

**Texas Department of Banking
Texas Department of Insurance
Joint Press Release**

To: Texas Funeral Homes with Outstanding Prepaid Funeral Benefit Contracts sold through National Prearranged Services, Inc. (NPS)

May 7, 2008

On April 9, 2008, the Texas Department of Banking (DOB) entered into an Agreed Order with NPS to stop selling prepaid funeral contracts (PFCs) in Texas and at the same time the Texas Department of Insurance (TDI) issued a Hazardous Financial Condition Order (HFCO) against Memorial Service Life Insurance Company (Memorial) and Lincoln Memorial Life Insurance Company (Lincoln). Both Memorial and Lincoln are prohibited from writing any new insurance policies in any state.

Prior to TDI issuing the April HFCO, both Lincoln and Memorial were under confidential supervision by TDI. During this period, the TDI supervisor issued a directive for the insurance companies to cease writing any new insurance business in all states as of March 17, 2008. Be assured that the TDI and the DOB continue to work with NPS, Memorial and Lincoln seeking a reasonable resolution to the current problems.

Both TDI and DOB have received numerous calls from funeral homes and Texas consumers inquiring about the status of the outstanding PFCs sold by NPS and the respective insurance policies funding the PFCs. A recap of the frequently asked questions and answers follow:

Frequently Asked Questions and Answers:

Q: How should I respond if a consumer asks me whether he/she should continue to make payments?

A: The DOB and TDI advise consumers to continue making their periodic premium payments to keep the PFC and policy in-force. In the event that Lincoln and Memorial encounter severe financial difficulties and are placed in liquidation, the insurance guaranty association can pay benefits under policies that are in-force.

If a Texas consumer stops paying premiums, the PFC will be voided and the policy will lapse and become a Reduced Paid-Up (RPU) policy. The RPU value in almost all cases will be less than the premiums the consumer has paid on the policy. The companies are unable to process and pay on such policy surrenders at this time. In the event of liquidation, the insurance guaranty association can pay benefits under RPU policies, assuming the RPU benefit is a contractual obligation under the policy or contract.

Q: Can I advise a consumer to cancel their PFC and insurance policy?

A: Funeral homes should not advise Texas consumers to cancel their PFCs and related insurance policies if the intent is to sell the consumer a new PFC with a different permit holder and insurance

company. This practice could harm the consumer since the cancellation benefit obtained from the insurance company will be significantly less than what the consumer has paid in. Remember, the companies are unable to process and pay on policy surrenders at this time.

However, if a consumer insists on canceling their PFC and insurance policy, it is recommended that the funeral home obtain a signed statement from the consumer acknowledging that the cancellation request is being made at his/her request, and that he or she understands that the companies are unable to pay surrenders at this time. The statement should also note that the cash surrender value of the policy will be less than premiums that have been paid in and that the cancellation was not initiated by the funeral home and/or a sales representative.

Q: Do consumers continue to send payments to the same address and made payable to the same company?

A: Yes.

Q: Do funeral homes continue to send claims to the same place and who is going to answer my questions?

A: Although NPS had a significant staff reduction on April 11, 2008, they are confident the remaining staff will be able to process your claims and assist you with questions. However, it is our understanding that current call volume is very high and NPS is asking for your patience and understanding. You may also contact NPS by email at customerservice@n-p-s-inc.com.

Q: A consumer bought a PFC from NPS on or after March 17, 2008. What happens to the PFC?

A: NPS has agreed to refund all amounts collected from consumers for PFCs sold since March 17, 2008, and is in the process of doing this. If you have a customer who has not received their refund, please ask them to contact the DOB.

Q: What is the likelihood that Memorial or Lincoln will pay the promised insurance policy benefits to funeral home providers or Texas consumers?

A: Memorial and Lincoln are paying death benefits under policies. If Memorial and Lincoln encounter severe financial problems and are liquidated, the insurance guaranty association will pay benefits under policies that are in-force at the time the death or surrender occurs.

Many consumers and funeral homes assigned their benefits under the insurance policies to NPS. In order to ensure that benefits reach the funeral home as quickly and as directly as possible, Memorial and Lincoln are working on having the benefits re-assigned to consumers and funeral homes. The assignments do not currently present major issues for consumers because NPS and Memorial are currently being managed together. Consumers will be updated promptly should events change which may affect these assignments.

Q: What is the likelihood that NPS will pay funeral homes the growth promised to service the PFCs?

A: As of today, NPS does not have the financial strength or capacity to pay funeral homes the promised growth.

Q: If NPS cannot pay a funeral home the promised growth, is the funeral home still required to honor the PFC?

A: Yes, the funeral home still has a contractual liability to honor the PFC at the time of need and also must provide NPS the paperwork required to verify the contract has been fulfilled. You must furnish the described PFC benefits specified in the contract, or provide their equivalent in quality, for the contract price as promised.

Q: Are the children/grandchildren death benefit policy riders still in effect?

A: Riders are part of the insurance policies. To the extent that the policy is in force at the time of death, the policy riders are also in force.

Q: Who should I contact for more information?

A: Consumers and insurance agents with questions about the status of the Memorial or Lincoln should contact TDI's Consumer Protection at (800) 252-3439. If you have questions about NPS or the Texas PFC permit, please contact the DOB toll-free at (877) 276-5554, at the menu prompt select (3) for Inquiries/Complaints, or call (512) 475-1285 directly.