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

MR. MAHN: Here.

CHAIRMAN: Gary Fraker. Not here. Vernon Martin?

MR. MARTIN: Here.

CHAIRMAN: John McCulloch?

MR. McCULLOCH: Here.

MS. DUNN: And Joy is not here.

CHAIRMAN: Joy is not here.

MS. DUNN: And Gary is not here.

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

CHAIRMAN: Second by John. Todd?

MR. MAHN: Yes.

CHAIRMAN: Yes. Okay. Executive director?

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

CHAIRMAN: Okay. Embalmers and funeral directors renewal update.

MS. DUNN: Okay. That, we're going to be posting our statistics on our Web site in the next
week. And we had 1,085 embalmers renew, 2,270 funeral directors renew, and then we'll have all those statistics on our Web site in the next week or so. And, also, the end-of-the-year report will be on there, as well.

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

MS. GRINSTON: I just have a yes on 436 recommendations. As you guys know, we have sent out a very, very preliminary draft recommendations summary, if you will. It went out to the working group, I think, on Monday. We are asking for working-group participants to provide comments by Friday so that we can revise the draft. What you have is a very preliminary draft and we need to -- and I talked with Don this morning. We need to make sure -- even with comments coming in, we need to make sure that what we have in our notes and in the record as votes are really what everyone remembers, you know, supporting, and/or if what they see is different from what they thought was voted out. So, comments on that, again, are due back to the office on Friday. We are thinking that this will be the format of the final report unless I hear the working group -- unless the working
group poses objections to formatting or would like
another suggestion, we would like to send out the
report in this format, but we, again, want to make
sure everything is formalized correctly. On the
recommendations, I believe that the Board, my
understanding is, will be looking at this once it's
all pulled together, all comments in and incorporated
into the document from working-group participants.
However, I do need to know, for purposes of pulling
this draft together, where the Board is, or I need a
position from the Board on the 80-20 funding mechanism
of 436. That is one of the things that is not
reflected in this draft, and I think for working-group
participants, I think that they believe that they
would have some guidance as to where the Board was in
the draft before it was finalized. So, Mr. Chairman,
I would like the Board, if we could, to possibly take
a vote on how you want to -- what is the official
position of the Board on the 80-20 funding mechanism,
if you will, under 436.
CHAIRMAN: Discussion from the Board?
MR. McCULLOCH: I would recommend that we put
100 percent in and then, by contract, you can take the
20 percent out.
CHAIRMAN: Okay. Any other discussion?

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

MR. McCULLOCH: Just discussion.

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

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

CHAIRMAN: Well, let's call them.

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

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

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

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

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

MS. DUNN: Okay. Is that the only item we're going to discuss or we're going to discuss --
CHAIRMAN: Aren't we going to do -- try the portability.

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

MS. DUNN: Okay.

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

MS. GERSTEIN: Okay.

CHAIRMAN: Can you hear all right?

MS. GERSTEIN: I can hear just fine.

CHAIRMAN: Can you hear that, Gary?

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

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

CHAIRMAN: And it's the same people that's always been in open sessions --
MS. GERSTEIN: Okay. Thank you.

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

MS. DUNN: Mr. Speaks.

CHAIRMAN: Mr. Speaks. Okay. John McCulloch had made -- well, we were visiting about this, says that he -- that 100 percent into the trust and then back out a percentage for expenses, no more than 20.

MR. McCULLOCH: And do it by contract.

CHAIRMAN: And do it by contract. Gary?

MR. MAHN: Are you there, Gary?

MR. FRAKER: Yeah. I'm just getting bits and pieces of what you're saying. If you can repeat it, I'll --

MS. DUNN: Maybe you can just pick up the phone and tell him.

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

MS. DUNN: Yeah.

MS. GERSTEIN: Are you asking if I could hear that?

MS. DUNN: Joy, we're explaining it to Gary Fraker. He's on a cell phone, as well.

CHAIRMAN: Joy, do you have any suggestions?

MS. GERSTEIN: Not at this point, no.

CHAIRMAN: Okay.

MS. GERSTEIN: That's what he recommended.

What is the overall consensus? What is that?

MS. DUNN: We just opened up the discussion.

MS. GERSTEIN: Okay.

CHAIRMAN: Right.

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

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

MS. GERSTEIN: Am I fine with that?

CHAIRMAN: Right.

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

MS. DUNN: By contract.

CHAIRMAN: Yeah. Per contract.

MS. GERSTEIN: Okay.

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

MS. GERSTEIN: Okay. And so, it's just like instead, we're just -- we're doing a 20, it's just
we're wording it differently; right?

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

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

CHAIRMAN: All right. Do you want a motion?

MR. VERNON: I make the motion.

CHAIRMAN: Okay.

MR. MAHN: Second.

CHAIRMAN: Okay. Joy?

MS. GERSTEIN: Yes, sir.

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

MS. GERSTEIN: Okay.

CHAIRMAN: John?

MR. McCULLOCH: Yes.

CHAIRMAN: Gary?

MR. FRAKER: Yes.

CHAIRMAN: And, Jim, yes. Okay. Now, we're going to discuss -- do you want to discuss portability?
MR. MAHN: Yes. My suggestion on portability is that 100 percent be payable to the funeral home plus interest that provides the actual funeral home that provides the funeral, so families have the option to use any funeral home that they prefer. Gary?

MR. FRAKER: Yes. That's --

MR. MAHN: Gary said yes.

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

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

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

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

MR. McCULLOCH: I think --

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

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

MS. DUNN: That's always been confusing.

CHAIRMAN: It's always been confusing, is
MR. MAHN: I wouldn't have that in there. I don't recommend having that in there because there's all kinds of reasons that family may want to move to XYZ funeral home, and I think they need the option. And whether that funeral home sells out to someone that they don't want to use or if someone works there that they don't want to use or -- you know what I'm talking about, Gary?

MR. FRAKER: Yeah, I got you.

MR. MAHN: Okay.

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

CHAIRMAN: Right.

MR. MAHN: Right. By contract, Gary.

MR. FRAKER: Okay.

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

MR. MAHN: No. Hundred percent, period.

CHAIRMAN: Of face amount.

MR. MAHN: Of face amount.

MR. MCCULLOCH: I think he's talking about
face amount.

CHAIRMAN: Okay.

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

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

MR. VERNON: Yeah. You're right.

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

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

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

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

CHAIRMAN: Yeah. Per the contract.

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

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

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

MR. MAHN: Right.

MR. McCULLOCH: -- had a bad run and you didn't have any interest earnings? You know, it was below par value and you couldn't pay out anything?

There's a lot of problems with that, but --

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

MR. MAHN: Right.

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

MR. MAHN: Right. Right.

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

MR. MAHN: Okay.

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

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

Gary?

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

MR. MAHN: Yes, minimum interest.

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

MR. FRAKER: (Inaudible.)

MR. MAHN: You know, I've spoke to folks on
this before in the financial world of things, and, you
know, on other trusts that they've worked on, and they've had minimal caps on them of one and a half, 2 percent. I mean, if, over a lifetime, you can't accumulate -- you know, you can't maintain an average at 2 percent, you probably don't need to be managing a trust.

MR. FRAKER: Yeah, that's true.

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

MS. GERSTEIN: Jim.

CHAIRMAN: Yeah, Joy. We're still here.

They're --

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

CHAIRMAN: No. They're just discussing --

MR. VERNON: Plus interest?

MS. GERSTEIN: Okay.

MR. MAHN: Right. With a cap.

MR. VERNON: I think you would almost have to -- if you were going to do the interest thing, you would almost have to come up with just a -- how would
you -- I mean, unless you're just going to -- in some situations where commingled funds are there, it would be difficult to calculate what just that exact interest is for those three or four years, so it almost would just be like you're saying. I'm kind of viewing that as picking a random number out of the wind and where you just mathematically compute 2 percent on it and go on.

MR. MAHN: Right.

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

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

MR. McCULLOCH: Something like that.

MR. MAHN: Yeah.

MR. VERNON: I agree with that.

MR. MAHN: Hundred percent, Gary, with a one percent minimum on the interest cap.
MR. FRAKER: Yeah. I'm fine with that if there's a contract.

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

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

MS. DUNN: Yeah.

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

MR. VERNON: A hundred percent paid in.

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

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

MR. VERNON: Basically --

MR. McCULLOCH: Interest on that.

MR. VERNON: -- that's just the interest.
MS. GRINSTON: Yeah.

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

MR. VERNON: Yeah.

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

MR. VERNON: Or what's paid in.

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

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

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

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

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

MS. DUNN: Okay.

MS. GRINSTON: Or the amount paid in.

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

MR. VERNON: I'll second.

CHAIRMAN: Okay.

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

CHAIRMAN: Yeah. Here -- for Joy?
MS. DUNN: Well, I want to make sure I understand the motion, too.

CHAIRMAN: Yeah. I do, too.

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

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

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

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

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

MS. DUNN: This is a new one.

MS. GERSTEIN: Okay.

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

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

MR. MAHN: This is on portability, Joy. This is when, say, for instance, a funeral made arrangements at X funeral home, but they want to use
Y, and they're going to move it. Previously, they only -- previously, the current 436 is they only get 80 percent of the original amount, and I'm making a motion that we change that to they get 100 percent plus one-percent cap on interest.

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

MR. MAHN: The second funeral home, Joy.

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

MS. DUNN: No.

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

MS. GERSTEIN: Okay.

