RENN: Okay. If I understand what you're

1 asking is does the indicia of insurance have to be
2 finalized before the final order -- or the order
3 becomes final?

4 MR. KAISER: Correct.

5 MR. RENN: No. No. No. This will be on an
6 ongoing basis, but it's an interesting question
7 because if you're going to have to file something, you
8 know, a proof of claim or whatever against NPS for
9 differences or growth, and you've got to know this,
10 then it would be a good idea -- we may have to work
11 out something where we notify people, we don't find
12 any indication here that there was insurance involved.

13 I mean, it may have to be an active thing on our
14 part. That's a good question.

15 MR. KAISER: So, the determination of indicia
16 of insurance is not going to be completed on all of
17 the outstanding policies, it's going to be completed
18 on a per-claim basis?

19 MR. RENN: Well, the indicia of insurance, for
20 the most part, is a done deal. I mean, you know, the
21 large volume, we already know that there's insurance.

22 But those ones that we don't are the ones that we're
23 going to have to investigate, and I think you've
24 raised a good point. Donna, are you already actively

1 going through this stuff?

2 MS. GARRETT: Yes, we are. And it's going to
3 be twofold. Yes, it will be done on time a claim is
4 presented. Obviously, we'll have to make the
5 determination at that point, but we will also try to
6 make a determination on a block basis, on a big basis,
7 if you will, prior to a claim being presented. But
8 it's going to be up to each Guaranty Association.
9 You're lucky you're dealing just with Chuck because
10 Chuck will take a look at these and make a
11 determination, I think, before a claim is actually
12 presented. That's what we have done in the past.

13 MR. KAISER: Because there keeps -- it keeps
14 being said there is a very small number. The number
15 is getting smaller and smaller, we've heard. So, if
16 that's a reality, then why can't that small number of
17 policies be determined now, right away, if there's an
18 indicia of insurance, and get that question off the
19 board, because that's a pressing question to most
20 funeral directors because it might be a very small
21 number compared to the complete total, but if they're
22 yours or mine, it's still yours or mine, and it's not
23 a small number anymore.

24 MR. RENN: Yeah. Yeah. I think that's a

1 legitimate question.

2 MS. GARRETT: And here's the problem. The
3 Guaranty funds aren't even triggered yet. I can't
4 send that information to anybody and say excessive
5 liability when they don't even know they're on board,
6 haven't had a board meeting, they haven't signed up,
7 the plan is not final, it's still in review stage.
8 They're not going to look at that stuff and say, yes,
9 we're going to accept it until they've signed onto the
10 plan, so we're getting a little bit ahead of
11 ourselves.

12 MR. KAISER: And that's why I wondered if that
13 September 15th, August 25th, if that trigger date
14 would then -- if everything would fall into place at
15 that point, or if we were going to have to wait
16 months, potentially years beyond that.

17 MR. RENN: And here is sort of the other side
18 of the problem. We may -- when I say "we," Donna may
19 look at this block of business and say, you know,
20 here's 25 contracts, we don't find anything that says
21 there's insurance on this. Okay. Well, the funeral
22 home or maybe funeral homes out there that are
23 affiliated with those 25 contracts, they may have a
24 document, you know, in their hands saying, you know,

1 we're going to insure every one of these through
2 Lincoln Memorial. So, it may be like something that
3 we revisit occasionally, at least to work through,
4 since most of them are going to be in Missouri -- I'm
5 kind of committing myself on this, but we may work
6 through, but we'll reach out to the funeral homes and
7 say, you know, we've -- we're showing these contracts.
8 We don't show any insurance involved with this, and
9 we're assuming that they're -- you know, they're
10 uninsured, there will no Guaranty Association backing
11 on it, here you go, and then if you have something to
12 the contrary, let us know.

13 MS. GARRETT: Right, Chuck. I think it has to
14 be a three-step process. Number one, the FDR has to
15 look at it, pull the right documents together, and say
16 yes or no, we think it has insurance. Then it has to
17 go to Chuck Renn at the Guaranty Association, and
18 Chuck has to look at it and say, yes, I accept, or,
19 no, I don't. And then if it's a no, then it can go
20 back to the funeral home and say do you have any
21 additional information that would indicate an indicia
22 of insurance because we don't.

23 MR. RENN: And, Donna, I'm even suggesting
24 maybe before the time of claim, if we have a small

1 block of -- you know, as these things -- we start
2 working through them, maybe, like, Missouri, at least,
3 we might want to take the initiative to reach out to
4 the funeral homes and say, you know, at this point,
5 these are all categorized as being noninsured, they're
6 uncovered, because we have not been able to produce
7 any indicia of insurance. And absence of something to
8 the contrary, that's the status they'll be in.

