

Discussion of Iowa Insurance Division's Report to the Government Oversight Committee

Regarding Regulation of Preneed Funeral and Cemetery Sellers

& Perpetual Care Cemeteries

March 19, 2013

Presented by Dennis Britson, Director, Regulated Industries Unit

Securities and Regulated Industries Bureau, Iowa Insurance Division

- I. The Insurance Division has observed a number of trends in funeral and burial practices that are significant.
 - a. The number of cremation services nationally and in Iowa is growing, because of reduced costs and greater acceptance of cremation.
 - b. For various reasons, with cremation trends as one of the largest reasons, consumers have been choosing lower-cost options at the time of a death. This results in less revenue per service for funeral homes and cemeteries.
 - c. These trends tend to be driving businesses to consolidate and merge or to change their business models in order to reduce or spread out their overhead and other fixed costs.
 - d. It is harder for cemeteries to reduce or spread out their overhead and other fixed costs.

- II. Many cemeteries have inadequate financial resources. Most Iowa cemeteries are not Perpetual Care Cemeteries and have little or no endowment or trust funds. As a result, they have no ongoing source of revenue to pay their expenses if revenue from operations is inadequate or the cemetery is no longer operating and no longer has revenue from operations. We have observed that the income generated from Perpetual Care Cemetery trust funds is often inadequate to pay a cemetery's normal ongoing costs.
 - a. Since July 1, 2005, all new cemeteries commencing business in Iowa must be formed as perpetual care cemeteries.
 - b. Perpetual Care Cemeteries must establish a \$25,000 initial trust fund and deposit 20% of their revenue from the sale of interment spaces.
 - c. Principal may not be withdrawn from a Perpetual Care Cemetery trust fund – only trust income.

- d. Perpetual Care Cemetery trust funds create an ongoing source of revenue that will continue even after revenue from operations ceases.
 - e. Cemeteries sometimes encounter large, somewhat unexpected expenses from events like acts of nature, storms and otherwise, and vandalism that they can be unable to pay. Information about a couple of examples are attached.
- III. The Insurance Division does not have any recommendations at this time, but we are studying the issues and possible options.
- IV. Questions & Discussion.





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Dec. 2011: Work to build a retaining wall at Oak Grove Cemetery in Lehigh.

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LEHIGH, Iowa - More land is sliding into a ravine at an old cemetery near Lehigh where heavy rains caused erosion so severe that caskets, vaults and bones were exposed.

The damage at Oak Grove Cemetery happened in 2009 and 2010. A contractor volunteered last year to build an 18-foot retaining wall to prevent further damage.

The fence didn't last long. The middle section has collapsed and the rest appears to be failing as well. But no gravesites are exposed.

Phil Berglund, a member of the board of trustees that oversees the cemetery, told The Messenger in Fort Dodge that the damage is as bad as before.

The contractor doesn't know what is causing the problem. Berglund says trustees don't know what to do next.

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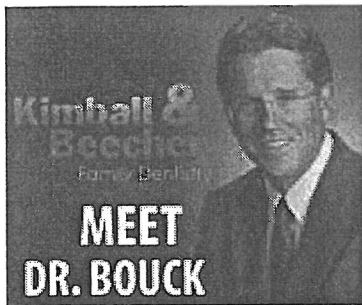
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Vinton's Evergreen Cemetery needs storm cleanup volunteers

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Posted: Jul 27, 2011 2:46 PM CDT

Written by Janelle Haible, Producer - email



VINTON (KWWL) - Vinton's Evergreen Cemetery needs volunteers to help clean up from July's severe storms. The 40-acre cemetery has many trees down from the high winds.

Crews will start work on Saturday, July 30th at 7:30 a.m. The cemetery asks that volunteers bring rakes and chain saws if they have them. Skid loaders and dump trucks are also needed. Lunch and cold drinks will be provided for the volunteers.

Call Tim Fuchs, Sexton of the Cemetery, at 319-213-4816 to volunteer.

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