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

MS. GERSTEIN: Oh.

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

MS. GERSTEIN: Okay.

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

MS. GERSTEIN: Oh, I'm sorry.
MR. MAHN: We're voting on this.

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

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

MS. GERSTEIN: Is that -- okay.

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

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

MR. MAHN: And Gary is a yes.

CHAIRMAN: Joy?

MR. MAHN: Joy?

MS. GERSTEIN: I'm here.

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

MS. GERSTEIN: Yes.

MR. MAHN: Okay.

CHAIRMAN: John?

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

CHAIRMAN: John, vote?

MR. McCULLOCH: Yes.

CHAIRMAN: Yes.

MR. MAHN: All right. Next?

MS. DUNN: What's the next item?

MS. GRINSTON: You guys have done transfer,
pay -- oh, cancellations.

CHAIRMAN: Cancellations.

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

Are you there?

MR. FRAKER: Yeah, I'm here.

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

MR. VERNON: After 30 days.

MR. McCULLOCH: I mean, after 30 days.

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

MR. McCULLOCH: Hundred percent up till 30.

MR. MAHN: Eighty after?

MR. McCULLOCH: Eighty after.

MR. MAHN: Is that a motion?

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

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

MR. FRAKER: I'm okay with that.

MR. MAHN: Gary is yes.

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

MR. MAHN: Are you seconding, Gary?
MR. FRAKER: Yeah, I'll second.

MR. MAHN: He seconds.

CHAIRMAN: Okay. Gary seconded. All right.

Martin?

MR. VERNON: Yes.

CHAIRMAN: Todd?

MR. MAHN: Yes.

MS. DUNN: Joy -- could you explain it to her. I don't want to put her on speaker.

CHAIRMAN: Joy, what they're saying is on cancellation you get 100 percent back within 30 days; you get 80 percent back after that. Okay. All right. She's fine with that. Okay. So, the Board all agreed on that, Joy.

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

MS. DUNN: Yes.

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

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

MS. DUNN: Well, I thought maybe for the
benefit of Representative Meadows that joined us, did he get the document? Okay.

CHAIRMAN: Okay. No more, Kim?

MS. GRINSTON: No more.

CHAIRMAN: All right. Sharon?

MS. EULER: Yes.

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

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

CHAIRMAN: Okay. All good. All is good.

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

MS. DUNN: That's correct.

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

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

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

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

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

MS. DUNN: Right now, there is no limitations on funeral-director apprenticeships. They can keep applying every two years and being a permanent apprentice if they want to. So, there's no limitations on that, and some other states do have limitations so that they work towards being a funeral
director and not just a full-time apprentice.

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

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

    MR. McCULLOCH: And what would that be?

    MS. DUNN: That they have to complete an exam.

Help me, Kim.

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

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

But you couldn't be an apprentice for 20 years and
never take the test, never do anything else.
MR. McCULLOCH: As long as you're taking the test, but you just can't pass it, that's --

MS. DUNN: For good cause, yes.

MS. GRINSTON: Yeah.

MR. McCULLOCH: Okay.

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

MR. McCULLOCH: I got you.

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

MS. DUNN: Yes.

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

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

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

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

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

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

MS. DUNN: That's a rough draft totally of what we could consider, and we can certainly work on
language that would be a little bit more explicit to that, but it was just a proposal.

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

MS. DUNN: Yes. Open it up --

CHAIRMAN: Public comment? Bob?

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

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

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

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

MR. BAKER: So, the third time would be a
total of six years?

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

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

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

MS. DUNN: Uh-huh.

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

MS. DUNN: Uh-huh.

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

MS. DUNN: Yes.

MR. GRINSTON: Okay. Sorry.

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

MR. McCULLOCH: No.
CHAIRMAN: I like that idea.

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

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

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

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

CHAIRMAN: Do you want to explain the statute change?

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

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

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

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

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

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

MS. DUNN: Okay.

CHAIRMAN: Go ahead, Martin.

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

MS. DUNN: Well, would you like us to make some --
MR. VERNON: I think six is too long. If we're really wanting to get -- two, I can deal with, but to carry it out for six, I mean, that just is --

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

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

MR. VERNON: Well, I heard six.

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

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

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

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

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

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

MS. DUNN: And explain.

MR. VERNON: Okay. Okay.

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

MS. GRINSTON: Yeah. If what I'm hearing is that four may be probably more acceptable, four years
as opposed to a six-year window, and that -- you know, that there should be a requirement that you at least attempt to take the exam, let us pull the language together and give it back to you all to look at so you'll see what it looks like on paper. If that's okay -- if you guys will give us permission to at least start that process.

MR. VERNON: Okay.

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

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

CHAIRMAN: -- under #9.

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

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

MS. DUNN: Yes. I'm sorry.

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

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

CHAIRMAN: All right. Thank you, Becky. Item #11, St. Louis County Health Department medical-
examiner death certificate.

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

    CHAIRMAN: And that's also in your packet there, and anybody have any discussion on that?

Number 12, future meeting dates, December 2nd through the 4th this year, Kansas City, March of 2009 --

    MS. DUNN: Yet to be determined.

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

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

    CHAIRMAN: December 2nd through the 4th.

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

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

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

    MS. GRINSTON: On the 436?

    MS. DUNN: Uh-huh.

    MS. GRINSTON: Sure. We -- for those who didn't join us for the very tedious, yet productive,
process, we have been -- the working group that was
working on 436 has been reviewing that chapter for the
last six weeks, I think it is. We have a draft-
recommendation report that has been given to working-
group members. We are asking that comments on the
recommendation report, please, be forwarded to Connie
Clarkston. Again, I'll stress please forward comments
to Connie to make sure that we have them all in one
space. On any changes or anything you see in the
report -- the report is a very preliminary report. We
want to make sure that what we have in our notes and
in our record matches what was, in fact, intended and
what the vote actually was. So, please, if you don't
remember voting on it, if it's something that you
believe your vote was different, let us know. We'll
make sure that we reflect that. The recommendation
report, the draft report right now, is in the format
that I think that we would like to send it to the
Joint Committee in -- just the format, unless there is
a concern. But, again, if you have any comments, if
you have any changes, please e-mail Connie Clarkston
and we'll make sure those are incorporated into the
draft.

MS. DUNN: There was a handout on the table
that referenced the statute and the reg on register logs. While we had everyone here, we wanted to make sure that you were aware of that reference in the reg. There has been some question in the industry about register logs. If you want to talk about it, we can, but it is also in the statute and the reg, and we will be making sure that those are kept at the funeral homes. And if you have any questions at all, this would be the opportunity. No talking today. Everyone is quiet.

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

MS. DUNN: You won't.

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

MR. KAISER: I'm just questioning it as it's written.
MS. DUNN: Yes. Is it clarified in the reg, Chris? No, it's not?

MR. KAISER: I don't know.

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

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

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

MS. DUNN: That's right.

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

MS. DUNN: Sure. The register log is not only for -- to keep track of the embalmings, but it's also for anybody that that funeral home has taken care of. As everyone knows, we've had some concerns in the industry. This is very important for the industry, yourselves, and also for the consumer. So, if there's ever a question, if you don't have the signature of embalmer, of course, you wouldn't have it, you can make a notation on there. Does that answer your question?

MR. KAISER: It does. I just wanted to make
sure that was acceptable.

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

MR. MAHN: Yes.

CHAIRMAN: Yes.

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

CHAIRMAN: Appreciate the question.

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

MS. DUNN: Trade service or --

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

CHAIRMAN: You just put, like --

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

MR. KAISER: Right.

MS. DUNN: Right.

CHAIRMAN: Right.

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

CHAIRMAN: Yeah. But that's -- yeah, we'll accept that -- this year. Now, next year, we many
not. I don't know. Anybody else have any discussion?

Oh, Larry?

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

CHAIRMAN: Yes.

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

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

MR. STROUD: Okay.

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

REPRESENTATIVE MEADOWS: Great to be here.

Thank you for all your work.

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

MR. BROEKER: Not at this time.

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

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

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

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

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

CHAIRMAN: Yes.

MR. OTTO: It's my understanding that the long-term formaldehyde study from the feds is due out today -- the new long-term formaldehyde study, which indications are it's going to show that a lot of places are not meeting the formaldehyde standard across the country and we'll just have -- but we also think it's likely going to show that there is no groundwater-infiltration problem, so that part is
good. But the smart money at the national level
thinks that we'll probably -- because they already
have some meetings scheduled -- will be new
formaldehyde rules coming down soon. So, that's
something to look out for and we'll be having,
hopefully, a seminar starting in the fall and early
winter season dealing with, once this report comes
out, as to what the formaldehyde situation is and what
alternatives are out there if things get sticky with
that.

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

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

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

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

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

(All attendees introduce themselves.)

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

(Off the record)

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

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

MR. WEAVER: Division of Finance.

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

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

MS. ERICKSON: Thank you, Jim. Good morning, everyone. Again, my name is Mary Erickson; I'm senior
enforcement counsel for the Missouri Department of Insurance, financial institutions, and professional registration. First of all, let me say it's been a pleasure to meet with many of you over the past weeks in our 436 review committee, as well as have the opportunity to discuss a lot of important issues, one of which is what brings us here today to talk about the liquidation plan for NPS and Lincoln Memorial.