9 MR. KAISER: I think the funeral homes would
10 appreciate that initiative on your part.

11 MR. RENN: Okay.

12 MS. GARRETT: And we've already started
13 pulling the documents together so we can present that
14 to Chuck, so we're on that road.

15 MR. RENN: Okay. I'll make a note of that.

16 MR. OTTO: Don Otto again. I'd say,
17 otherwise, everybody is going to have to file a claim
18 for the entire face value of all their contracts.

19 MS. GARRETT: And one of the reasons we have -
20 -

21 MR. OTTO: Before that 18-month deadline.

22 MS. GARRETT: -- is that we're not ready to
23 push anybody to make a claim filing at this point in
24 time. We will wait and do that after the liquidation

1 plan and after everybody has had a chance to settle
2 in. There is no urgency to your filing a claim
3 against the receivership estate at this point in time.

4 MS. EULER: This is Sharon with the AG's
5 office. Chris and Donna, once this plan is final,
6 will you be providing any forum such as this to speak
7 with funeral directors or will you be mailing out
8 notices to funeral directors advising them of the
9 status and that the plan has been finalized?

10 MS. GARRETT: We will post the order approving
11 the plan on the Web site, and than the Guaranty fund
12 will immediately mail out a notice to all of the
13 affected policyholders, I believe. Chuck, is that
14 your plan?

15 MR. RENN: Yes.

16 MS. EULER: All right.

17 MS. GARRETT: It will be a joint notice from
18 the FDR and the Guaranty Association advising this
19 plan has been approved. And then, of course, the plan
20 is already posted on the Web site, and the order will
21 also be posted on the Web site.

22 MS. EULER: Thank you.

23 MR. SPEAKS: Brad Speaks again. I want to
24 kind of maybe get back to some big-picture stuff, and

1 I appreciated Representative Meadows focusing in on
2 the plight of Missouri consumers and funeral homes,
3 you know. In a worst-case scenario, even with face
4 amount, some smaller funeral homes that are hurting
5 now, they're going to go through a cash-flow crunch,
6 then they get some claims denied, they're not funded,
7 maybe, you know, those sorts of situations, you know.

8 In that perfect storm for a funeral home with no
9 growth and the right combination of other events, they
10 would go bankrupt and close their doors.

11 Representative Meadows posed the question: Who is
12 going to take care of those families? I guess my
13 question really is for Representative Meadows. At
14 that point, we're going to be back in the legislature.

15 REPRESENTATIVE MEADOWS: Absolutely.

16 MR. SPEAKS: And we're going to be looking at
17 you and Charlie saying, hey, you know, what do we do?

18 What possibilities do you see for a long-term cure to
19 that issue?

20 MR. MEYERS: Or cure it now before we go
21 broke.

22 REPRESENTATIVE MEADOWS: Well, that's a good
23 point. And I thought we acted and I tried to act
24 several years ago, and it didn't happen, and I'm not

1 tooting my horn, but have we had acted on this, it
2 wouldn't have never, ever happened. It's not for the
3 lack of trying, I can assure you that. But you know
4 what, I wish like heck I could answer your question,
5 Brad, but if you don't think for one minute I'm
6 sitting here shaking in my boots and I'm in fear, I --
7 and that's something that when we meet in two weeks,
8 I'm going -- that's going to be a very realization and
9 we're going to need to address that up front. I think
10 that that is an extreme possibility, based upon what I
11 heard here, and I keep looking at Todd Mahn, shaking
12 my head, and every member around this room, and I'm
13 very, very fearful of that.

14 MR. SPEAKS: I know you're on board on with us
15 and I think Senator Scott and Charlie are, too. But I
16 guess my fear is that the general assembly will enact
17 some sort of 436 legislation, pat themselves on the
18 back, and say, there, we did something, and go home.
19 Unfortunately, we're all still sitting here --

20 REPRESENTATIVE MEADOWS: Exactly.

21 MR. SPEAKS: -- and the exact same problem is
22 facing us every day.

23 REPRESENTATIVE MEADOWS: And that's why it
24 needs to be addressed as we take this legislation up.

1 It needs to be something that --

2 MR. SPEAKS: I think they need to repair it.

3 REPRESENTATIVE MEADOWS: Well, and that could
4 be a part of the discussion. In fact, Charlie Ballard
5 and I were talking in the hall a few minutes ago, and
6 we were discussing that very issue about the reality
7 of some of -- of what could be the possible fallout of
8 losing many of our -- or at least some of our small
9 funeral homes, and what will happen to those
10 consumers. In fact, I think Marty Meyers was still --
11 overheard us a little bit talking about it. No, I
12 wish like heck I could answer that, but I think it's
13 something that we really realistically need to --

14 MR. SPEAKS: We still want that issue to go
15 away, you know. What we're talking about is great, we
16 need to attend to these details.

