



Service Corporation International Buys Pre-Need Insurance Division of American Annuity Group and Forms New Financial Services Subsidiary

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HOUSTON, July 17 /PRNewswire/ -- Service Corporation International (NYSE: SRV) ("SCI"), the world's largest funeral and cemetery company, announced today that it will acquire the pre-need funeral services division of American Annuity Group Inc. (NYSE: AAG) ("AAG") of Cincinnati, Ohio for \$164 million cash.

The AAG operations to be acquired offer a variety of pre-need and final expense life insurance and annuity products to finance prearranged funerals. Based on pro-forma 1997 premiums, these insurers, which include American Memorial Life Insurance ("American Memorial"), rank as the fifth largest pre-need insurance provider in the U.S., own assets in excess of \$1 billion and are licensed in 46 states.

SCI has formed a new financial services subsidiary, SCI Financial Services, Inc., to facilitate the expansion of SCI's pre-need businesses and financial activities worldwide. The new company's operations will include prearranged funeral marketing, funeral and cemetery trust administration, investment management, life insurance operations and the lending activities of Provident Services, Inc., an existing SCI subsidiary which provides capital financing for independent funeral home and cemetery operations.

SCI Financial Services will coordinate the investment of over \$3 billion of pre-need funeral trust and insurance assets and over \$1 billion in cemetery trust assets, direct the marketing for over \$700 million in annual face amounts of prearranged funeral sales, administer over one million pre-need funeral trust and insurance contracts and oversee a finance operation with a loan portfolio in excess of \$250 million. Gregory L. Cauthen, Vice President and Treasurer of SCI, will oversee the operations of the new subsidiary.

R.L. Waltrip, Chairman and Chief Executive Officer of SCI, said, "SCI is a world leader in the provision of high quality funeral and cemetery services. This acquisition enables SCI to directly respond to the increased demand for alternative methods of paying for these services. The formation of our new subsidiary, SCI Financial Services, means we will be able to offer a comprehensive service to our client families. SCI's longstanding relationship with American Memorial makes them the logical choice to drive our expansion into the pre-need insurance business."

L. William Heiligbrodt, President and Chief Operating Officer of SCI, said, "The acquisition will be earnings accretive in 1999 and beyond and will provide significant opportunities for revenue synergies. We anticipate two key revenue enhancements: first, increased insurance revenue from pre-need business originated by SCI will be directed to American Memorial; and second, increased service revenue resulting from American Memorial's marketing and operational expertise and infrastructure. Expansion into the pre-need insurance business should prove to be a valuable competitive tool which will capitalize upon SCI's core competencies and enhance operations worldwide."

The acquisition is subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act and state insurance regulations in South Dakota, Montana and Arkansas. The transaction is expected to close in the fourth quarter of 1998.

As of June 30, 1998, SCI affiliates operated 3,292 funeral service locations, 422 cemeteries and 174 crematoria. SCI provides funeral and cemetery services in 18 countries on five continents.

SOURCE Service Corporation International

Web site: <http://www.sci-corp.com>

Company News On-Call: <http://www.prnewswire.com> or fax, 800-758-5804, ext. 104532

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