Before we get to that, first, I'd like to make some introductions, if I could. Representative Meadows is with us today. Thank you, Representative. And for Senator Scott, we have his chief of staff, Charlie Ballard. Charlie? Thank you. We also have right beside me, Division director for professional registration, Mr. David Broeker. We have Matt Barton with the insurance. He's in back. He is our licensing director, as well as our interim communications director. You know Sharon Euler with the AG's office who just spoke, and we have some folks that Sharon just identified on the telephone. And our featured speaker, if you will, this morning is Mr. Chuck Renn. Chuck is with the Missouri Guaranty Association and he is going to talk with us regarding what led us to this point a little bit and then what's
going to happen now and in the future. Chuck, if you
would, please?

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

MR. FULLER: Yeah.

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

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

MS. GARRETT: Okay.

MR. RENN: Thank you, Mary. As Mary
indicated, I'm the executive director of the Missouri
Insurance Guaranty Association, and let me kind of
give you a little background there so you understand
the significance of the Guaranty Association's role in
this and kind of where we come in. Insurance is
regulated on a state-by-state basis. Likewise, the
Guaranty Associations that are in effect around the
nation are -- exist because of individual state laws,
so you're not dealing with me individually, you're
dealing with 50 entities that function collectively
through a national organization. Early on in the year
when we got a call both from the Department of
Insurance and from the attorney general's office that
there could be a problem that involved an insurance
company that was domiciled in Texas and, also, it had a significant presence in Missouri, through the preneed industry. And from there forward, the Guaranty Associations engaged. There was discussions. What I'll try to do is tell you a little bit of what the problems were that we encountered, but the most significant thing to know is that this national organization pulls together a task force. The task force, there's standards in the bylaws and the organizational documents of how this task force will be made up, but, for the most part, it involves states that are impacted sort of in a matrix way, either large premium volume, state of domicile, states that have little interest to make sure that there's no conflicts that are just inherent in the task-force process. Then the task force goes about engaging consultants. We engage financial consultants, legal consultants, if need be, you know, actuarial and what have you, to come in and look at the information. Probably the most significant thing I can say about the Guaranty Association involvement is that we have to remain focused solely on the insurance side of this. And whenever we got into the middle of this and understood the impact that this company's insolvency -
- Lincoln Memorial and its affiliate company that's Texas only, Memorial Services -- was going to have on
the preneed industry and the concern expressed by the regulatory bodies, we knew that we were dealing with something that was unusual. The dollar amount is significant, but to say that it's the largest insolvency that we've ever dealt with would be wrong. We've dealt with Executive Life that was $2 billion in total payout, and so, we've had large insolvencies. We've had international insolvencies with Confederation Life that had a significant presence in Canada, and we had to deal with the Canadian regulators. But this has probably been the most -- I would say in many regards the most unwieldy situation. Guaranty Associations, we live and die by a term called contractual obligations, and that's specific in statute which is the commitment in the products that the company sells. The company sells you a whole-life policy that's $5,000, that's a contractual obligation. If they sell you a variable-life product and guarantee you that the death benefit will be $100,000, but, you know, you could make $500,000 in investments and it goes broke because it's tied to mutual funds or whatever, we would cover that $100,000 death benefit,
but we wouldn't have anything to do with the
investment aspect of it. So, contractual obligations
are pretty well defined in the statute that we operate
under. That kind of gets us to the Lincoln Memorial
situation and what we encountered there. And knowing
the preneed law just enough, probably, to misquote it
-- and I will rely on the regulators to step in and
see if I have something wrong -- I understand in
Missouri -- and I think that's important -- in
Missouri that there's an obligation to pay -- to place
80 percent of the value of the preneed service in a
trust, and the 20 percent, I guess, can be used for
whatever other purposes -- administrative costs or
whatever -- but 80 percent is obligated to go into a
trust. It was NPS's practice, in many instances, to
fund at least the 80 percent with an insurance
product. And what we encountered is, initially, an
insurance product with cash values to it would be
issued to fund their obligation to the trust, and
sometimes they would buy another policy to 100-percent
fund the contract that would go in the trust. So, if
you -- at a point in time someone paid $5,000 to buy a
preneed contract, and that was the cost of the
services at that date, there was a policy issued
either for $4,000 or potentially two policies
totalling $5,000, and that was owned by either the
trust, NPS, some entity other than the insured or the
contract holder, but there was always insured life
which was the contract holder. The patterns that we
saw take place for whatever purpose, cash values were
borrowed on on these policies, so if you have a whole-
life policy that's worth $4,000, and you borrow $2,000
from it, then, at the time of death, the outstanding
loan is netted against the face amount and you have a
$2,000 policy. In an attempt, I think, to make sure
that the trust was flush, there would be term policies
issued to make up the difference, so you might have a
whole-life policy with a $2,000 loan that was a $4,000
face amount, and then you would have a $2,000 term
policy that appears, and it was funded through premium
payments. Then additional activities occurred with
the policies where the policies were allowed to lapse
and they went into what was called a reduced paid-up
status, so you would have a $4,000 policy that had a
certain amount that had been collected on it. The
$4,000 policy would lapse, but rather than lapse, the
required nonforfeiture benefits -- and I'm talking
insurance a little bit. If I lose somebody, you know,
stick your hand up. The nonforfeiture benefit, one of
the options is a reduced paid up, so now you had a
policy that was perpetual in nature, but it was for
some reduced amount -- maybe $1,000. And then a term
policy would be issued now to make up the difference
there, so there was always an attempt to try to keep
some degree of insurance protection, but as it moved
further and further away from cash-value contracts to
term policies, term policies require continual
payments. And at the end of the road, whenever we
were engaged, what we saw was an inordinate amount of
term coverage that was on a monthly premium-paying
basis and, apparently, there was nobody left to pay
the premiums. So, we were faced with, you know, about
$2 or $3 million worth, but we were talking hundreds
of millions of dollars worth of term insurance that
would have been canceled because of nonpayment of
premium. They would have just lapsed, as a course of
business, within 30 days and there would have been
zero funding available. I mean, this would have just
gone away. So, in looking at this problem, the
Guaranty Association system has put together the plan
that has been presented to the Texas Department, and
the plan has, basically, created two large buckets.
One bucket is what we call the standard policy. In some states, the law required certain things be done that precluded all of this activity going on with the policies and there were just whole-life policies -- and I use the term "whole life," I'll say cash-value policies because whole-life implies a continual payment and, in many instances, this would have been policies that were paid up after ten years or five years or maybe single premium. But in some states, the requirements were such in the preneed industry that they had to be issued to the insured. The policies were owned by the insured, and that's what it was, just a standard policy that had no activity and that would be deemed questionable. That's one bucket.

The other bucket and the dominant bucket is what's called disputed policies. The disputed word, I think, in retrospect and it's kind of caused me and I think other Guaranty Associations a little bit of problem in conveying to their boards of directors whenever they go to them and say, you know, this is the presented plan, "disputed" is kind of a negative moniker. I wish we would have picked some other term. But they're disputed from the standpoint that what the original intent was was to have a cash-value product
to carry at least the cost -- the initial cost of the insurance to the end -- or the contract to the end. Because of the allowing the policies to lapse, to borrow against the policies, all that was done allegedly without any knowledge of the preneed contract holder. They weren't a party; they didn't get any of the proceeds of the loan, they didn't ask the policies to be converted, they didn't pay any additional premiums for supplemental term policies. They were kind of -- they're out there, they're oblivious to what's going on. The transactions are questionable. Those policies -- and when we say disputed, we're really talking about all the interim activity. The original contracts is what the Guaranty Association says we're going to try to honor the original intent of that contract and we're going to recognize that as a "contractual obligation." And that's where we're moving. Now, the people that are on the phone at the special deputy receiver's office, they're out of Texas. They've looked at the plan. They're the ones that will doing the analysis, and many, many of you have already interacted with Donna Garrett and her staff up there or had the opportunity to talk to Chris Fuller. I don't think you're going
to find a whole lot of additional documentation required in presenting the claim, but whenever they present the claim, we'll look at it, and this is where I think -- you know, this is going -- I know this is a big issue. I've heard a lot of about it. We're paying the face amount as it was originally issued. We feel that that's an obligation that falls square within the Guaranty Association's statutes, and we don't have to push the edge of any envelope to get there. We feel that that's a construction of our statute that allows us to step in and provide the protection. We can't go beyond that and provide some additional accumulation or inflation factor or any other benefit that would really be a relationship between the preneed company, NPS, and the funeral home. So, that's kind of the plan in a nutshell. We don't know where we'll ultimately end up. I see a hand. Go ahead.

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

MR. RENN: Well, see, that's -- the disputed policies will be policies that -- okay. We have a preneed contract that was sold ten years ago for $10,000, and there was a cash-value product or maybe
two that were issued in conjunction with that particular preneed contract that covered $10,000. All right. Somewhere along the line, the cash value was borrowed against, was allowed to lapse, and then term policies were issued. All of that activity between -- you know, in the interim that we cannot determine that it was somehow directed by the preneed contract purchaser, the consumer, but this was just action taken by the corporate -- related corporate entities for whatever purpose, and that's yet to be determined. We're considering those things disputed. We're going to go back and we're going to say, yeah, there was two -- one or two whole-life policies, cash-value policies issued, and that's -- and we'll pay you the $10,000. So, if inflation doubled the cost of the funeral from $10,000 to $20,000, you're going to have 50 percent. If the guys, you know, bought it a year ago and it's $10,500, well, you know, then $10,500. Yes, sir.