17 REPRESENTATIVE MEADOWS: Right.

18 MR. SPEAKS: But there is also that big-
19 picture issue, and it's not gone.

20 REPRESENTATIVE MEADOWS: Exactly. Well, I'm
21 just going to also go on record to say that there were
22 some funeral-home directors that were actually in
23 several offices this past year talking with me about
24 that. And then there were some funeral-home directors

1 that were actually asking for leniency for the Cassidy
2 family, if you can believe that. But -- and I
3 guarantee you, if it were up to me, those folks would
4 be in jail right now, but, no. This is something that
5 we need to look at and hope and pray that we never
6 ever cross this bridge again, but I'm more than
7 willing to express your opinion in the general
8 assembly and in the meetings ahead where, hopefully,
9 we can do something with it, Brad. I'm very worried.

10 Thank you.

11 MR. MEYERS: Another question for
12 Representative Meadows. This is Marty Meyers. Do you
13 think there will be -- do you think there is a
14 possibility that the State of Missouri will grant some
15 kind of a plan to these smaller funeral directors to
16 keep us from going under, you know? I mean, is there
17 any relief for us?

18 REPRESENTATIVE MEADOWS: Well, again, like I
19 said, I --

20 MR. MEYERS: Possibly?

21 REPRESENTATIVE MEADOWS: That's something that
22 we're going to have to take up and address because --
23 and I have spoke with it to fellow legislators about
24 it. And I think that as we approach and as this

1 election cycle starts to heat up, maybe some of our
2 elected officials need to understand the importance of
3 just how important this is. Maybe the people that are
4 running for office need to understand just how
5 dangerous a situation we're looking at. So, I would
6 encourage you all to talk to them.

7 MR. MEYERS: Well, like we were discussing
8 earlier, it's really a catch-22 for funeral homes --

9 REPRESENTATIVE MEADOWS: It is.

10 MR. MEYERS: -- in that we can -- okay. We
11 can honor them and go broke, or we could take the face
12 amount and make them pay the difference and make our
13 families mad at us. I mean, it's an impossible
14 situation.

15 REPRESENTATIVE MEADOWS: I know. No one is
16 going to win here, and the ones that are going to take
17 the hit, based on Chapter 436, are the providers;
18 right.

19 MR. MEYERS: Well, we're taking it right now.

20 REPRESENTATIVE MEADOWS: Absolutely, you are.

21 MR. MEYERS: You know, we're burying people
22 for nothing.

23 REPRESENTATIVE MEADOWS: That's exactly right.

24 CHAIRMAN: Folks, anybody else have any

1 questions? We need to wrap this up.

2 MS. SUMMERVILLE: Well, I have one. I'm a
3 small funeral-home owner; my name is Kaline
4 Summerville, and I have preneed -- or NPS contracts
5 from former funeral homes which are no longer in
6 business, and we don't know what they negotiated
7 because they're rolled over and things. How do we
8 know what these contracts are worth, and if we can't
9 provide those papers, because those funeral homes -- I
10 think I have three different funeral-home contracts
11 that are from funeral homes that are no longer in
12 existence.

13 MR. RENN: Have you submitted any claims yet?

14 MS. SUMMERVILLE: Oh, yeah. Claims -- and
15 we've been paid, but I'm not for sure if any of those
16 have been those funeral-home claims.

17 MR. RENN: I would -- Donna, again, I think
18 that would fall into something that once the plan was
19 approved and things started getting parceled out, that
20 there would be some sort of a communication or a
21 precertification, like the young lady here has a
22 question about, you know, what's the status, that that
23 would be something that could be answered either
24 through the Guaranty Association or through you?

1 MS. GARRETT: Yes. I'm not sure what you're
2 asking us to provide. Do you want copies of the
3 contracts? Do you want copies of what? I mean, what
4 is it that you're actually looking for?

