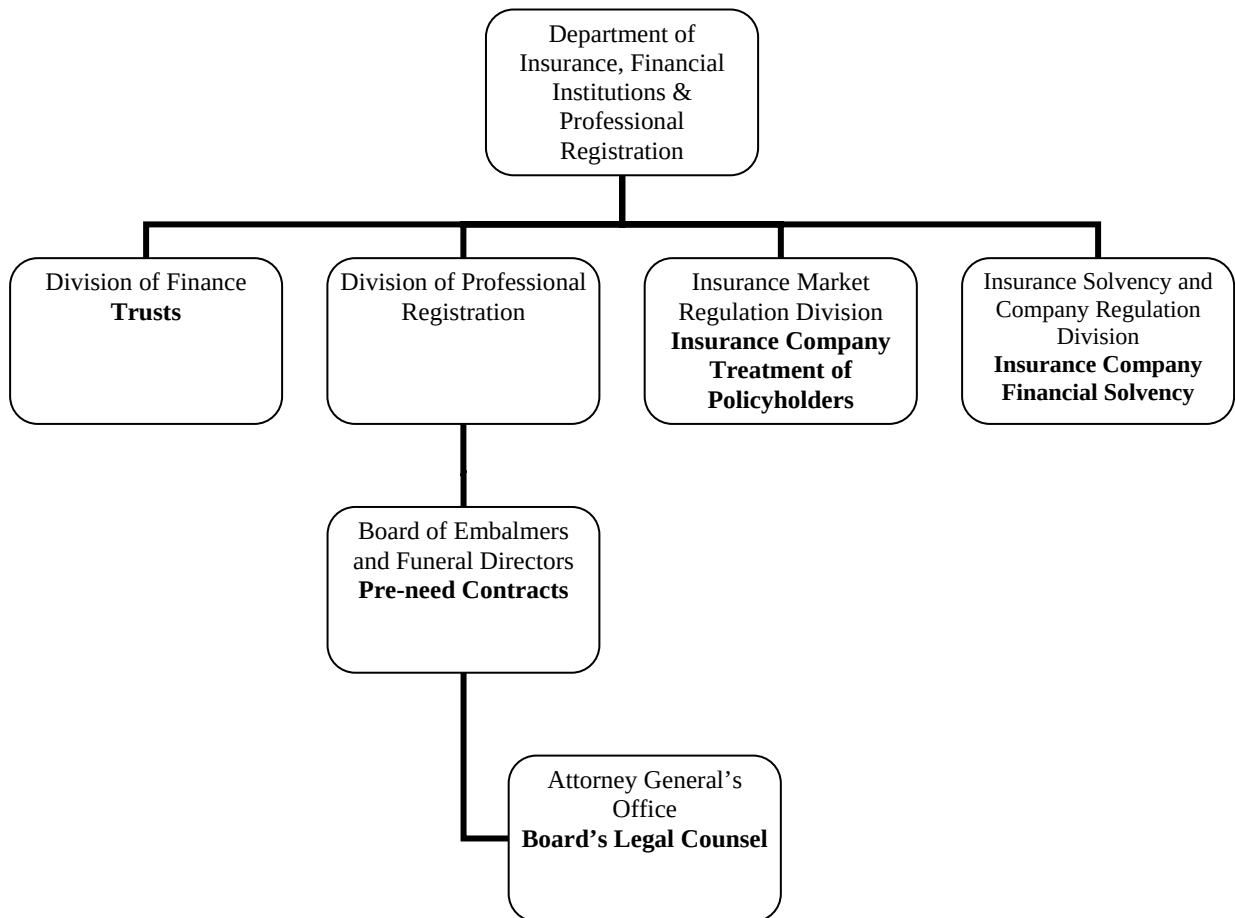


National Prearranged Services and Lincoln Memorial Life Insurance Company

Background Information

The organizational chart below generally describes each division involved with this investigation. The descriptions in bold generally describe the jurisdiction each division/board has over this matter.