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

MR. RENN: Yes.

MR. MEYERS: If the deputy receiver, if they liquidate NPS, liquidate the company and all -- cash
these assets, does that liquidation make up for our
inflation growth or will that money go to the Guaranty
fund?

MR. RENN: The way that the Guaranty
Association laws are written is that to the extent
that we pay a claim, to the extent that we paid
benefits dollar for dollar, then we are subrogated to
the individual's rights. In this case, it would be
the contract holder because that's what the
Liquidation Act does; it basically says at the --
whenever this order becomes final, the funeral homes
become the beneficiary and the contract purchaser, the
consumer, becomes the owner. But the rights and the
ability to do anything with the policy are limited.
They can't cash it in because we want to maintain the
values for the benefit of the funeral home. We
understand that that's where the obligation that
provides the service goes. So, if we pay $10,000 on
behalf of the new -- or the owner, consumer, and we
now have that consumer's $10,000 claim against the
estate. Now, to the extent that assets can be
recovered that exceed the amount that we pay out in
benefits, then that's going to be subject and falling
through the priority class. And, Donna, you and Chris
speak to any of this. I'm not familiar with the total
priority classifications in Texas. But it rolls down,
you know. It's the policyholders are close to the top
probably after administrative expenses, and then
whoever else has a claim. I don't know where that
would fall. Do you want to speak to that, Donna?

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

MR. RENN: Okay.

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

MS. GARRETT: For NPS.

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

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

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

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

MR. FULLER: Yeah. Chuck, there is a wealth of Texas law, both statutory and our insurance code, and also in the business statutes in Texas, that provides for the recovery of these types of -- from this very type of plan, and this is a fairly common process by which special deputy receivers get after the bad actors, and it's going to happen in this estate. We are going to get after these people, but I don't want anyone thinking that, you know, we're going to send a demand letter, and we're going to get a big old check in the mail. One could always hope, but
I've never seen that happen yet.

MR. RENN: Yeah. Nobody usually says, "Oh, you're right. We stole the money. Here you go."

Chris, I'd like to go back and maybe emphasize a point that you made about when the payment is made and the funeral homes are asked to assign the rights to the extent that they have received benefits for recovery back to the Guaranty Associations.

MR. FULLER: Yes.

MR. RENN: That's a significant point, and it sounds like that the funeral homes are being asked to give up something. But the level of comfort that you should have in that is that the Guaranty Association system, collectively, we have resources to step alongside the special deputy receiver and state agencies -- you know, you can relate to this -- the ability to expend money to pursue litigation by state agencies and especially, you know, an individual funeral home even collectively if you decide -- and I'm reluctant to throw this phrase out, but, you know, class action is not going to be an answer in litigation on this because class action is going to -- if you've seen most results in a class-action lawsuit, you know, you get a $10 certificate off your next
computer monitor, and the plaintiffs' attorneys get millions of dollars for their costs of litigation. But the Guaranty Associations, our vested interest is to put assets -- we can't collect that and stick it in our pocket, per se, but we can collect it and it goes back to the estate and then comes into the priority scheme, and I think that's important for the funeral homes to understand is that that assignment is really allowing the Guaranty Associations that have significant resources to pursue these type of recoveries to be able to engage and go after it, so we're interested in that.

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

MR. SPEAKS: Brad Speaks from Kansas City. Chuck, first, I want to say you're my personal hero and very much appreciate the way you have gone to bat for Missouri funeral homes and Missouri consumers. Thank you. I've got a question for you and also for Chris Fuller. As I understand the plan, NOGA intends to fund the policies in future dollars; in other words, taking advantage of the time value of money, so policies are not being -- new policies not purchased
today so that they could mature and pay off contracts when they mature in the future. I wonder if that question has been addressed, because if it were possible to do it that way, funeral homes could accrue something rather than just face value.

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

MR. SPEAKS: Right.

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

MR. SPEAKS: Obviously, is the policies are worthless, so it would seem to be possible that new policies could be issued on the entire list that Donna has, fund those now, and accrue the growth from now until whenever death occurs. So, I don't know if that was considered or not, but it seems like a viable
alternative, at least, to me, and I don't know anything about your business.

MR. RENN: The reason that could be extremely difficult to do, especially in Missouri, and since we have so much of the business located here because of the situs of the trust, we're limited in our capacity to the amount that we can assess the industry which is 2 percent of their annual -- it's a formula, but it's fundamentally 2 percent of an average premium amount. The most I can assess at this point in time in any one year is about 46 million bucks. And Missouri's obligation on this, even under the plan which moves -- I'm just going to throw out round numbers -- about $100 million into other jurisdictions, other states, it's still going to leave us close to $200 million. So, to do what you're talking about and whether that would even be a practical approach and if it would produce any advantage would require taking --

MR. SPEAKS: Cash up front.

MR. RENN: Yeah. Well, you would have to -- you may not gain anything because you might have to look at the individual who is insured and actuarially calculate what the present value of his face amount is, which is -- you know, it is predicated on a
mortality table that would put him at 100 years. And you buy a $10,000 policy, the premium that your paying is your premium in relation to a mortality table and you're expected -- or your life expectancy, it would run out to 100 years, so that's kind of the calculation that goes into developing your premium, so you would have to do a cash-value surrender for this guy at this point in time. You may not even gain anything, and even if you did come up with a number, it's going to be somewhere south of the face amount and, in Missouri's case, somewhere less than $200 million. It may not get you anywhere to begin with, so -- and we may not be able to just be able to afford to do that.

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

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

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

MR. FULLER: Okay. I'm familiar with the reference. Under our statutes, there is a priority of
payment scheme set out in the statute, so Section 301, and that lists the priority of payments, distributions out of the estate, and it's in descending order; that is, Class I are expenses of the special deputy receiver and the Guaranty Associations, Class II will be policyholder claims, III and IV are small government tax claims, if I recall correctly. I don't have the statute in front of me. Class V are your regular contractual debts; vendors. In this case with NPS, it will be growth claims and things of that nature. And then there's a scattering of lower priority claims.

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

MR. FULLER: Yes. But the work that we're -- we're working with the FBI, to the extent anyone can work with them. I think we're really working for them. Additionally, what's done in these kind of cases is a restitution order is entered as part of the criminal proceedings, and that restitution would be payable in this case either through a liquidating trustee or, more likely, it would be, in essence, assigned to the special deputy receiver for
distribution under the priority statute, but that's what we've done in prior criminal matters. And the FBI -- and, frankly, it's the U.S. Attorney's Office who is making that call -- they've been receptive to that. We don't have anything in writing because, frankly, they haven't indicted anybody yet, but I understand that's coming. So, at the end of the day, I think the money that the feds hopefully will recover through any restitution orders will be, in essence, paid to you all through the special deputy receiver.

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

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

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

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

MR. SPEAKS: All right.

MR. OTTO: Don Otto, Missouri Funeral Directors and Embalmers Association. If you know, what is the procedure going to be for those contracts
where the money never got to insurance, although it was supposed to? In the last year, there were a number of what we call here in Missouri rollovers where the contracts between NPS -- the contract said that money was supposed to go into insurance within 60 days or something like that, but it's our understanding that with at least some of those, it may never have gotten to insurance.

MR. RENN: Don, I'm glad you brought that up. That's a great question, and I hope this will elicit somewhat of a sigh of relief. In the plan, there is term that's used called indicia of insurance. Again, this is going to be predominantly a Missouri issue because just volumewise. But if -- what we're doing is going through the documentation. Not only are we trying to reconstruct the existing policy manipulations and determine what was intended to be insured to begin with, but whenever we're finding transactions where there is communications where the, in essence, NPS is acting as an agent for Lincoln Memorial and representing to an individual we're going to do this and we're going to do that, and these will be insured, if we can substantiate that the intent was to place these contracts in an insured state, we feel
that, ultimately, the consumer and the funeral home --
I mean, we're sensitive that you guys -- the contracts
and the funeral homes and the services provided to the
benefit of both the consumers and the funeral home,
you guys are just too closely linked, so I don't want
to just pretend like we're helping the consumers. The
funeral homes are being considered here, too. But if
we see that this has happened, we're going to go ahead
-- yeah, that's insurance. Even though there's no
policies on the records of Lincoln Memorial, but we
have this whole dossier, if you would, of
correspondence that would indicate this was what was
intended to happen, we're not going to ignore that.
We'll go ahead and insure it.

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

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

MS. GARRETT: Yes, I can. And we've looked at
a number of those rollover cases already and we've
already started compiling the documentation to present
to the various Guaranty Associations so that they can
take a look at it and say yes or no, it's going to be covered. The only way you'll know is if we can notify you at a later date. And I can tell you that we are compiling the documentation, and most of the ones that we have looked at so far, there isn't evidence of insurance or an indicia of insurance or any intent to purchase insurance, but that may not be the case with every single rollover. So, we're going to have to look at the documents and we're going to have to confer mostly with Chuck because it is a Missouri issue and get him to accept or reject based on the documentation submitted, and then we will turn around and get back to the funeral home and tell them the outcome.