5 MS. SUMMERVILLE: Well, I don't know if --
6 because, right now, I don't know where any of my --

7 UNIDENTIFIED: Proof of insurance.

8 MS. SUMMERVILLE: I don't know if there's any
9 proof of insurance of any of mine. I do not have any
10 idea, and do you provide them to me because they're
11 not written through my named funeral home, they're
12 through, you know, three different other funeral-home
13 names that are completely out of business?

14 MR. SPEAKS: Yeah. But you bought the rights
15 to those contracts.

16 MS. SUMMERVILLE: No, not all of them.

17 MS. EULER: This is Sharon from the attorney
18 general's office. If I can help clarify. I believe
19 what you're talking about is we had some funeral homes
20 in Missouri that were closed either by the owner or
21 through some influence of my office. And some of the
22 other funeral homes in the area picked up some of
23 those contracts. NPS agreed to honor those contracts
24 even though there were some problems with the record-

1 keeping and there was unclear whether payments had
2 ever gotten to NPS. And so, I think some of the
3 contracts you're talking about are those that you
4 agreed to pick up from one of those funeral homes that
5 simply closed, and you don't have the file, you don't
6 have the documentation. There was no sale; it's
7 something you just agreed to pick up.

8 MR. SPEAKS: So, does she just submit those to
9 you all and you pay her?

10 MS. EULER: You can submit those to the FDR.
11 I'd be happy to forward those.

12 MR. SPEAKS: Make a note there, Becky. Let
13 the record show that Sharon agreed to pay those
14 contracts.

15 MS. EULER: I agreed to forward them. One of
16 the things that I've talked with Donna and Chris about
17 is not only those situations, but we have other
18 funeral homes in Missouri that have closed or, you
19 know, have been gone for 20 years that there are these
20 contracts out there. And tracking down who has those
21 contracts now, I think, is something that's going to
22 have be worked through because I don't know that the
23 NPS records show that Summerville Funeral Home has
24 those now because they are still showing them as --

1 MS. SUMMERVILLE: Well, some, but most of
2 them, they did put on our reports that they give --
3 you know, but -- you know, they come under our name in
4 our report, but then I know there's some contracts
5 that were here, but they're on other people's reports
6 out --

7 MR. MEYERS: Are they carrying them into you -
8 - the contract into you when you service it?

9 MS. SUMMERVILLE: Well, like, some of them,
10 when SCI closed their facility, they brought them over
11 to us and asked if we would take them.

12 MR. MEYERS: How long ago was that?

13 MS. SUMMERVILLE: '99.

14 MR. RENN: Excuse me, just a minute. What's
15 your name?

16 MS. SUMMERVILLE: Kaline Summerville.

17 MR. RENN: Summerville. Kaline, if I hear
18 what you're saying, do you have -- I mean, you have a
19 list of --

20 MS. SUMMERVILLE: Oh, I have the contracts.

21 MR. RENN: You have a list of who these folks
22 are?

23 MS. SUMMERVILLE: Yeah.

24 MR. RENN: Yeah. I think, at some point in

1 time, maybe not, you know, within the next two or
2 three weeks, but within a -- before the end of the
3 year when the plan is approved, my board, you know,
4 has said we're going to participate, you know,
5 everything is in line, I think that, you know, we'll
6 be able to compare records. You say you've got, you
7 know, 20 contracts that supposedly NPS -- and we're
8 talking about the relationship of your funeral home
9 with NPS?

10 MS. SUMMERVILLE: Well, see, and then we
11 bought another funeral home and --

12 MR. RENN: But it would be kind of -- you have
13 those listed somewhere?

14 MS. SUMMERVILLE: Yeah.

15 MR. RENN: Okay. We could take those and then
16 you could identify, okay, this is Summerville, but
17 it's Summerville somewhere -- you know, slash
18 whatever, you know. We could -- either myself or
19 Donna or a combination of both of us could try to look
20 through and sort out, oh, yeah, we see, you know,
21 here's Summerville contract A, B, C, for John Doe.
22 You say, "Yeah, that's one of them we took." We could
23 try to do that sort of confirmation for you. Now,
24 what I'd advise in the interim, you're going to know

1 right off the bat when you submit it. But at some
2 point, I -- that's the same thing this gentleman, I
3 think, kind of asked back here for the noncovered, you
4 know, how do we know, you know. This whole thing
5 chugs along and five years from now, somebody dies
6 under one of these contracts and we haven't
7 anticipated it because -- at least that would give you
8 the opportunity, hey, I've got three funerals I know
9 that I'm going to have to come up out of pocket or
10 whatever, you know. You could at least start, you
11 know, reserving for that in your own means or
12 something. But I think the short answer is not today,
13 probably not in a week from now, but definitely in the
14 near future, I think we'll have the ability to try to
15 come back and communicate with you about that.

