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United States Attorney's Office
Eastern District of Missouri

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National Prearranged Services, Inc. Controlling Officials Indicted

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ST. LOUIS, MO—The United States Attorney's Office announced the indictments of six controlling officials of National Prearranged Services, Inc., in a 50-count indictment charging wire, bank, mail, and insurance fraud; money laundering; and multiple conspiracy charges involving the sale of pre-paid funeral services.

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The indictment states that after taking into account insurance and trust assets expected to be available to pay for future funeral services, and merchandise under prearranged funeral contracts sold by National Prearranged Services, Inc., (NPS), the loss to purchasers, funeral homes, and state insurance guarantee associations will range from \$450,000,000 to \$600,000,000.

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According to the indictment, individuals who purchased a prearranged funeral contract from NPS, signed contracts which set forth the terms of that contract. The total price for the funeral services and merchandise was agreed upon, and would remain constant regardless of when the funeral services and merchandise would be needed. The purchaser could pay the agreed upon price either in full, or by periodic installments. NPS agreed to arrange for the funeral with the funeral home designated in the agreement upon the death of the person for whom the contract was purchased. In order to secure the performance of the prearranged funeral contract, a third party received the deposited funds. In Missouri, the purchaser and NPS agreed that the payments made under the contract after the initial 20 percent were to be deposited into a trust with a financial institution, such as a bank, as trustee. The seller of a contract was permitted to retain for its own use, the initial 20 percent deposited by the purchaser. In other states, such as Ohio, Illinois, and Tennessee, the purchaser and NPS agreed that the purchaser would apply for a life insurance policy which would fund the prearranged funeral contract when the funeral services were needed. Beginning in 1983, NPS entered into agreements with several financial institution to act as trustees of the various trusts which were established to hold the funds paid by the purchasers located in Missouri.

The indictment alleges that instead of making the required deposits into trust or forwarding the insurance premiums as paid, NPS obtained insurance in a manner that allowed it to retain money received from purchasers that should have been deposited into trust or paid as a premium to an insurance company. Since NPS and the insurance companies from whom policies were obtained were controlled by the defendants, NPS was able to pay substantially less than the amounts which should have either been deposited into the trusts or to the insurance companies.

According the indictment, NPS borrowed large amounts of the cash surrender values of the insurance policies. NPS had no right to borrow the cash surrender values of these policies. These loans reduced the death benefits which would be available to pay for funeral services after the deaths of the purchasers. Additionally, the indictment alleges that the defendants concealed this practice from insurance regulators. In some instances, the defendants used money obtained from new purchasers to pay premiums of insurance policies on the lives of previous purchasers and also to reimburse funeral homes for the cost of funeral services for the earlier purchasers.

The indictment states that the defendant removed large amounts of money from prearranged funeral trusts established by NPS. This money was allegedly used to enable Doug Cassity to purchase residential real estate, to finance business projects for affiliated companies, to purchase a New York insurance company, Professional Liability Insurance Company of America (PLICA), and to pay personal expenses of Doug Cassity and his family.

Finally, count 49 charges Doug Cassity with insurance fraud for his participation in the insurance business, after being previously convicted of a felony, which prohibits him from engaging in the insurance business. Count 50 charges Randall Sutton, Brent Cassity, and Howard Wittner with permitting Doug Cassity to engage in the insurance business.

"IRS Criminal Investigation is committed to investigating individuals who allegedly use their businesses as personal piggy banks," said Toni Weirauch, Special Agent in Charge of IRS Criminal Investigation, St. Louis Field Office.

"The effects of this are not just felt by consumers who bought the policies, but also by local funeral homes who are often small, family-owned businesses," said J.R. Ball, AIC for the St. Louis Field Office of the U.S. Postal Inspection Service. He continued, "Any time the mail is trusted to exchange correspondence, Postal Inspectors will aggressively investigate those who use the mail to engage in fraud."

"It doesn't matter if a fraud scheme is simple, or as in this case elaborate and complex," said Dennis L. Baker, Special Agent in Charge of the FBI St. Louis Division. "It will be investigated regardless of resources needed, in a cooperative team as shown in this case."

In addition to the fraud charges, upon a finding of guilt, the defendants will be subject to a forfeiture allegation, which will require them to forfeit to the government all money derived from their illegal activity.

Indicted:

Randall K. Sutton, 65, Chesterfield, MO;
Sharon Nekol Province, 66, Ballwin, MO;
Doug Cassity, 64, Clayton, MO;
Brent Douglas Cassity, 43, Clayton, MO;
Howard A. Wittner, 73, Chesterfield, MO; and
David R. Wulf, 58, St. Louis County.

If convicted, the maximum penalty ranges for each of these charges range from five to 30 years in prison and/or from \$250,000 to \$1,000,000.

This case was investigated by the Federal Bureau of Investigation, Internal Revenue Service Criminal Investigation, and the Postal Inspection Service. Assistant United States Attorney's Steven Muchnick, Charles Birmingham, Stephen Casey, and Michael Reap are handling the case for the U.S. Attorney's Office.

As is always the case, charges set forth in an indictment are merely accusations and do not constitute proof of guilt. Every defendant is presumed to be innocent unless and until proven guilty.

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