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

MS. GARRETT: Once we get to the point where we've got the plan approved and we're ready to start doing that review and investigation, we will certainly contact the funeral homes and say this is what we have, what else do you have. I mean, it's not just a one-sided thing. We'll be talking to each funeral home as required.
MR. RENN: As much as somebody said that I'm their hero, you know, I can say Donna and the Texas folks, at least from the Guaranty Association's standpoint, have been extremely easy to work with, very helpful. We've gotten in there. I've been to St. Louis a handful of times sitting side by side with the Texas folks and looking at the data. And, again, Don, great question. I've already looked at one rollover that I would have to say, you know, there's no question in my mind that there's indicia of insurance. I have not been able to tell Donna that, yeah, you know, because what that means, they're going to have to go in the Lincoln Memorial system and create individual records and policies, so to speak, for these contract orders, but I can't do that until my board approves the plan, so I can't give her the okay. But we've got a couple of them that already ginned up, ready to jump right on it, and we'll be able to send out notification when the plan is approved. Yes, sir.

MR. HILL: Along those lines, it's apparent that maybe there's possibly a third bucket. You've addressed the standard policies and then the disputed policies. But in your notice of liquidation plan, it
references the Guaranty Association does not provide
coverage for preneed funeral contracts.

MR. RENN: Yes.

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

MR. RENN: We know that there are preneed
contracts that do not have any insurance attached to
them. I mean -- and we started out with kind of what
Don just described, you know. There was a block of
contracts that had nothing that we could tell on the
surface that would indicate insurance was ever
intended to be issued with it. Now, some of those --
I mean, that population has gone down because we've
gotten in there and looked and found instances of
communications where, yeah, they were going to insure
it. It was obvious that was the intent. It just
didn't get done before they fell through the cracks.
But we know that there's going to be preneed contracts
that don't have insurance products backing them up.
And to the extent there is no trust money for that,
that something was put in there, you know, bonds from
NPS or whatever they came up with to throw in the
trust, all I can tell you is that I am sensitive to
that, and I've contemplated what could be done maybe.
Is there still value in those contracts? In some instances, those contracts are still on installment-paying basis, and there's cash flows and, you know, I've talked to people; you know, is there potentially goodwill in that business to have an affiliation with the funeral homes, you know? Is this something -- and, you know, I've been trying to think creatively outside of my responsibility as a Guaranty Association executive director. I mean, I feel like it's not going to do anybody any good, including the insurance industry, if, you know, Aunt Ethel gets buried and the funeral homes gets some money in conjunction with that, but Uncle Joe doesn't get the service that he was provided or the family has to pay double or whatever is going to happen, you know, what the fallout is going to be, I just don't think that's good for the insurance industry because, you know, our name on this a little bit, too. So, I've been trying to just contemplate that and working with Donna, so we're kind of in the brainstorming stages, but we haven't completely forgotten about it.

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

MR. RENN: No. We like to make sure. We talk
about preneed contracts and insurance policies, so
there is no coverage for those preneed contracts
because there was never any indication at this point
that there was insurance intended.

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

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

MR. OTTO: Which is why we need to know --
it's Don Otto again. I'm sorry -- the indicia of
insurance as soon as possible on those contracts so
that we know is the person just sending money down a
black hole or not. So, that's why that issue of a
funeral home knowing how many of my contracts are
backed by insurance and how many are not, because if
they're on an installment payment and they're not
backed by insurance, that funeral home may need to do
going to advise a consumer, I would err on the side of
cautions and tell them to continue making the installment
payments. Now, for several reasons. Indicia of
insurance may be produced. Something may be worked
out, you know. There may be some way that these
people are at least -- these contracts are at least
partially made whole. There may be something at the
end of the road where they might get that money back
and I can't -- you know, I can't make that unequivocal
statement because that's Donna's territory. But the
 Guaranty Associations are not interested in getting
money that's not rightfully ours. So, if it's a
preneed contract that's not insured, what right do we
have to the money? At the end of the day, if they've
paid six installments and it's given back to them, I
don't think it's going to break us, you know, and it's
not going to cause me any personal heartburn.
Finally, I don't know, does -- you know, the way I read the preneed statute, layman's reading, is there's an obligation on the funeral home to provide the service that was originally contracted for. If they quit making those installments, though, does that breach -- you know, is that breach of contract on their part? I wouldn't want to run that risk.

MR. OTTO: Well, here's the scenario that's not uncommon with NPS. We call them a ten pay --

they're paying over ten years.

MR. RENN: Uh-huh.

MR. OTTO: Over that ten-year period, it would not be uncommon for the consumer to have paid $12,000 and the face value is $6,000; okay? So, if they're a year into it, the consumer is looking at paying another $11,000 and the funeral home would get $6,000. That's even if it's backed by insurance. If it's not backed by insurance, it's -- you know, that third pop, and that's the whole --

MR. RENN: Okay. Now, hold on just a second. And you're predicating that on, like, the face amount of the original preneed contract?

MR. OTTO: Correct.

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

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

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

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

MR. RENN: Yeah. This gentleman right here.

MR. WATKINS: Steve Watkins. My question is: If -- I'm very fortunate, I have 14 contracts. I'm smiling. But these are old contracts which are all paid up, but were technically those that, if they were
insurance funded, I had -- I was not told and I do not know.

MR. RENN: Yeah.

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

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

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

MR. FULLER: Okay. Well -- okay. '90s -- '80s and '90s. Those trusts, of course, should have had the 80 percent in them. However, the trusts don't have -- typically don't have the cash. They have -- the later trusts have, of course, certificates of insurance from Lincoln Memorial that reputed to have whatever the face value of the policies are. The earlier trusts have such assets as promissory notes from one or more of the Cassidy affiliates; in other
words, they -- whatever cash got into the trust originally was siphoned out by the family or management years and years ago. And if you look at the trust statements in the various trustee banks, those show, you know, assets worth X millions of dollars in the trust. But if you look at the actual trust statement, it reflects that the bank is carrying its face value on a promissory note or some other form of a financial instrument, a debenture or documents of that nature, at face value -- the Cassidy affiliates. So, there really is no -- there is little or no money actually in the trusts themselves that we could trace to any particular policies. And I may not have answered your question precisely, but if the question is: Isn't there money in trust to pay these claims on preneed contracts for which there are no policies, the short answer is, no, there's not. That money disappeared long ago.

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

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

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

MR. FULLER: That's not entirely certain. As
Donna said, we are working with -- and Chuck also has been working hard on this. They're attempting to package up these contracts and attempt to market those as a block. Now, whether or not we're going to be successful at that is uncertain at this time, but that's something we're actively working on. So, it's too early to say that even if one ends up with a contract without a policy or without indicia of insurance, it's too early to say that you're out of luck.

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

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

So, you may have insurance.

MR. WATKINS: Right.

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

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

MR. RENN: And --

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

MR. RENN: Well, I guess, the important thing to understand is that the special deputy receiver is contracted with the Guaranty Associations to provide
the administration. So, we're at least initially footing the bill for that administration. That's not like, you know, the money is coming in and is going to the special deputy receiver. The Guaranty Associations are funding that.

MR. MEYERS: Okay.

MR. RENN: Secondly, maybe I'm more adamant about the position to continue payment by the consumers on the initial part of it because if people stop paying -- and, you know, I'm not going to try to even predict, you know, what the legal outcome would be, you know. What other -- what rights, you know, what contractual breach is that, you know? If they're supposed to continue making installments, what's gone there, you know? Or do they give up all rights, you know? Is that just completely excludes them from having an opportunity to assert a right against a funeral home? From the consumers' standpoint, that's our main focus. The funeral homes, the fact that they are going to be negatively impacted because of the inside buildup, that is a very big reality. And -- but even in the Guaranty Association's statute, in other insolvency situations, people bought annuity contracts that paid 10 percent. And the reason they
got such a great deal is because the company was doing fundamentally a similar type of thing, you know. As long as we keep selling annuity contracts, we can keep throwing 10 percent on what we have until finally it gets so big and so heavy, it collapses. And then they give it to us and we have to go and tell the consumer, you know, we understand. You're going to get your principal back, but here's what: We're only going to cover up to $100,000, so you've got $150,000 in there, you're out $50,000. That's a claim against the estate, and that 10 percent you got, we're going to roll it back for three years and tie it to a realistic rate, and that's what you'll get going forward. So, it's kind of like, you know, everybody shares the pain, and this -- I mean --

MR. MEYERS: And, also, you know, a question to the Board. I mean, maybe the consumers are going to have to share some of this pain, you know. I bought a bunch of stock from a company called Corelle. It was $40 a share, and the next day, it was worth 50 cents, you know. So, I really feel like -- and I hate -- we're kind of in a catch-22 here to say that, hey, you know, you're going to get face amount, but it's costing us $5,000 extra to perform this service.
We're sorry; you're going to have to pay the difference. And I know law 436 says that we can't do that, but it's --

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

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

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

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

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

MR. MAHN: I've got a question. Right after this happened and Mr. Watkins took -- this might be a
question for Don. On the impasse contracts, they covered grandchildren, and I had a family that lost a grandchild under the age of 18. Talked to Mr. Watkins and was told that it would cover their funeral. And right after that, and I spoke to the family, you know, I took care of the funeral, it went into the receivership, and then I was told that it wasn't going to -- would not cover it. So, are they going to cover grandchildren or not, you know? I think I know the answer to that, but then do I just eat this funeral and tell the family I took care of it? How does that work?

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

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

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

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

MR. MAHN: Okay.
MS. GARRETT: Guarantee fund and past
Guarantee fund.

MR. MAHN: All right. Thank you.

