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Governor
State of Missouri

Department of Insurance
Financial Institutions
and Professional Registration
Douglas M. Ommen, Director

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Department orders Lincoln Memorial Life Insurance Company to reverse business transactions to protect pre-need contract holders

JEFFERSON CITY, MO – Director Doug Ommen today ordered Lincoln Memorial Life Insurance Company to reverse previous business transactions to protect the financial security of consumers who have purchased pre-need contracts from National Prearranged Services.

The order states that Lincoln Memorial Life Insurance Company (Lincoln Memorial) issued whole life policies to the pre-need trust to cover the lives of those who purchased pre-need contracts through National Prearranged Services (NPS). Beginning in June 2000, Lincoln Memorial began replacing whole life insurance policies with term life insurance policies without the authorization of the trustee. The insurance company also made loans to NPS or NPS's investment advisor secured by the cash value and benefits of one or more of the whole life insurance policies without securing the consent of the pre-need trustee. Lincoln Memorial made such replacements and loans without notifying policyholders.

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.

Director Ommen's action orders the immediate reversal of the replacement of whole life policies and any policy loans that were made against the whole life insurance policies.

"Ordering this reversal of policies and loans is an important step in protecting pre-need contracts purchased by Missouri consumers," Ommen said. "Our department will continue to take every necessary action to ensure consumers get the services and benefits they've been promised."

The Insurance Market Regulation Division further requests that Lincoln Memorial refund all premiums paid for term life insurance policies in which a term policy was the only type of policy issued on pre-need contracts. The division also seeks monetary penalties and payment of investigation costs.

A hearing will occur on May 12, 2008 in order to show cause why the division's requests should not be granted against Lincoln Memorial.

On 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.

About the Missouri Department of Insurance, Financial Institutions & Professional Registration

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) is responsible for consumer protection through the regulation of financial industries and professionals. The department's seven divisions work to maintain consumer confidence by examining and monitoring industries and professions and by establishing coherent and evolving policies. DIFP works to enforce state regulations both efficiently and effectively while encouraging a competitive environment for industries and professions to ensure consumers have access to quality products.