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Regulators, insurance group near settlement on prepaid funerals

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A settlement could be completed in the next few weeks that would protect consumers who bought prepaid funeral plans backed by National Prearranged Services Inc. of Clayton and two Texas-based insurance companies, say Texas regulators and an insurance association.

Meanwhile, Texas authorities made public a document indicating that National Prearranged Services had liabilities of more than \$1 billion and a negative net worth of \$949 million. The company sold prepaid burial plans to more than 200,000 individuals in all 50 states.

Earlier this year, NPS agreed to stop selling prepaid contracts after Texas regulators determined that it and the two Texas insurance companies were in a "hazardous financial condition." Texas regulators took control of the companies in May.

Texas Insurance Commissioner Mike Geeslin said a proposal approved by the National Organization of Life and Health Insurance Guaranty Associations, or Nolhiga, would pay funeral homes the face amount of insurance policies purchased to back the prepaid contracts.

The guaranty associations protect policyholders when an insurance company goes out of business or becomes insolvent. The associations cooperate with state insurance officials and receivers in determining whether a company can be rehabilitated or if the policies should be transferred to a healthy company.

The NPS plan, which isn't yet final, calls for liquidating Lincoln Memorial Life Insurance Co. and Memorial Service Life Insurance Co., both affiliates of NPS and Forever Enterprises Inc. of Clayton.

Douglas Cassity, formerly of Springfield, Mo., founded NPS in 1979, but the family trust that owns the companies is owned by his wife, Rhonda, and two sons, Brent, of Clayton, and Tyler.

Documents available at a Lincoln Memorial website indicate that Lincoln has liabilities of \$311 million and assets of \$278 million, for a negative net worth of \$32 million. Memorial Services had liabilities of \$136.8 million and assets of \$457,012, for a negative net worth of \$136.4 million.

A spokesman for the Texas insurance department said the proposed settlement probably would be filed in a Texas state court in about two weeks. The Texas court appointed that state's insurance department as receiver for the insurance companies, which are based in Texas.

Under the settlement, insurance guaranty associations would pay death benefits to funeral homes that are named in the prepaid contracts as the funerals occur. The benefits probably would be limited to the face amount of insurance policies purchased to back the contracts.

It would be up to the funeral homes to decide whether to bear any difference between the contract price and the actual cost of the funeral or to charge consumers for the difference.

However, one funeral industry source said many funeral homes are likely to pick up any increases due to inflation. The actual charges covered could vary, depending on the terms of each consumer's contract.

Peter Gallanis, president of Nohiga, said "funeral homes benefit from the plan because they will receive the insurance policy death benefit after providing burial services." Guaranty associations would pay the benefits directly to funeral homes rather than to NPS.

The Texas department recommends that consumers continue paying premiums required by their prepaid contracts and to pay any past due premiums to keep the policies in force while the plan is being completed. Failure to pay premiums could mean the guaranty associations would not pay benefits.

Todd Mahn, whose family runs funeral homes in De Soto and Festus, said some funeral homes had been concerned that they would not be paid the face amount of the insurance policies. But he said consumers shouldn't worry that their funerals won't be covered.

"To this date, I don't know of any family that's had any problem having their funeral taken care of," Mahn said.

He said the failure of NPS and its affiliated companies could change the way prepaid contracts are sold. Missouri regulators and state legislators are working to revise the law covering the sale of prepaid funeral contracts.

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