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

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

MS. GARRETT: Right. Up until we filed the
application for liquidation, we were on a turnaround
time of 60 days from date of receipt of complete
information for payment. The last payments went out
the week we filed the application, which was the 11th.
We are not making any payments at this point because
we don't have the cash flow to do it until after the
liquidation plan is approved and the Guaranty funds
are kicking in. Once the Guaranty funds are kicking in, we will have cash flow back into the estate to make those payments. We are continuing to process the claims and have them ready for putting them in an approved and pending status until the Guaranty fund is eligible for payment. So, once the Guaranty fund is on board, we should be able to issue payments, I would think, within 30 to 60 days.

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

MS. GARRETT: That's correct.

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

MS. GARRETT: That is correct.

MR. RENN: Okay.

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

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

MS. ERICKSON: And following up Chris and Donna, because you all will be continuing to process claims during this downtime, if you will, when the Guaranty funds do kick in, the claims processing has continued and money will be pushed out more quickly for these claims payments once the plan is actually in
place and funds are available; is that right?

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

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

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

MS. ERICKSON: Thank you, Donna.

MR. RENN: To kind of elaborate on that, at least from Missouri's standpoint, I have to meet with my nine-member board and they have to elect to participate in this plan. And it would be -- it would not be an accurate statement to say that everybody is just pleased with, you know, what's going on. I mean, the Board has -- I've supplied them with information. There's been educational opportunities provided, teleconferences and things like that, and, like I said, we've had our general counsel evaluate the plan to make sure that we're consistent within the Guaranty Association Act. We're still -- you know, I still
anticipate whenever I meet with my Board to have a lot of questions asked. But assuming that my Board says, yeah, we're going to participate in this. We think it's the thing that we need to do and we see the benefit of it -- and it's -- like I said, it's a big dollar thing for Missouri. I have funds now -- I mean, that -- where we have other obligations that we're paying over time that we've got money, and I have funds that I'll be able to commit to this situation. So, as soon as I can issue -- the very first day we can issue checks, the checks will go out. There won't be any delay. So, we have funding available. And I think Missouri gets hit somewhere between $1 million and $1 million-and-a-half a month; does that sound right, Donna?

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

MR. RENN: Yeah. I think I've been throwing the figure about $18 million a year out as Missouri's share of the cost under this plan, and that's a cash-flow situation, so, you know, I'm going to be sending them about, you know, in between a $1 million and $1 million-and-a-half, I think, every month. But I've got funds on hand that I can go ahead and front that
up, so if we're two or three months behind, all of that will go out. Representative?

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

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

REPRESENTATIVE MEADOWS: Okay.

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

REPRESENTATIVE MEADOWS: Okay.

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

MR. SPEAKS: Yeah. Brad Speaks again. Chris and Donna, I've got -- maybe it's a technical, logistical question, but I know it's come up. Chris,
you referenced the various trusts that have been set up. In regards to the N2A Trust, which we have been told is unfunded for funeral homes that have submitted claims and had those claims either denied or deferred because of an unfunded status even before the liquidation plan, what mechanism is in place for receiving payment on those once the liquidation plan is in force, assuming that it's passed?

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

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

MR. FULLER: Oh, that would go to the indicia
of insurance that's discussed in the liquidation plan, and there was just -- as Chuck went over, I think, briefly, whereby the documentation from the FCR -- our offices and from the funeral home's office go to the Guaranty Association with the, "Hey, is this sufficient indicia to qualify this death claim for payment of the policy claims?"

MR. SPEAKS: Chuck, is that sufficient?

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

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

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

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

MR. RENN: This is what's going to happen and, you know, it's something that looks like a concrete term sheet or something like that. But, you know, we're not going to be looking for ways to avoid
providing assistance. I mean, that's -- you know,
we're going to try to --

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

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

MR. SPEAKS: Okay.

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

MR. SPEAKS: N2A.

MS. GARRETT: -- what we have looked at so far
where they were rollover cases, there is an indicia of
insurance and it's in writing and it's in multiple
places in a file. There is correspondence going back
and forth, there's e-mails going back and forth.
"When are my policies going to be issued and where are
they," and so forth. So, the ones that have an
indicia of insurance, you're not going to have a
problem with that. You're going to be able to receive
the face value. But if it's one of the older trusts
and there is no indicia of insurance, we're going to
have to prepare a list of those and ask you to confirm
the dollar amount.

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

MR. FULLER: Chris Fuller. Let me speak to
that, Keith. There is not really a provision under
the Texas liquidation statute for setting up that type
of process. In addition to that, I don't think it's a
necessary step at this time. In other words, when we
have litigation recovery -- and, knock wood, we're
going to -- they're going -- the noncovered contract
holders are going to share and share alike with
similarly situated creditors; in other words, they're
not going to be favored nor are they going to be
disfavored. They're going to be treated the same as
the other Class V creditors of the estate.

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

MR. MAHN: Chuck, I had a question.

MR. RENN: Yes.

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

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

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

MR. FULLER: Well, presumably, if the
noninsured contract claims, we would process and
approve the claim, but not pay it. The approved claim
would go against the -- would be listed as a liability
of the estate, and that would be part of our damage
claim against former management and their affiliates.

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

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

MS. GARRETT: That's correct.

MR. THORNBURG: Okay.

MS. GARRETT: Also, there is no way to move up
or change your status in the distribution. I mean,
it's what it is in the statute, and you fall within
one of those categories, and that's where you are.
There is no way for us or you to make a change in that
classification.
MR. THORNBURG: I'm just thinking a contract holder that didn't have insurance backing would be -- to me, they'd be the equivalent of a policyholder.

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

MR. THORNBURG: That's right.

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

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

MR. FULLER: I hear you, and there's a strong equitable argument for that, but there is no things in
the statute which governs distributions here.

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

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

MR. RENN: Yeah. Go ahead, Robert.

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

MR. FULLER: This is Chris Fuller. Robert, I've heard that contention before, and I can't remember if you and I talked about it or not. It's my understanding that the rollover funds that went into the various trust accounts were ultimately spent or taken out by former management, and there is not the ability to trace. Even the account that has about a million bucks in it, you can't trace that back to any particular rollover. In fact, the account went close
to zero on a number of occasions after the rollovers came in. So, there just -- and I'm speaking not having done the work myself, but from talking to the financial analysts that say that the money that's in the account is not traceable back to a particular rollover. That money was -- came in and moved out the door pretty quickly.

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

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

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

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

MR. RENN: Yes, it is.
MR. FULLER: We're not going to be keeping the money.

CHAIRMAN: Chris?

MS. GRINSTON: Chris, this is Kim Grinston, counsel for the Division of Professional Registration. Did I hear you correctly to say that after the rollovers, those accounts went to a zero balance?

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

MR. MAHN: Chuck, my question is -- this is Todd Mahn. Is there any way for funeral homes to look at their current contract with the funeral home -- I mean with the family and be able to tell whether it's one that's covered by insurance or whether it was one put into a trust? Is there anything that states that? I mean, are you just sitting there with the files and you really don't know whether they're covered or not?

So, we're going to continue to service these funerals. We may service a funeral that we have no idea whether it's even covered face amount or not?
MR. RENN: I don't think there is anything that we have seen that looked like it came from the funeral-home side of it, any documentation that you could point to and say, oh, this was going to be -- you know, going to have a policy issued.

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

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

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

MR. MAHN: Yeah.

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

MR. MAHN: That's Donna?

MR. RENN: It would be Donna.

MR. MAHN: Donna, is that something possible? I mean, how are we, as undertakers, supposed to know who we're -- if we're servicing an account, whether it's face or zero?

MS. GARRETT: I understand the question and that's one that's come up in the last week numerous times on telephone inquiries. And we have hesitated to put out a list and say here's the covered and here's the disputed because I don't want people to see disputed policies and assume they're not going to have Guarantee-fund coverage just because it's in the disputed bucket. So, I would rather address that on a funeral-home-by-funeral-home basis, and, boy, my customer-service people are going to kill me for this. But we can look at the system and we can tell readily which ones we know are tied to insurance policies.
Those go into the -- we know they're going to have Guaranty-fund coverage or we think they're going to have Guaranty-fund coverage. I can never speak on behalf of Chuck.

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

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

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

MR. RENN: At some point, it may be possible for not only Donna to have that information, but for the individual Guaranty Associations to have that information. And it -- I'm just kind of thinking off
-- you know, as the question is coming out right now, you know. At some point, we may be able to put a facility in place, you know, where I have someone assigned to responding to those type of inquiries under a special phone number or something like that. But, at this point, we don't have, and Donna is going to be the resource for that.

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

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

MR. MAHN: Right.

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

MR. MAHN: Okay.

MR. RENN: Once again, though, and this is none of my business, but what difference would it make if they had a preneed contract? Would you treat them differently or is it just something that you would
have to -- wait a minute, I've got to contact --

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

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

    MR. GIBSON: Yeah. I have a couple things.

This is Ben Gibson. First of all, the company
practice as a general would -- I feel, would give the
indicia of insurance because they went out and bought
insurance with this trust money, basically,
unknowingly to most of us in the first place. And so,
I feel the Guaranty Association and you should both
back the position that all of those contracts should
be covered, whether they're actually in insurance or
not, because the company practice was for them to put
it into insurance and then scam off all the money.

Now, whether they -- you know, those early contracts,
I mean, this is a very small percentage of the whole
thing, so I think you all ought to step up and just
cover, number one. We don't -- I don't even know if
we have any, but I feel sorry for the people that do.

