

Receiver Moves To Liquidate Funeral Insurer

BY ALLISON BELL - NU Online News Service, Aug. 14, 2008, 3:15 p.m. EDT

Regulators are proceeding with efforts to shut down 2 sister funeral insurers and a marketing company affiliate.

Donna Garrett, the special deputy receiver of Lincoln Memorial Life Insurance Company, Memorial Service Life Insurance Company and National Prearranged Services Inc., Clayton, Mo., says she has filed a liquidation plan with the Texas receivership court.

The plan was developed by the special deputy receiver, the Texas Department of Insurance and the National Organization of Life and Health Insurance Guaranty Associations, according to Texas department officials.

The plan calls for state guaranty associations to pay the original insurance policy death benefits for Lincoln Memorial and Memorial Service policyholders.

The guaranty associations would not cover inflation growth adjustments or other riders or features that are not legally classified as insurance obligations, according to the special deputy receiver and officials with the Texas department and NOLHGA.

The adjustments “are not paid under the plan because guaranty associations are prevented by their laws from paying non-insurance obligations,” officials say.

The plan will take effect after the court approves it, officials say.

Representatives of the affected companies have not responded to telephone calls seeking comments about the companies’ dealings with regulators.

More than 100,000 consumers have funeral insurance policies written by Lincoln Memorial and Memorial Service and purchased through National Prearranged Services, officials estimate.

Regulators placed the 3 affiliated companies in receivership in May, after questions were raised about whether unauthorized transactions had led to the replacement of permanent funeral insurance policies with term life policies.

Under the terms of the settlement, guaranty associations will ignore policy loans, assignments, conversions and other policy transactions that might not have been authorized by the consumer, officials say.

The liquidation plan filing announcement includes expressions of support from Michael Geeslin, the Texas insurance commissioner; Linda Bohrer, the acting Missouri insurance director; Missouri Attorney General Jay Nixon; James Reinhard, chairman of the Missouri State Board of Embalmers and Funeral Directors; Stephanie Newberg, deputy commissioner of the Texas Department of Banking; and NOLHGA President Peter Gallanis.