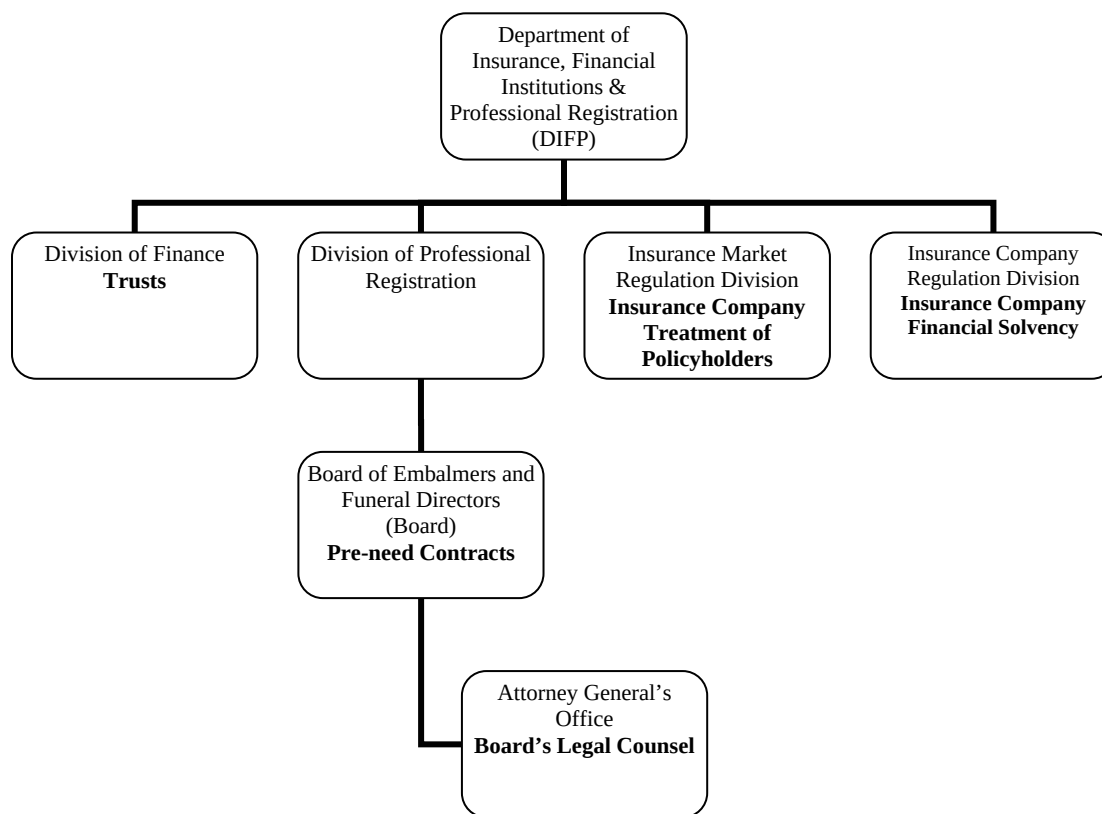




National Prearranged Services and Lincoln Memorial Life Insurance Company

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) was 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.

Timeline of Events

April 9, 2008	The Missouri State Board of Embalmers and Funeral Directors obtained a Memorandum of Understanding with NPS to temporarily suspend all sales of pre-need contracts in the State of Missouri.
April 30, 2008	The Department Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration (DIFP) 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.
May 9, 2008	The Department Director of DIFP obtained a consent order from Lincoln Memorial in which they agreed 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 consented to the receivership and signed an agreed order.
May 30, 2008	The Department Director of DIFP appointed special counsel, Miller Leornard, to investigate the events that led to the current hazardous financial condition of NPS and Lincoln Memorial. As part of his investigation, he will look into the circumstances following a 1994 consent judgment obtained by the Attorney General's Office to permanently control the actions of NPS and the administration of its trust and develop a report for the Missouri General Assembly with recommendations for legislative change.
June 25, 2008	The Board revoked the registration of NPS prohibiting the company from selling any new pre-need contracts in the state of Missouri.

Frequently Asked Questions

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 NPS trust may not contain all pre-need funds transferred from other pre-need sellers and funeral establishments through “rollovers” to the NPS trust.

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.

Can NPS sell pre-need contracts?

No. On June 25, 2008, the Board revoked the registration of NPS prohibiting the company from selling any new pre-need contracts in the state of Missouri. **Licensees should not be selling any NPS pre-need products at this time.** The Board thinks 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’ special deputy receiver has represented that claims are still being paid.

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.

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 revocation, the department director’s order to reverse term policies and the department director’s appointment of a special counsel 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. **Meanwhile, consumers and licensees should obtain their own, independent assessment of their legal rights and potential remedies.**

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.

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. Meanwhile, consumers and licensees should obtain their own, independent assessment of their legal rights and potential remedies.

Contact Information

- The department has established a free hotline (1-866-296-8801) and an e-mail address (consumeraffairs@insurance.mo.gov) and a web page (<http://pr.mo.gov/embalmers.asp>) to assist Missouri consumers and funeral directors who have purchased pre-need contracts from NPS. The hotline is available from 8 a.m. - 5 p.m., Monday - Friday.
- Consumers or funeral directors may get further information about a specific contract or file a complaint by using the contact information below:

Donna J. Garrett

Special Deputy Receiver

Memorial Service Life Insurance Company

Lincoln Memorial Life Insurance Company

National Prearranged Services, Inc.

Telephone: 1-800-334-3851 or 1-800-392-6706

Primary Fax Number: 314-726-5760

Secondary Fax Number: 314-726-3038

E-mail: customerservice@n-p-s-inc.com

Web site: <https://www.npsnetwork.com>.