



FOR IMMEDIATE RELEASE

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Division of Insurance Penalizes Pre-Need Funeral Provider; Neptune Society to Change Business Model

DORA's Division of Insurance ("Division") and Neptune Management Corporation, d/b/a The Neptune Society ("Neptune"), have come to an agreement to address charges previously filed against Neptune. One of the primary charges against Neptune was that the company inflated charges for funeral urns and other "merchandise" products, in order to reduce the quoted price for pre-need funeral services. By law, 75% of the price for pre-need funeral services, including cremation, must be placed in trust until the services are used.

Neptune agreed to pay a civil penalty of \$1.2 million, for violating provisions of Colorado Insurance Law. However, \$600,000 of the civil penalty will be waived if Neptune complies with the provisions to place consumer money in trust as specified in the stipulated agreement.

Neptune has just over 7,000 outstanding and unperformed preneed funeral contracts in the State of Colorado. The majority of these contracts have been paid in full by the consumer, and the remainder (866 contracts) are Installment Contracts in process of being paid.

"Consumers purchase pre-need funeral contracts to provide peace of mind for themselves and their family members," said Insurance Commissioner Marcy Morrison. "It is our responsibility to be sure consumers' interests are protected into the future. This agreement spells out our expectations for Neptune's business practices to be sure the money is available when it is time for consumers to use the services."

The investigation showed that Neptune did not place the required minimum of each consumer's money into trust. As part of the stipulated agreement, Neptune must add an amount to each trust account to bring the amount in trust up to 75% of the total price paid for the preneed contract less the retail price of the urn to the contract buyer.

The total amount of monies that must be trusted to comply with Colorado law is \$1,544,076.51. This will be placed in trust by Neptune with an initial amount of \$400,000 scheduled within 30 days of the date of the Final Agency Order; and additional amounts, as specified, placed in trust on or before June 1, 2010. This amount to be trusted is in addition to the civil penalty assessed.

Neptune shall deposit all future payments to the trust accounts within the time period as required by Colorado law.

The Division of Insurance received complaints concerning Neptune's business practices in April and July, 2008. Division staff investigated the complaints which resulted in a Notice of Charges being filed against Neptune at the Office of Administrative Courts on September 29, 2008.

The intent of this law is to protect the consumer's money against the possibility the contract is not fulfilled at a later date, whether the company is unable to fulfill the services, or whether the consumer chooses not to use them. For funeral services that were paid for in advance, consumers are entitled to the refund of the 85% of monies held in trust, if the consumer decides at a later time not to use Neptune services.

In addition, Neptune has agreed to provide the Division with documentation of the total number of outstanding and unperformed preneed contracts it has entered into with Colorado consumers, including information about which contracts are paid in full and which are installment contracts.

The investigation showed that Neptune did not have General Provider Agreements in place for many outstanding and unperformed preneed contracts it has entered into with Colorado consumers as required by law. A General Provider is an outside company that Neptune contracts with to perform cremation services at the time of need.

Neptune reported it has acquired a General Provider and formed a new business entity. Either that entity, or another general provider will perform the services under all outstanding and unperformed contracts. The name of Neptune's new business entity is Neptune Cremations of Colorado, Inc. ("Neptune Cremations").

Finally, Neptune has agreed to change its business model to allow consumer choices in which merchandise, if any, is purchased with the contract.

The Notice of Charges, stipulated agreement and final agency order can be viewed at the Division of Insurance website.

DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.

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