

Before the Insurance Commissioner
Of the State of Arkansas

IN THE MATTER OF
JONES FUNERAL HOME, INC.

RESPONDENT

AID NO. 2011- 024

EMERGENCY ORDER

Now on this day the matter of Jones Funeral Home Inc. ("Respondent") is taken under consideration by Jay Bradford, Insurance Commissioner ("Commissioner"), with the Arkansas Insurance Department (the "Department") appearing through managing attorney, Booth Rand, and from the facts, matters and other items before him, the Commissioner finds as follows:

TEMPORARY FINDINGS PRESENTED

1. The Commissioner has jurisdiction over the sale and licensing of prepaid funeral benefit contracts and prepaid funeral benefit organizations in this State under Ark. Code Ann. §23-40-107(a).

2. The Commissioner has authority to summarily suspend any prepaid funeral benefits license issued by him on an emergency basis if the public health, safety, or welfare imperatively requires emergency action under Ark. Code Ann. §23-40-111(b)(4). Pending a promptly scheduled hearing, the Commissioner or his authorized representative may immediately suspend or prohibit disbursements or withdrawals from the trust fund by an organization if the Commissioner or his representative determines

that the organization has violated §23-40-114(a) in a manner sufficient to subject the organization to delinquency proceedings.

3. Pursuant to Ark. Code Ann. §23-40-120(b)(1), prepaid funeral contract benefit organizations are subject to examinations by the Department not less frequently than every three (3) years.

4. The Respondent, Jones Funeral Home Inc., of Crossett, Arkansas is licensed by the Department as a prepaid funeral benefit organization under Ark. Code Ann. §23-40-111.

5. The Respondent sells insurance-funded and cash-funded prepaid funeral benefit contracts in this State. For its cash-funded contracts, pursuant to Ark. Code Ann. §23-40-114(b), the Respondent operates under a Department approved trust agreement with First State Bank of Crossett to maintain or hold its collected cash funds from its cash-funded prepaid funeral benefit contracts.

6. On December 22, 2010, the Department issued to Respondent a Notice of Examination to begin an examination of Respondent's prepaid funeral benefit contract operations as of December 31, 2010 (hereafter, "Examination"). The Examination began on or about February 2, 2011. During the course of the Examination, the Department determined that approximately three-hundred and fifty thousand dollars (\$350,000.00) from five (5) certificates of deposit were missing or absent from the account or accounts of Respondent with its trustee Bank, First State Bank of Crossett. Prepaid funeral organizations are required to deposit all cash funds received from customers buying prepaid funeral contracts with a trustee bank under Ark. Code Ann. §23-40-114. These funds are required to be "held, invested and administered" under a trust agreement for

the benefit and protection of contract purchasers pursuant to Ark. Code Ann. §23-40-114(a). According to records obtained by the Department, the above referenced certificates of deposit were the entrusted funds represented and reported to the Department to be held with a trustee bank to fund its cash-funded prepaid funeral benefit contracts.

7. The Commissioner finds that Respondent does not have adequate cash funds entrusted to operate or finance its cash funded prepaid funeral contracts and is in violation of Ark. Code Ann. §23-40-114(a). Given that the total amount of missing or absent funds comprised approximately all of the funding for Respondent's cash-funded prepaid funeral contracts, the Commissioner finds that a public emergency exists under Ark. Code Ann. §23-40-111(b)(4) to issue this Emergency Order to summarily suspend the permit or license of the Respondent to engage in the business of prepaid funeral benefit contracts in this State, except as permitted under the terms of this Order, or any amendments to this Order.

8. A hearing shall promptly be scheduled on the issuance of this Order by a Notice of Public Hearing, to consider the terms of this Order as well as consider the issuance of a permanent Order related to the licensure and future operations of the Respondent in its administration of prepaid funeral benefit contracts in this State.

WHEREFORE, IT IS HEREBY ORDERED:

1. Respondent is prohibited from selling any new prepaid funeral benefit contracts after the date this Order is received by Respondent, or legal representative of Respondent, unless such new sales are approved in writing by the Department's Prepaid Funeral Benefits Division.

2. Upon receipt of this Order by Respondent, or Respondent's legal representative, Respondent shall permit immediate and full access to Department auditors or examiners to all books, records and accounts of the Respondent related to Respondent's prepaid funeral contract operations and accounts. The length of this access shall be for a reasonable time for the Department examiners to determine and account for, to the extent possible, all shortages of Respondent in its prepaid funeral benefit contract operations.

3. The Respondent shall be permitted to perform and provide funeral services and merchandise to meet its current outstanding prepaid funeral benefit contracts as such services or merchandise comes due; however, the Respondent shall not be permitted to make bank deposits or withdrawals on prepaid funeral contract funds or accounts, or engage in banking activities related to its prepaid funeral contracts unless or until the action is approved by the Department's Prepaid Funeral Benefits Division.

4. Respondent, or Respondent's legal representative, shall provide to the Commissioner on the date of the hearing on this matter, a detailed plan and explanation as to the disposition of the missing funds as referenced in this Order. The Respondent shall provide on the date of the hearing a plan as to its future operations with its prepaid funeral benefit contracts, as well as explain the manner and time period in which it either will or will not replace or provide the required cash funds into a trustee bank.

IT IS SO ORDERED this April day of 6, 2011

A handwritten signature in black ink, appearing to read "Jay Bradford", written over a horizontal line.

JAY BRADFORD
INSURANCE COMMISSIONER
ARKANSAS INSURANCE DEPARTMENT