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Task force calls for reforms of state oversight of pre-need funeral funds

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The Illinois Department of Financial and Professional Regulation, not the state comptroller's office, should regulate the pre-need funeral industry, according to a task force set up by the General Assembly.

Lawmakers created the task force last year, after a pre-need funeral trust fund once administered by the Illinois Funeral Directors Association collapsed and authorities shut down National Pre-Arranged Services, a Texas corporation that sold pre-need funeral contracts to an estimated 17,000 consumers in Illinois.

The task force report, made public Friday, was due Dec. 31. Rep. Dan Brady, R-Bloomington, said the report was late because of a series of last-minute changes requested by task-force members. Brady also acknowledged that politics could be at play.

"I don't know that the primary election had anything for sure to do with it, but I have my suspicions," Brady said.

State Comptroller Dan Hynes, who lost his bid to become governor in the February primary, is now responsible for regulating the pre-need funeral industry. Before the primary, Gov. Pat Quinn's campaign criticized Hynes for not catching the meltdown of the IFDA trust fund until the deficit had swelled to nearly \$40 million.

Hynes has said that the Department of Financial and Professional Regulation, not his office, is responsible for regulating trusts and that his staff called in DFPR after a review by the comptroller's staff found problems.

The trust was funded by life-insurance policies taken out on funeral directors and IFDA insiders who didn't die quickly enough for the trust to pay for funerals. Funeral directors on the hook for losses say they may lose more than \$100 million.

Carol Knowles, Hynes' spokeswoman, said in an email that the comptroller agreed with the recommendations of the 10-member task force. Officials with DFPR could not be reached for comment.

The report does not blame any government agency for the collapse of the IFDA fund or for failing to promptly discover the deficit.

The task force said DFPR should regulate the pre-need industry because the agency already licenses funeral directors and embalmers, and the Cemetery Oversight Act, signed into law in January, gives the agency the power to regulate cemeteries and some aspects of the funeral industry.

"To the greatest extent possible, Illinois should have a fully consolidated regulatory scheme," the report's authors wrote.

In addition, the task force recommended:

*Restrictions on what investments can be made with money in pre-need funeral trusts.

"The investment of those funds should be strictly limited to U.S. government-backed securities or other investments of equal creditworthiness," the authors wrote.

*A ban on pre-need funeral trustees engaging in business unrelated to pre-need funerals.

The IFDA made loans to funeral directors from the pre-need trust fund and also operated a museum, which is now closed. The task force wrote that the IFDA "may have deviated from its original purpose" and may have made investments and loans that "further detracted from its core mission."

*A requirement for transparency in the administration of pre-need funeral trusts.

Duane Marsh, IFDA executive director, could not be reached for comment.

Committee recommendations

*Illinois Department of Financial and Professional Regulation oversee pre-need funeral industry

*Limits on how pre-need funds be invested

*Bar trustees from engaging in unrelated businesses

*More transparency in administration of pre-need trusts

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