

Funeral Service *Insider*

Independent News & Guidance for Funeral Home Owners and Operators

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Special Issue: Sales Secrets

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More Trouble in the Prairie State

Illinois Warns Against Business with NPS or Lincoln Memorial Life

Illinois FDs officially have one more thing to fret over.

Not only has the state master trust been stripped from the Illinois Funeral Directors Association because of a \$40 million debt (FSI 3/3/08), and not only have National Prearranged Services and Lincoln Memorial Life been the subject of rampant rumors concerning its solvency (FSI 2/4/08), but now the chief accountant for the state of Illinois has explicitly warned funeral homes against doing business with NPS/Lincoln Memorial.

“Under no circumstances should any licensee enter into a transaction with either Lincoln Memorial or NPS,” reads the letter sent earlier this month from the office of Daniel W. Hynes, Illinois state comptroller.

The letter goes on to urge funeral homes currently holding preneed contracts funded with Lincoln Memorial or NPS to “immediately secure all records of Lincoln Memorial/NPS transactions,” and to send copies of those records to the state comptroller’s office. And Illinois isn’t the only state taking a closer look at the company: The Texas Department of Insurance also has ordered Lincoln Memorial to stop selling new business.

How Safe Is My Money? FDs Wonder

In a brief e-mail response, NPS President Brent Cassity said only that Texas regulators have lifted the no-new-business order for Lincoln. But the Insider did talk to David Nixon of Nixon Consulting in Chatham, Ill., who knows as much about NPS as any consultant in the business. And he doesn’t like the sound of things at all.

“There are questions that firms invested with NPS and Lincoln should be asking right now,” says Nixon. “How secure is the money that I sent to either company? If I want to get the money out of these firms, how can I do that? If there is a run on the companies, how likely is it that I can

get my client-family's money back?"

Remember: In a roundabout way, the client-family's money is also *your* money. So if the preneed company can't pay, you're still obligated to provide the service—meaning **you could be out of pocket**. To Nixon, it all sounds a little too reminiscent of the Mecham Financial meltdown of the late '80s and early '90s. "Remember how funeral home owners were left holding the bag, hoping they wouldn't have to service too many Mecham families for free in one year?" he asks.

Why One Illinois FD Is Cautiously Optimistic

But others are taking a more sanguine approach. "You just have to take a real deep breath when these things happen, and just let them play out," says Randy Earl of Brintlinger and Earl Funeral Homes in Decatur. "NPS has been a good company for me. They've done everything they said they would do. I've never had a problem with my claims or anything. So I, like everyone else, am cautiously optimistic that this is going to be OK."

Earl's wait-and-see attitude extends to the state master trust fiasco, too. "Remember, there has not been \$1 lost to any consumer or to any funeral home," he says. "It's a market driven trust, and the market's been in the bucket."

Still, Nixon can't quite bring himself to be that hopeful. "We are seeing the painful maturation of preneed from a good ol' boy network of providers to a more regulated industry—regulated out of necessity—either from within or at state levels," he says.

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