National Prearranged Services (NPS) is registered with the Missouri State Board of Embalmers and Funeral Directors to sell pre-need funeral contracts in Missouri. Lincoln Memorial Life Insurance Company (Lincoln Memorial) is licensed with the Insurance Solvency and Company Regulation Division to conduct life insurance business, but the company is domiciled in Texas making the Texas Department of Insurance the primary regulator of the company.

In Missouri, pre-need funeral contracts written by NPS **may** have been funded by insurance policies issued by Lincoln Memorial for NPS's trust. Under Missouri law, 80 percent of funds collected for pre-need contracts are placed in a trust and investment decisions regarding the trust may be made by an independent investment advisor

Several months ago the Insurance Solvency and Company Regulation Division and Insurance Market Regulation Division began discussions with Texas regulators about Lincoln Memorial and NPS in an effort to determine how their business practices may impact pre-need contract holders. As discussions and investigations progressed several states, including Missouri, started to take action.

April 9, 2008 The Missouri State Board of Embalmers and Funeral Directors obtained a Memorandum of Understanding (MOU) with NPS to temporarily suspend all sales of pre-need contracts in the State of Missouri. The board took this action in order to sufficiently review NPS's business activities.

April 30, 2008 The Department Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration ordered Lincoln Memorial to immediately reverse the replacement of whole life policies and any policy loans that were made against the whole life insurance policies. The director took this important step to help protect pre-need contracts purchased by Missouri consumers.

May 9, 2008 The Department Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration obtained a consent order from Lincoln Memorial in which they agree to reverse the replacement of all whole life insurance policies including policies converted, surrendered or lapsed and reverse all policy loans made against the whole life policies. Lincoln Memorial will also provide the Insurance Market Regulation Division with full and complete access to all records needed to fulfill the order and report to the division on the progress of completing the order until full compliance is achieved.

May 14, 2008 The Texas Department of Insurance places NPS and Lincoln Memorial into receivership for purposes of rehabilitation. Representatives from NPS and Lincoln Memorial have consented to the receivership and signed an agreed order. A Texas county district court issued a permanent injunction restraining the companies and their agents from conducting company business and restraining other parties from taking any action against the property of NPS and Lincoln Memorial at this time.

Questions & Answers

What is a pre-need contract?

A pre-need contract is an arrangement which requires current payment of money for future delivery of funeral or burial services. The pre-need trust receives deposits, administers and disburses payments received under the contracts. All funds in a pre-need trust must be invested and reinvested by the trustee.

What concerns are being raised about NPS?

The Board has received information that NPS may have shortages in their pre-need trust accounts. Specifically, the Board has reason to believe that the trust accounts contain a **substantially and significantly** lower amount than the 80% of pre-need funds that are statutorily required to be in trust. The Board has received information that the trust primarily consists of term insurance policies and not cash. The trust may also have far less than the amount of pre-need funds that were transferred to the trust by other pre-need sellers/funeral establishments through “rollovers.”

Frankly, serious questions have been raised as to whether NPS will have sufficient funds to continue to pay its obligations on pre-need claims. Missouri and several other states are in the process of reviewing the financial records and business activities of NPS and the banks where trust funds were held.

What is Lincoln Memorial Insurance Company and how does it relate to NPS?

Lincoln Memorial is a Texas life insurance company. The Board understands that NPS is a general agent for Lincoln and that funds from NPS' pre-need trust may have been used to purchase insurance products from Lincoln Memorial. On April 9, 2008, the Texas Department of Insurance issued a Hazardous Financial Condition Order for both Lincoln Memorial and NPS. The Order was issued after Texas reported a significant amount of surrendered transactions by the companies at the end of 2006.

Is the Board investigating?