16 MR. RENN: Don?

17 MR. OTTO: Yeah. Don Otto. And if this was
18 mentioned while I was out of the room, just let me
19 know. And in the great scheme of things, it's
20 probably a small issue, but I've got about a half
21 dozen calls on it from funeral directors. What about
22 the grandkid insurance?

23 MR. RENN: Yeah, that was already --

24 MR. OTTO: Okay. Never mind.

1 MR. RENN: If it's part of the contract and we
2 have seen, you know, endorsements to the policy,
3 that's covered.

4 MR. OTTO: Thank you.

5 MR. RENN: Or not contracts, the policy.

6 MR. MEYERS: Before we end, what about the
7 consumer -- Marty Meyers, excuse me. What about the
8 Consumer First, and I'll show you a copy of one of
9 these that we honored that other funeral homes would
10 not honor, but we did it for this family. The
11 Consumer First programs that do not list a provider --
12 which is totally illegal, by the way -- who -- are
13 those going to be held -- I mean, who is going to do
14 those funerals? I mean, because if somebody carries
15 one in, it's going to be extremely hard to look at
16 that thing and say, "Yeah, I'm going to do this. I'm
17 not going to get paid, but, yeah, I guess I'll do it."
18 I mean, we did it a couple of times, but, man, I
19 don't think we can do that anymore.

20 MR. RENN: Not knowing exactly what it is, but
21 let me say what I think I understand you're saying.
22 This was a product sold by NPS, like a door-to-door,
23 kitchen-table sale?

24 MR. MEYERS: Correct. Correct.

1 MR. RENN: And it just says you get a funeral.

2 You know, present this like a --

3 MR. MEYERS: They told people with this
4 contract, you can pick any funeral home that you want
5 to provide a service. Well, you know, how many
6 funeral homes are going to look at those Consumer
7 First now and say, you know, we're going to do this
8 for you. You know, we're not going to get paid, but
9 we're going to do it. I mean, I would love to it for
10 all of them. We just can't afford to do that.

11 MR. RENN: As far -- I think the way you need
12 to look at that, it's kind of a similar situation, you
13 know. If there's -- if they took that individual's
14 money and bought an insurance policy, and the
15 insurance policy is in effect, then the Guaranty
16 Association will look at the contractual obligation
17 and there will be some level of funding.

18 MR. MEYERS: Donna, do you know what I'm
19 talking about when I talk about Consumer First?

20 MS. GARRETT: Oh, we've heard about it. It's
21 mainly a marketing kind of issue, but, again, Chuck is
22 right. If there is a policy of insurance, the face
23 value is going to be paid to whatever funeral home the
24 services are provided by.

1 MR. MEYERS: But those things are ancient, so

2 --

3 MR. RENN: Yeah.

4 MR. SPEAKS: And how do you know whether
5 there's insurance? I mean, it always comes back to
6 that.

7 MR. RENN: And this is just sort of -- I mean,
8 this is the entire NPS/Lincoln Memorial situation in a
9 microcosm.

10 MR. MEYERS: Right.

11 MR. RENN: That's an insurance policy, that's
12 not a preneed service and, you know, it's not under --
13 that's an insurance policy.

14 MR. MEYERS: But still, you're still going to
15 have a problem of finding a provider for that funeral.

16 MR. RENN: Yeah. But that's an illegal
17 insurance policy sold by an unauthorized insurer which
18 wouldn't -- we wouldn't cover it. But then over here
19 on the preneed side of it, you know, you guys are
20 looking at this saying, you know, what is it? There
21 is probably not a plan code or anything anywhere
22 because the preneed records are going to be different
23 than the insurance-company records. The insurance-
24 company side, we've got policies, policies that have

1 been submitted for approval to different state
2 departments.

3 CHAIRMAN: Martin, have you got a question
4 that goes along with this?

5 MR. RENN: Yeah, I've got something like this
6 on my wall what says I passed a safe-hunting course.

7 UNIDENTIFIED: Worth just about as much.

8 MR. VERNON: Martin Vernon with the State
9 Board. It kind of really goes along with what he's
10 asking you from the funeral-home side of it. Are you,
11 as the Guaranty Association, going to notify all
12 policy owners that you all are now taking up this
13 policy? Forget the funeral home, go back to the
14 public. Are you going to contact every policyholder
15 once this is all in line and say we now are your
16 insurance company?

