



How the problems surfaced for the Wisconsin Funeral Trust

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What tipped state regulators to problems in the Wisconsin Funeral Directors Association's "pre-need" investment plan?

Though the state departments of Financial Institutions and Justice eventually surfaced to take the point in investigations of multimillion-dollar shortages in the trust in July, red flags were raised almost a year ago at the Office of the Commissioner of Insurance (OCI).

The WFDA's Wisconsin Funeral Trust in 2009 set up its own insurance company, Requia Life Insurance. Requia underwrote life insurance policies sold to funeral customers as an alternative to investing in the trust, according to an affidavit filed by DFI investigator Scott Conwell.

A separate entity, Wisconsin Funeral Director Services, a for-profit corporation, was established to provide services to the trust. The trust then paid royalties to the service company for use of the association's logo, name and membership list, an amount totaling \$460,632 for 2010 and 2011. As Conwell put it: The WFDA, in addition to getting management fees, "is paying itself with investor funds for the use of its own name and trademarks."

In a routine audit of Requia last November, OCI raised concerns about the funding level of Requia's parent company, the trust, according to DFI spokesman George Althoff.

The DOJ joined in, and the three state agencies spent the next several months reviewing the trust. In July, DFI identified potential violations of state securities laws. "At that point, DFI and DOJ moved quickly to seek court action placing the WFDA in receivership," Althoff said.

Asked if DFI reviewed the Wisconsin Funeral Trust prior to the investigation, Althoff said the agency has the authority to examine trust companies every 18 months but does not review every individual trust account held by a particular company.

"As part of an exam, a random sampling of individual trust accounts is reviewed by the DFI examiner to ensure that the company is acting in accordance with the trusts' agreements," he said. "Fiduciary Partners, the company that has held the WFDA Trust account since 2004, has been examined on schedule during that time."

An individual trust account would not be singled out for review unless DFI had reasons to do so, he said, adding that DFI has never received a complaint about the WFDA Trust.