Yes. The Board has initiated a review of the NPS allegations under Chapter 436. As part of the review process, a third party investigation, audit or examination must be completed before the Board may take official action. The findings have to subsequently be reviewed by the Missouri Attorney General's Office and the Board. The statutorily required review process has not yet been completed but please be advised that the Board, along with regulators here and in other states, will continue to investigate what has happened. This process will take some time. **Meanwhile, consumers and licensees should obtain their own, independent assessment of their legal rights and potential remedies.**

Can NPS sell pre-need contracts?

Not at this time. On April 9, 2008, NPS signed a Memorandum of Understanding with the Board to suspend all pre-need contract sales in the state of Missouri. **Licensees should not be selling any NPS pre-need products at this time.** The Board felt this action was necessary in light of the questions that have been raised about NPS' business practices and its ability to honor its contracts in the future.

Is NPS still paying claims?

NPS has represented that claims are still being paid. However, licensees should contact their legal representatives if they have additional questions about claims or the safety of their funds. If you have not received payment for a pre-need claim or if you are a consumer who has not received a refund for an NPS pre-need policy, please contact the Board to file a complaint or reference the Board's Web site for the complaint form.

Can Lincoln Memorial do business in the state?

On March 17, 2008, the Texas Department of Insurance (TDI) issued a No New Business Directive for Lincoln Memorial to cease writing new business in all states.

What actions are you taking to protect Missouri consumers?

The board's memorandum of understanding and the director's order demonstrate the public actions the department is taking to protect Missouri pre-need contract holders. However, the department continues to investigate this matter to make informed and orderly decisions based on sound evidence to ensure Missouri consumers get the services and benefits they've been promised by NPS.

Why wasn't action taken sooner or why does it seem like we're getting limited information?

The department has and continues to take proactive steps to monitor this situation and to make decisions that are best for Missouri consumers. Different laws under various regulatory bodies limit the amount of information available to the public. This allows regulators to get a full picture of what's going on before jumping to conclusions which could point fingers at the wrong individuals or eliminate key players in this matter. Knee-jerk reactions could have a detrimental impact on Missouri consumers.

What information can the Board release?

The Board previously issued press releases on April 9, 2008 and April 16, 2008, to provide some initial information to the public and licensees. However, § 620.010.14(7) of the Revised Statutes of Missouri provides that information pertaining to a pre-need registrant is closed/confidential. As a result, the Board is restricted in the amount of additional information that can legally be released.

As the Board moves forward on these issues, we will make every effort to keep everyone informed to the fullest extent possible under applicable confidentiality requirements. Please remember, however, that we cannot offer legal advice concerning any claim for damages that an individual licensee or consumer may have against NPS, its banks, advisors, insurance companies, subsidiaries or any other private party.

Should I continue to make pre-need contract payments?

We are unable to make that determination for individuals at this time, but if consumers quit making payments, the Board has been advised that contracts are likely to lapse and consumers may not receive the contract benefits. Consumers and licensees should obtain their own, independent assessment of their legal rights and potential remedies.

Will I (funeral director) have to honor the contracts made by NPS?

We are unable to make that determination at this time, but we hope to have more information in the coming days. Meanwhile, consumers and licensees should obtain their own, independent assessment of their legal rights and potential remedies.

Who should I call if I have additional questions?

If you would like to file a complaint, you may refer to the Board's Web site **<http://www.pr.mo.gov/embalmers.asp>** for a complaint form, or contact the Board at (573) 751-0813. NPS also provided the Board with the following contact information. If consumers or funeral directors have additional questions, they may contact NPS by calling 314-726-6706 or 1-800-334-3851, e-mailing customerservice@n-p-s-inc.com or visiting www.npsnetwork.com.

As the Board moves forward on these issues, we will make every effort to keep everyone informed to the fullest extent possible under applicable confidentiality requirements. Once again, please remember that the Board cannot offer legal advice concerning any claim for damages that an individual licensee or consumer may have against NPS, its banks, advisors, insurance companies, subsidiaries or any other private party.