17 MR. RENN: Donna, what's the notification --
18 or, Chris, the notification part of that?

19 MR. VERNON: And that would almost answer kind
20 of what you're saying.

21 MS. GARRETT: Definitely noted, all
22 policyholders on the books and records. That is
23 required by statute.

24 MR. RENN: Okay.

1 MS. GARRETT: So, all 999,000 of them will
2 receive notice once the order is approved.

3 MR. RENN: And policyholder will be the
4 insured life?

5 MR. FULLER: In prior receiverships, we would
6 do a joint notice with the Guaranty Associations.

7 MR. RENN: Yeah.

8 MS. GARRETT: So, we save on postage.

9 MR. RENN: But whenever we say policyholder
10 under the terms of this agreement, we're now talking
11 the insured life, the consumer contract holder; right?

12 MR. FULLER: Correct.

13 MR. RENN: Yeah. So, they'll get a notice
14 that this is going on.

15 MR. VERNON: So, even though you may not know
16 that they're going to walk in with it, when they walk
17 in the door, they now have this letter that says
18 here's who my insurer is, to some extent.

19 MR. RENN: They'll -- if they get a document
20 from the Texas Department of Insurance, jointly with
21 the Guaranty Associations, then they'll have something
22 that they can present. Sharon?

23 MS. EULER: This is Sharon with the AG's
24 office. I just had one more comment -- question.

1 Donna and Chris, I know this is something we have
2 discussed before, but can you tell the group whether
3 you think this plan is as good as you expected to come
4 out with or better?

5 MS. GARRETT: Yes. It's very simple. Just a
6 couple of key points here. The insurance companies of
7 NPS are insolvent. There is no money. Without the
8 Guaranty funds' participation, we would not have
9 claims paid, period. At best, you would get pennies
10 on the dollar. So, with the Guaranty fund
11 participation, you do at least get the original intent
12 of the policy. And it's really important to go back,
13 I think, and look at what the Guaranty fund is picking
14 up and what they're ignoring, if you will, because
15 they are making payments notwithstanding any of the
16 policy loans that were directed by NPS,
17 notwithstanding the conversion of policies that was
18 done by NPS, notwithstanding the termination of the
19 whole-life policies that was done by NPS. They're
20 willing to ignore all those changes and fraudulent
21 activity and pick up the policies at their original
22 intent; not what is on the books and records today,
23 but what their original intent was. To me, that's
24 above and beyond the call of duty. So, I think

1 they're to be commended for stepping up to the plate
2 and making the payments. We think the liquidation
3 plan is probably the best we can do under the
4 circumstances, and we're encouraged that both the
5 regulators and the Guaranty Associations, not just in
6 Missouri, but across the nation, have participated and
7 have looked at it and are approving it. Chris, do you
8 want to add anything?

9 MR. FULLER: This is Chris. Only to echo what
10 Donna said, when we first looked at this at a
11 potential estate back in April, Donna and I put our
12 heads together as to what we could do to try to get
13 some kind of Guaranty Association coverage, and what
14 we have achieved, largely through the efforts of the
15 Guaranty Association, is vastly, dramatically in
16 excess of what Donna and I had planned and hoped to do
17 -- hoped to be able to do when she first got appointed
18 in May. This is a magnitude -- a factor of --
19 multiple factors, more money being put into this
20 company by the Guaranty Association than, frankly, I
21 thought was possible.

22 MR. MEYERS: A question to the AG's office:
23 What are you going to do about Mount Washington and
24 all other entities that are owned by the Cassidy

1 family? Are they going to be liquidated, as well, all
2 the way down to the shirt off their back, and if you
3 want to take that, you can have it, too?

4 MS. EULER: Well, I will tell what we're doing
5 right now is that we have filed a lawsuit against the
6 Forever Cemeteries in Kansas City and St. Louis with
7 the goal of shutting them down, getting them to stop
8 selling preneed right now. That's a short-term goal.
9 The long-term goal is we are working very closely
10 with the FDR. We are also working very closely with
11 the federal agencies involved in this to make sure
12 that the wrongdoers are prosecuted, to make sure that
13 people who need to go to jail end up in jail, and also
14 to make sure that all assets that can be made
15 available for Missouri consumers, Missouri funeral
16 homes, are made available, whether that's through the
17 FDR -- helping the FDR with the litigation recovering
18 for the estate, or if there are things the FDR is
19 unable to do, we're standing by waiting to see what
20 they're going to do and we're going to fill in the
21 gaps and take any action we can to collect all the
22 money we can.

