

Arkansas Burial Association Board

MINUTES

Wednesday, August 22, 2012, 11 am
101 East Capitol, Little Rock, AR
Conference Room C
Board Meeting

Chairman David Powell called the meeting to order. Members present were: Vice Chairman, Sumner Brashears, Jacki McCray, Pete Sims, Scott Berna, Steve Ballard, Normal Gilchrest, and new member Sammie "Turner" James. Members absent were: Melanie Posey. Staff present: Amy S. Goode, Executive Secretary, James R. Brooke, Auditor and new attorney Mark Ohrenberger, Board Counsel.

1. Call to order, introduction of the Board, and welcome to our newest member

2. *Stuttgart Home Burial Association*

Executive Secretary gave an update to the Board concerning the reason the Association was on the agenda today. Chris Ross from C. D. Ross Funeral Home had requested to appear before the Board to perhaps take over the Association or become the contract funeral home. Hank McNabb and Chris Ross were both present at the meeting. Mr. McNabb informed the Board that he and Mr. Ross had communicated and with the Board's approval would like to name C. D. Ross Funeral Home as contract funeral home, and Mr. McNabb would still continue to operate the association as secretary-treasurer. The Board informed Mr. McNabb that as secretary-treasurer he could change the contract funeral home. Mr. McNabb stated the Association was overfunded and he would pay all funeral homes 100%.

3. *Gregg Burial Association update*

Ron Ott updated the Board that the IRS had refunded the money they had garnished due to the error of the account being in previous secretary-treasurer's Lovelis Hebert tax identification number.

4. *Yell County Burial Association*

Steve Uhrynowycz, Deputy Receiver was on hand to provide valuable information to the Board. Wonder State went into receivership in 2008 initially placed in rehabilitation then was put into liquidation in 2009. Policies of the Wonder State became responsibility of Life & Health Insurance Guaranty Association; Mr. Dick Horne oversees their Board and he has been trying diligently to find a carrier for Wonder State. Fidelity Standard Life entered into an assumption agreement and was approved by the Receivership Board in July 2012. Yell County Burial will still be a separate entity and Fidelity will maintain in a separate account. In the past Wonder State has sold two other times and whoever bought the company over saw the operation of the burial. Billings have been done on a quarterly basis, monies collected, and it's all deposited into Wonder State; then the Burial is taken out and placed into the Yell County Burial Association accounts. The Board staff believes it's in the best interest of the members to keep together since throughout the years policy holders have made one payment. If it were to be split it would cause tremendous confusion among the members. Mr. Uhrynowycz stated that the AR Insurance Department did review the transaction as well although they are not under their statute they are not required to approve it. The finance division and legal division reviewed as well and neither department had any issues.

Powell inquired if they would be domiciled here or Nebraska. Uhrynowycz stated they would be here in Brinkley. The insurance department will allow you to be a domestic and maintain records out of state with their permission.

Brashears stated we would need to contact Fidelity Standard to give them the two options under the Board's rules to follow. Either elect a secretary/treasurer or follow the rules for assumption. The Board directed the Executive Secretary to send copies of rules and regulations to Fidelity Standard.

5. Herndon-Cornelius Burial Association

Executive Secretary updated the Board about a New Business CD in the amount of \$25,000 that matured around May 8, 2012 and the CD was cashed out around that time. Instead of the funds being placed back into the Association, the owner of the contact funeral home took the funds for past claims the Association had previously charged off. Wendy Pharr owner of the funeral home had contacted the office stating they would not be able to put the money back by the deadline the Executive Secretary had given. Mrs. Pharr is here today to speak to the Board about the situation.

Wendy Pharr explained she did not completely understand the rules. She thought she was entitled to the money since their funeral home has lost a lot since they have bought the funeral home. They never get to pay themselves any claims. When she bought the funeral home the Association came with it. She has lost about \$75,000 since she has owned the business. Pharr stated she did take the money, but did not know she could not. She has paid back \$5,000 and explained not all of it was taken out. She is asking the Board to not require she put the money back. She gives a discount on all the funerals that have a burial association policy. She inquired from the Board if they had any suggestions to help her losses. Unfortunately, there are several associations in that position and Chairman Powell explained several funeral homes absorb those losses just as she had to do.

Auditor Bob Brooke explained that new business funds could not be used for old business claims and that the Association could not pay themselves for claims that had been previously charged off. Pharr stated she understood now. Brooke inquired if she had planned to take that money for some time or when had she decided to cash it out. He further stated he had been there May 7th and asked why he was not asked about the CD at that time.

Motion made by Brashears to defer for 30 days to allow Pharr to make restitution, seconded by Sims, all in favor. Motion carried.

6. Ricky Toney – Phatt Forms, Inc.

Mr. Toney appeared before the Board today to find out the qualifications to start a burial association. Executive Secretary informed the Board that the statute was recently changed to \$10,000. All applications and policies are to be approved by the Board and a bond is required. Mr. Toney is starting an investment firm that will seek investors to invest their allowable 25% operating expense. The Board informed Mr. Toney that they can invest their 25% in what they choose he did not need to seek Board approval. Board Member James informed Mr. Toney that there were some problems with what he was proposing and he would need to get approval from the Securities Department. Board thanked him for his time.

7. Administrative

Motion made by Brashears to approve the May 2012 minutes, seconded by Berna, all in favor. Motion carried.
Motion made by Sims to approve the May-June 2012 Trial Balance and DF& A financial documents, seconded by Gilcrest, all in favor. Motion carried.

8. Board Discussion

a. Drew County Burial Association update

Attorney Mark Ohrenberger updated the Board that Drew County ad filed a lawsuit against the Board it's a lawsuit for Declaratory Judgment. They are asking the courts to declare the Associations rights. This was served on the Board on July 24th and we have until August 23rd to file answer. Amy and I will be working on it together this afternoon to get the answer filed. The lawsuit essentially is being filed since the Board had denied the Associations plan of dissolution.

9. Adjournment

Motion by Brashears to adjourn since there was no further business to discuss, seconded by Berna, all in favor. Motion carried.

ATTEST:

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