And so, you know, my position is if that was their
normal company practice, especially after the 1993
consent order by Jay Nixon allowing them to purchase
insurance, because before that time, they really weren't allowed to purchase insurance, and I still question that consent order myself. So, you know, the practice of purchasing insurance is questionable, number one, but it was their general company practice. And so, as a Guaranty Association, I would appreciate it if you would consider just covering that small portion of those policies; okay? That's number one. Number two is the money that we sent in in March in a rollover, we have the documentation that we sent in $152,900-and-some to the bank. The bank, basically, acknowledges the receipt of that money, and they don't know where it's at. We are currently making demand upon the bank to refund that money to us, and we would appreciate any support in getting that done.

MR. RENN: And I think all of you, in some fashion or another, are going to have some issues with the financial institutions, and that -- I mean, that -- and as far as the Guaranty Associations, I mean, that's why I went to the length that I did. We've got a statute. Love to just, you know, make things good for everybody, pay 100 percent, pay growth, pay everything like that, but then I'm violating my law. It's -- this is a --
MR. GIBSON: Well, there were a lot of laws violated here; okay? I mean, more laws than we can imagine.

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

MR. GIBSON: Completely.

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

MR. GIBSON: And it was a 20-year plan. These guys have been planning this out with the expectation of the Guaranty Associations stepping in and covering
this, you know. I feel this is a 20-year conspiracy.

MR. RENN:  Huh.

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

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

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

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

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

MR. BAKER: Okay. And the next one would be:

Will we ever receive any type of document if someone quits paying on what the amount of reduced paid-up insurance would be, or is there a chance that -- will it only be put in reduced paid up, or will any of them be put into the extended-term category to take it out?

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

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

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

MS. GARRETT: Right. The procedure that's in place, and I think it's actually outlined in the plan, is that if they stop making their installment premium payments, their status would go to a reduced paid up, and they would receive a notice of that. If your question is will we notify the funeral home at the same time we notify the insured, yes, we would. There
would be a copy of the letter that goes to the funeral home and the owner or the policyholder. Does that answer your question, Bob? I'm not sure we heard you correctly.

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

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

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

MR. BAKER: Thank you.
MR. RENN: Is it Robert Cowherd?

MR. COWHERD: Yes.

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

MR. COWHERD: Sure.

MR. RENN: What was your second question?

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

MR. FULLER: We are currently negotiating with American Memorial to have them pick up the claims administration and then provide us with direct payment. And I'm not handling it personally, but the -- (inaudible) -- firm is handling it, and as late as last night, we were discussing working with American Memorial to get that done. The end game with American Memorial is to get NPS out of the middle. And we believe once we do that -- and there are some legal
hurdles we have to jump through to get it done, but once we get that done, then I think the payment stream will start from American Memorial, and, more importantly, NPS will be out of the whole process.

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

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

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

MR. FULLER: Yeah. There will be -- we'll file a notice of claims filing deadline. And, frankly, I didn't really give it any thought as to what the deadline will be. Normally, it's 18 months out from the date of liquidation.
MR. COWHERD: I guess the issue is going to be will these funeral homes -- they're not going to know the amount of their claim on the growth claim until the at-need time.

MS. GARRETT: Right.

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

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

MR. RENN: Okay. If I understand what you're
asking is does the indicia of insurance have to be
finalized before the final order -- or the order
becomes final?

MR. KAISER: Correct.

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

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

MR. RENN: Well, the indicia of insurance, for
the most part, is a done deal. I mean, you know, the
large volume, we already know that there's insurance.
But those ones that we don't are the ones that we're
going to have to investigate, and I think you've
raised a good point. Donna, are you already actively
going through this stuff?

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

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

MR. RENN: Yeah. Yeah. I think that's a
legitimate question.

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

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

MR. RENN: And here is sort of the other side of the problem. We may -- when I say "we," Donna may look at this block of business and say, you know, here's 25 contracts, we don't find anything that says there's insurance on this. Okay. Well, the funeral home or maybe funeral homes out there that are affiliated with those 25 contracts, they may have a document, you know, in their hands saying, you know,
we're going to insure every one of these through Lincoln Memorial. So, it may be like something that we revisit occasionally, at least to work through, since most of them are going to be in Missouri -- I'm kind of committing myself on this, but we may work through, but we'll reach out to the funeral homes and say, you know, we've -- we're showing these contracts. We don't show any insurance involved with this, and we're assuming that they're -- you know, they're uninsured, there will no Guaranty Association backing on it, here you go, and then if you have something to the contrary, let us know.

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

MR. RENN: And, Donna, I'm even suggesting maybe before the time of claim, if we have a small
block of -- you know, as these things -- we start
working through them, maybe, like, Missouri, at least,
we might want to take the initiative to reach out to
the funeral homes and say, you know, at this point,
these are all categorized as being noninsured, they're
uncovered, because we have not been able to produce
any indicia of insurance. And absence of something to
the contrary, that's the status they'll be in.

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

MR. RENN: Okay.

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

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

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

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

MR. OTTO: Before that 18-month deadline.

MS. GARRETT: -- is that we're not ready to
push anybody to make a claim filing at this point in
time. We will wait and do that after the liquidation
plan and after everybody has had a chance to settle in. There is no urgency to your filing a claim against the receivership estate at this point in time.

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

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

MR. RENN: Yes.

MS. EULER: All right.

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

MS. EULER: Thank you.

MR. SPEAKS: Brad Speaks again. I want to kind of maybe get back to some big-picture stuff, and
I appreciated Representative Meadows focusing in on the plight of Missouri consumers and funeral homes, you know. In a worst-case scenario, even with face amount, some smaller funeral homes that are hurting now, they're going to go through a cash-flow crunch, then they get some claims denied, they're not funded, maybe, you know, those sorts of situations, you know.

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

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

REPRESENTATIVE MEADOWS: Absolutely.

MR. SPEAKS: And we're going to be looking at you and Charlie saying, hey, you know, what do we do? What possibilities do you see for a long-term cure to that issue?

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

REPRESENTATIVE MEADOWS: Well, that's a good point. And I thought we acted and I tried to act several years ago, and it didn't happen, and I'm not
tooting my horn, but have we had acted on this, it
wouldn't have never, ever happened. It's not for the
lack of trying, I can assure you that. But you know
what, I wish like heck I could answer your question,
Brad, but if you don't think for one minute I'm
sitting here shaking in my boots and I'm in fear, I --
and that's something that when we meet in two weeks,
I'm going -- that's going to be a very realization and
we're going to need to address that up front. I think
that that is an extreme possibility, based upon what I
heard here, and I keep looking at Todd Mahn, shaking
my head, and every member around this room, and I'm
very, very fearful of that.

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

REPRESENTATIVE MEADOWS: Exactly.

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

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

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

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

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

REPRESENTATIVE MEADOWS: Right.

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

REPRESENTATIVE MEADOWS: Exactly. Well, I'm just going to also go on record to say that there were some funeral-home directors that were actually in several offices this past year talking with me about that. And then there were some funeral-home directors
that were actually asking for leniency for the Cassidy family, if you can believe that. But -- and I guarantee you, if it were up to me, those folks would be in jail right now, but, no. This is something that we need to look at and hope and pray that we never ever cross this bridge again, but I'm more than willing to express your opinion in the general assembly and in the meetings ahead where, hopefully, we can do something with it, Brad. I'm very worried. Thank you.

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

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

MR. MEYERS: Possibly?

REPRESENTATIVE MEADOWS: That's something that we're going to have to take up and address because -- and I have spoke with it to fellow legislators about it. And I think that as we approach and as this
election cycle starts to heat up, maybe some of our
elected officials need to understand the importance of
just how important this is. Maybe the people that are
running for office need to understand just how
dangerous a situation we're looking at. So, I would
encourage you all to talk to them.

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

REPRESENTATIVE MEADOWS: It is.

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

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

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

REPRESENTATIVE MEADOWS: Absolutely, you are.

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

REPRESENTATIVE MEADOWS: That's exactly right.

CHAIRMAN: Folks, anybody else have any
questions? We need to wrap this up.

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

MR. RENN: Have you submitted any claims yet?

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

MR. RENN: I would -- Donna, again, I think that would fall into something that once the plan was approved and things started getting parcelled out, that there would be some sort of a communication or a precertification, like the young lady here has a question about, you know, what's the status, that that would be something that could be answered either through the Guaranty Association or through you?
MS. GARRETT: Yes. I'm not sure what you're asking us to provide. Do you want copies of the contracts? Do you want copies of what? I mean, what is it that you're actually looking for?

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

UNIDENTIFIED: Proof of insurance.

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

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

MS. SUMMERVILLE: No, not all of them.

MS. EULER: This is Sharon from the attorney general's office. If I can help clarify. I believe what you're talking about is we had some funeral homes in Missouri that were closed either by the owner or through some influence of my office. And some of the other funeral homes in the area picked up some of those contracts. NPS agreed to honor those contracts even though there were some problems with the record-
keeping and there was unclear whether payments had
ever gotten to NPS. And so, I think some of the
contracts you're talking about are those that you
agreed to pick up from one of those funeral homes that
simply closed, and you don't have the file, you don't
have the documentation. There was no sale; it's
something you just agreed to pick up.