23 MR. MEYERS: When the election is over and we
24 have a new attorney general, will there be a gap

1 there?

2 MS. EULER: I can't --

3 MR. MEYERS: Because we're going to have a new
4 attorney general one way or the other because he's not
5 running again, thank God.

6 MS. EULER: Well, I can't speak to what will
7 happen. I don't think anybody in this room knows who
8 the next attorney general will be.

9 MR. MEYERS: Well, it's not going to be Nixon.

10 MS. EULER: Or -- it's not going to be Mr.
11 Nixon, but we don't know what's going to happen, and I
12 can't speak to what happens. But I can tell you that
13 to the extent -- I can tell you what I'm going to do,
14 and that is, to the extent I can, I'm going to do
15 everything I can to make sure that transition is
16 seamless, and to make sure that whoever the next
17 attorney general is understands the preneed laws,
18 understands what I have come to know about the funeral
19 industry, and make sure there is not that gap.
20 Whether I will have that power remains to be seen. I
21 serve at the pleasure of the attorney general, and if
22 the new attorney general comes in and brings in his
23 own team, then there is nothing more I can do. But to
24 the extent I can do that, I'll tell you that that's

1 what I am going to do, and I know that the offices --
2 I'm speaking for the office to make sure that there is
3 not a gap, that we will do everything we can.

4 MR. MEYERS: Thank you.

5 MR. SPEAKS: Sharon, I want to piggyback on
6 Marty's question. Has anybody looked at their
7 cemetery trusts?

8 MS. EULER: Yes.

9 MR. SPEAKS: Is there any money in them,
10 because we've seen their pattern, and they leap their
11 trusts.

12 MR. MEYERS: (Inaudible) -- has \$22 million in
13 surplus.

14 MS. EULER: Well, I will tell you that right
15 now, we have discovery requests outstanding that we
16 sent out -- I don't remember if it was last week or a
17 couple of weeks ago -- asking for detailed records of
18 what's in their trusts. So, I don't know yet. But I
19 know that that's all being worked out.

20 MR. SPEAKS: Because there's kind of a hidden
21 iceberg to this thing which is families that have
22 preneeded, there are opening and closing charges --
23 grave space, opening and closing, maybe a marker. And
24 that money is all gone, but nobody knows it.

1 MS. EULER: I can't tell you where that money
2 is or what's going to happen. All I can tell you is
3 that we're trying to find out and we're doing
4 everything we can to protect Missouri consumers.

5 MR. RENN: I'll just throw something out and I
6 don't know if there's any other questions. I'm not
7 trying to rush the thing, but I think the big
8 conclusion is -- and I served at the Insurance
9 Department for 14 years and had the opportunity to
10 rise up to a division director level, and, right
11 after, it was created as a department. And, you know,
12 it's like anything else, you know, the insurance
13 industry, the preneed industry. And I think it's
14 great that the legislators are here today because they
15 get to hear firsthand what's going on. You've got to
16 come up with a mechanism, you know, if you want this
17 type of stuff to not occur again, certainly something
18 of this magnitude, you've got to allow competition,
19 you've got to allow for innovation, creativity.
20 There's entrepreneurs everywhere, but you've got to be
21 able to screen out the crooks. And the best way to do
22 that is through examination, realistic examination
23 processes, how do you fund that, where does the tax
24 money come from, you know. Should the guy that's

1 buying the carton of milk pay for the -- you know, the
2 screening of the funeral since everybody is going to
3 die? Maybe so. It's, you know, the sales tax. Does
4 the preneed industry, do the funeral homes, you know,
5 is there a surcharge on a funeral? You know, you can
6 get creative with these ideas, but you've got to fund
7 what you need and you've got to be willing, and this
8 is always I hear catch-22. I've heard that term
9 thrown around. It's usually the guys that are doing
10 everything right --

11 MR. MEYERS: That get burned.

12 MR. RENN: -- that get burned because they're
13 the ones that have done it right and then they're also
14 going to be very willing to undergo whatever sort of
15 examination and restrictions that they're told that
16 they have to endure in order to continue doing
17 business because they're legitimate businesspeople.
18 The people that want to violate, they're going to
19 violate, but the whole thing is you've got to set up a
20 scheme to hold it to a minimum, and the legislature is
21 really the place to do that and work cooperatively.
22 You can't complain about what happened here and not be
23 willing to go out and take what other steps are
24 necessary to prevent it, even if it does cause some

1 sort of an initial sacrifice or whatever. I mean, you
2 know.