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

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

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

MS. EULER: I agreed to forward them. One of
the things that I've talked with Donna and Chris about
is not only those situations, but we have other
funeral homes in Missouri that have closed or, you
know, have been gone for 20 years that there are these
contracts out there. And tracking down who has those
contracts now, I think, is something that's going to
have be worked through because I don't know that the
NPS records show that Summerville Funeral Home has
those now because they are still showing them as --
MS. SUMMERVILLE: Well, some, but most of them, they did put on our reports that they give -- you know, but -- you know, they come under our name in our report, but then I know there's some contracts that were here, but they're on other people's reports out --

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

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

MR. MEYERS: How long ago was that?

MS. SUMMERVILLE: '99.

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

MS. SUMMERVILLE: Kaline Summerville.

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

MS. SUMMERVILLE: Oh, I have the contracts.

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

MS. SUMMERVILLE: Yeah.

MR. RENN: Yeah. I think, at some point in
time, maybe not, you know, within the next two or
three weeks, but within a -- before the end of the
year when the plan is approved, my board, you know,
has said we're going to participate, you know,
everything is in line, I think that, you know, we'll
be able to compare records. You say you've got, you
know, 20 contracts that supposedly NPS -- and we're
talking about the relationship of your funeral home
with NPS?

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

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

MS. SUMMERVILLE: Yeah.

MR. RENN: Okay. We could take those and then
you could identify, okay, this is Summerville, but
it's Summerville somewhere -- you know, slash
whatever, you know. We could -- either myself or
Donna or a combination of both of us could try to look
through and sort out, oh, yeah, we see, you know,
here's Summerville contract A, B, C, for John Doe.
You say, "Yeah, that's one of them we took." We could
try to do that sort of confirmation for you. Now,
what I'd advise in the interim, you're going to know
right off the bat when you submit it. But at some point, I -- that's the same thing this gentleman, I think, kind of asked back here for the noncovered, you know, how do we know, you know. This whole thing chugs along and five years from now, somebody dies under one of these contracts and we haven't anticipated it because -- at least that would give you the opportunity, hey, I've got three funerals I know that I'm going to have to come up out of pocket or whatever, you know. You could at least start, you know, reserving for that in your own means or something. But I think the short answer is not today, probably not in a week from now, but definitely in the near future, I think we'll have the ability to try to come back and communicate with you about that.

MR. RENN: Don?

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

MR. RENN: Yeah, that was already --

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

MR. OTTO:  Thank you.

MR. RENN:  Or not contracts, the policy.

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

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

MR. MEYERS:  Correct. Correct.
MR. RENN: And it just says you get a funeral. You know, present this like a --

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

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

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

MS. GARRETT: Oh, we've heard about it. It's mainly a marketing kind of issue, but, again, Chuck is right. If there is a policy of insurance, the face value is going to be paid to whatever funeral home the services are provided by.
Mr. Meyers: But those things are ancient, so
--

Mr. Renn: Yeah.

Mr. Speaks: And how do you know whether there's insurance? I mean, it always comes back to that.

Mr. Renn: And this is just sort of -- I mean, this is the entire NPS/Lincoln Memorial situation in a microcosm.

Mr. Meyers: Right.

Mr. Renn: That's an insurance policy, that's not a preneed service and, you know, it's not under -- that's an insurance policy.

Mr. Meyers: But still, you're still going to have a problem of finding a provider for that funeral.

Mr. Renn: Yeah. But that's an illegal insurance policy sold by an unauthorized insurer which wouldn't -- we wouldn't cover it. But then over here on the preneed side of it, you know, you guys are looking at this saying, you know, what is it? There is probably not a plan code or anything anywhere because the preneed records are going to be different than the insurance-company records. The insurance-company side, we've got policies, policies that have
been submitted for approval to different state
departments.

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

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

UNIDENTIFIED: Worth just about as much.

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

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

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

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

MR. RENN: Okay.
MS. GARRETT: So, all 999,000 of them will receive notice once the order is approved.

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

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

MR. RENN: Yeah.

MS. GARRETT: So, we save on postage.

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

MR. FULLER: Correct.

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

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

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

MS. EULER: This is Sharon with the AG's office. I just had one more comment -- question.
Donna and Chris, I know this is something we have discussed before, but can you tell the group whether you think this plan is as good as you expected to come out with or better?

MS. GARRETT: Yes. It's very simple. Just a couple of key points here. The insurance companies of NPS are insolvent. There is no money. Without the Guaranty funds' participation, we would not have claims paid, period. At best, you would get pennies on the dollar. So, with the Guaranty fund participation, you do at least get the original intent of the policy. And it's really important to go back, I think, and look at what the Guaranty fund is picking up and what they're ignoring, if you will, because they are making payments notwithstanding any of the policy loans that were directed by NPS, notwithstanding the conversion of policies that was done by NPS, notwithstanding the termination of the whole-life policies that was done by NPS. They're willing to ignore all those changes and fraudulent activity and pick up the policies at their original intent; not what is on the books and records today, but what their original intent was. To me, that's above and beyond the call of duty. So, I think
they're to be commended for stepping up to the plate and making the payments. We think the liquidation plan is probably the best we can do under the circumstances, and we're encouraged that both the regulators and the Guaranty Associations, not just in Missouri, but across the nation, have participated and have looked at it and are approving it. Chris, do you want to add anything?

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

MR. MEYERS: A question to the AG's office: What are you going to do about Mount Washington and all other entities that are owned by the Cassidy
family? Are they going to be liquidated, as well, all
the way down to the shirt off their back, and if you
want to take that, you can have it, too?

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

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

MS. EULER: I can't --

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

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

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

MS. EULER: Or -- it's not going to be Mr. Nixon, but we don't know what's going to happen, and I can't speak to what happens. But I can tell you that to the extent -- I can tell you what I'm going to do, and that is, to the extent I can, I'm going to do everything I can to make sure that transition is seamless, and to make sure that whoever the next attorney general is understands the preneed laws, understands what I have come to know about the funeral industry, and make sure there is not that gap. Whether I will have that power remains to be seen. I serve at the pleasure of the attorney general, and if the new attorney general comes in and brings in his own team, then there is nothing more I can do. But to the extent I can do that, I'll tell you that that's
what I am going to do, and I know that the offices --
I'm speaking for the office to make sure that there is
not a gap, that we will do everything we can.

   MR. MEYERS: Thank you.

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

   MS. EULER: Yes.

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

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

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

   MR. SPEAKS: Because there's kind of a hidden
iceberg to this thing which is families that have
preneeded, there are opening and closing charges --
grave space, opening and closing, maybe a marker. And
that money is all gone, but nobody knows it.
MS. EULER: I can't tell you where that money is or what's going to happen. All I can tell you is that we're trying to find out and we're doing everything we can to protect Missouri consumers.

MR. RENN: I'll just throw something out and I don't know if there's any other questions. I'm not trying to rush the thing, but I think the big conclusion is -- and I served at the Insurance Department for 14 years and had the opportunity to rise up to a division director level, and, right after, it was created as a department. And, you know, it's like anything else, you know, the insurance industry, the preneed industry. And I think it's great that the legislators are here today because they get to hear firsthand what's going on. You've got to come up with a mechanism, you know, if you want this type of stuff to not occur again, certainly something of this magnitude, you've got to allow competition, you've got to allow for innovation, creativity. There's entrepreneurs everywhere, but you've got to be able to screen out the crooks. And the best way to do that is through examination, realistic examination processes, how do you fund that, where does the tax money come from, you know. Should the guy that's
buying the carton of milk pay for the -- you know, the screening of the funeral since everybody is going to die? Maybe so. It's, you know, the sales tax. Does the preneed industry, do the funeral homes, you know, is there a surcharge on a funeral? You know, you can get creative with these ideas, but you've got to fund what you need and you've got to be willing, and this is always I hear catch-22. I've heard that term thrown around. It's usually the guys that are doing everything right --

MR. MEYERS: That get burned.

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

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

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

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

REPRESENTATIVE MEADOWS: Thank you.

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

MR. STROUD: Larry Stroud; I'm the MFDEA
president. On behalf of our board and our members, I
appreciate the Representative Meadows and Senator
Scott, you, the Texas regulators, everyone that's in
receivership, the State Board for the hard work, and I
feel like a very speedy recovery compared to what it
could have been. This could have been dragging on for
two years, so I know we're all anxious to get our
monies as soon as possible, but I think this process
has gone very well, and, like I said, very speedy, and
that's what we want. And if we could speed it up a
little bit more, that's fine. But, otherwise, you
really do have our gratitude for what you've all done,
and on behalf of the MFDEA board and our members, we
really appreciate the endeavors. Thank you.
MR. RENN: As long as we're kind of extending commendations, I would -- and this is probably best said to the Representative, and I wish Senator Scott was here. One of the things that helped this move as quickly as it did was early notification by the department and the attorney general's office and getting the Guaranty Associations involved. And regardless of who's, you know, over there on the end of Madison Street after November or who's running the AG's office or anything like that, that's what really -- at least from an insurance insolvency standpoint, that's the critical deal is to get in quickly enough so we can be -- the Guaranty Associations. And we're going to pick up a big tab, but it's a lot more comforting to at least, you know, get to watch the sausage being made, you know, and that's what's happened here is that they engaged us early on. And it's not just me, the NOGA people, the national organization worked tremendously on it in cooperation with the Texas folks, and I thank you guys for getting us plugged in early. Thank you.

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

MR. FULLER: Thanks for inviting us.
MS. EULER: It's been very helpful.

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

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

(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: __________________________