3 MR. MEYERS: We're looking at about 25 years
4 of sacrifice here on our parts working for nothing. I
5 mean, and I don't know about the rest of these people,
6 but I still get up in the middle of the night and
7 everything else. I'm getting too old for that. I
8 thought them days were coming to an end here pretty
9 quick, but it doesn't look like it. I guess I'll be
10 working until I'm dead in my grave.

11 REPRESENTATIVE MEADOWS: Chuck, if I may, just
12 on behalf of the legislature, I do so much appreciate
13 you and your work that you've done, and your
14 department. Believe me, it won't go unnoticed when --
15 at least through me, when we get back in to start
16 collectively trying to do something to right this
17 ship. The State Board here, I know they've worked
18 countless hours, and to David Broeker and the
19 Division, and to each and every one of you, my heart
20 goes out to you, and I thank you for your hard work
21 and for trying to come up with a -- and revamp the
22 law. And it is a terrible situation that we find
23 ourselves in, and what the answer is going to be, I
24 don't know. But I do thank you tremendously from the

1 bottom of my heart on behalf of many of the people
2 that have come forward and expressed their concerns,
3 so thank you.

4 MR. RENN: And we're glad that the legislature
5 has put the type of laws on the books that allow us to
6 step into situations like this and --

7 REPRESENTATIVE MEADOWS: Thank you.

8 MR. RENN: -- you guys have always helped us
9 out. Sir?

10 MR. STROUD: Larry Stroud; I'm the MFDEA
11 president. On behalf of our board and our members, I
12 appreciate the Representative Meadows and Senator
13 Scott, you, the Texas regulators, everyone that's in
14 receivership, the State Board for the hard work, and I
15 feel like a very speedy recovery compared to what it
16 could have been. This could have been dragging on for
17 two years, so I know we're all anxious to get our
18 monies as soon as possible, but I think this process
19 has gone very well, and, like I said, very speedy, and
20 that's what we want. And if we could speed it up a
21 little bit more, that's fine. But, otherwise, you
22 really do have our gratitude for what you've all done,
23 and on behalf of the MFDEA board and our members, we
24 really appreciate the endeavors. Thank you.

1 MR. RENN: As long as we're kind of extending
2 commendations, I would -- and this is probably best
3 said to the Representative, and I wish Senator Scott
4 was here. One of the things that helped this move as
5 quickly as it did was early notification by the
6 department and the attorney general's office and
7 getting the Guaranty Associations involved. And
8 regardless of who's, you know, over there on the end
9 of Madison Street after November or who's running the
10 AG's office or anything like that, that's what really
11 -- at least from an insurance insolvency standpoint,
12 that's the critical deal is to get in quickly enough
13 so we can be -- the Guaranty Associations. And we're
14 going to pick up a big tab, but it's a lot more
15 comforting to at least, you know, get to watch the
16 sausage being made, you know, and that's what's
17 happened here is that they engaged us early on. And
18 it's not just me, the NOGA people, the national
19 organization worked tremendously on it in cooperation
20 with the Texas folks, and I thank you guys for getting
21 us plugged in early. Thank you.

22 MS. EULER: Thank you Donna and Chris for
23 calling.

24 MR. FULLER: Thanks for inviting us.

1 MS. EULER: It's been very helpful.

2 MS. ERICKSON: And this is Mary. I want to
3 thank you also for, as Chuck said, for your very, very
4 quick work on this. I know it's an incredible
5 undertaking, and I think everyone in this room is very
6 appreciative, and it's good to have you on the call to
7 provide straight information to everyone. We
8 appreciate that.

9 CHAIRMAN: Yes. Thank you very much. You in
10 attendance, we want to tell you how much we appreciate
11 you attending. We did e-mail everybody that we had e-
12 mail addresses that we were having a meeting on this
13 subject today, so I was kind of a little disappointed
14 in the attendance, but we do appreciate everybody
15 coming. I thank the Board, I thank you all. And
16 meeting adjourned.

17 (Off the record)

I, Gayle E. Sims, a Certified Court Reporter and Notary Public, within and for the County of Boone, in the State of Missouri, do hereby certify that the foregoing transcript constitutes a full, true and correct record of said proceedings that were held on August 20, 2008; that said proceedings were recorded by me and afterwards transcribed under my direct supervision.

Given at my office this _____ day of _____, 2008.

GAYLE E. SIMS, CCR
Notary Public for Boone County

My Commission Expires: _____