National Funeral Directors Association

Information to Provide Consumers Concerning NPS Preneed Contracts & Proof of Claim Forms

In mid-August 2009, the Special Deputy Receiver overseeing the liquidation of National Prearranged Services (NPS), Lincoln Memorial Life Insurance Company (Lincoln) and Memorial Service Life Insurance Company (Memorial) began sending a Proof of Claim form to all preneed consumers whose contracts were funded through NPS. In the instructions that accompanied this form, consumers were informed that if they had a claim against NPS or the two insurance companies (Lincoln and/or Memorial), they needed to file this claim prior to January 23, 2010.

Not surprisingly, many consumers are confused regarding this Proof of Claim form. They are calling their funeral homes and asking what action they need to take in response to the letter from this Special Deputy Receiver.

The answer is that they do not need to do anything if their preneed contracts are guaranteed by the funeral home. Since the consumer will receive all of the funeral goods and services they contracted for when the death occurs, they do not have a claim against anyone. Therefore, they do not need to file a Proof of Claim form.

The only situation where a consumer might have a claim against NPS is in the case where the preneed contract is not guaranteed. If the funeral home did not guarantee the preneed contract and is taking a position that the preneed beneficiary's estate or survivors must pay the funeral home the difference between the price of the funeral goods and services at the time of need and the amount of the insurance proceeds that the funeral home receives from the state insurance guaranty fund, then the consumer has a claim against NPS for the potential shortfall. In that case, the funeral home might want to assist the consumer in making the claim. In all other cases, there is no need for the consumer to file a Proof of Claim form.

For those funeral homes that wish to inform their NPS preneed contract holders of this fact, NFDA has prepared a sample letter, which you can find on pages 3-4 of this PDF. ***Please send this letter only to those consumers holding guaranteed-price preneed contracts.*** Since this sample letter explains that the funeral home will honor the guaranteed price provisions of the contract, the funeral home should *not* send this letter to consumers if the preneed contract will not be guaranteed by the funeral home.

If you decide to use this sample letter, you will need to customize it by inserting the name of your funeral home on the blank lines. Also, if you have any restrictions on your price guarantee, you must modify this sample letter so it does not incorrectly describe what is and is not covered by the price guarantee.

Texas funeral homes should use the sample letter specially prepared for funeral homes in Texas (see pages 5-6) whose contracts were funded through Memorial and not through Lincoln.

NFDA members with questions regarding this matter may contact NFDA General Counsel Scott Gilligan at 513-871-6332 free of charge, another benefit of NFDA membership.

Note: You may copy the sample letter text on pages 3 and 5 from within this PDF and paste it into a word processing program in order to customize it.

[*NFDA's Sample Letter to NPS Preneed Consumers in All States – Other Than Texas*]

Dear _____: [*Insert Name of Contract Holder*]

As one of our valued preneed contract holders, _____ [*Insert Name of Funeral Home*] wants to provide you with information concerning funding for the preneed contract that you have with us. In the past few days, you might have received a letter from the Special Deputy Receiver from the state of Texas that is liquidating National Prearranged Services (NPS), Memorial Service Life Insurance Company and Lincoln Memorial Life Insurance Company. The letter would have informed you that you have a possible claim against these companies and that the deadline for making the claim is January 23, 2010. Consumers who have received this letter are often puzzled by what, if anything, they need to do.

Plain and simply, the answer is that you do *not* need to do anything in response to this letter. The prices for the funeral merchandise and services provided for in your preneed contract with _____ [*Insert Name of Funeral Home*] are guaranteed and will be carried out in accordance with the contract. You do not need to be concerned in any respect regarding your preneed contract or this letter from the Special Deputy Receiver.

The funds that you paid us when you signed the preneed contract were used to purchase a life insurance policy through Lincoln Memorial Life Insurance Company. The purchase of an insurance policy is the most common method of funding preneed funeral contracts. When the beneficiary of the policy dies, the proceeds of the policy are paid by the insurance company to the funeral home that provides funeral services for the beneficiary.

Earlier this year, the state of Texas took over Lincoln Memorial Life Insurance Company because it became insolvent. Fortunately, the insurance policies issued by Lincoln Memorial Life Insurance Company are all guaranteed by state insurance guaranty funds. Therefore, when _____

[*Insert Name of Funeral Home*] provides the funeral that you have contracted for, we will file a claim with our state Insurance Guaranty Fund and receive the full amount of the insurance policy.

We wanted you to have this information so that you could rest assured that the funeral arrangements you have made will be fully honored and carried out by _____ [*Insert Name of Funeral Home*]. If you have any questions or concerns, please feel free to contact us at _____ [*Insert funeral home phone number and/or email address*].

Sincerely yours,

[ADD NAME/SIGNATURE]

[***NFDA's Sample Letter to NPS Preneed Consumers for Texas Funeral Homes – ONLY***]

Dear _____: [*Insert Name of Contract Holder*]

As one of our valued preneed contract holders, _____ [*Insert Name of Funeral Home*] wants to provide you with information concerning the funding for the preneed contract that you have with us. In the past few days, you might have received a letter from the Special Deputy Receiver from the state of Texas that is liquidating National Prearranged Services (NPS), Memorial Service Life Insurance Company and Lincoln Memorial Life Insurance Company. The letter would have informed you that you have a possible claim against these companies and that the deadline for making the claim is January 23, 2010. Consumers who have received this letter are often puzzled by what, if anything, they need to do.

Plain and simply, the answer is that you do *not* need to do anything in response to this letter. The prices for the funeral merchandise and services provided for in your preneed contract with _____ [*Insert Name of Funeral Home*] are guaranteed and will be carried out in accordance with the contract. You do not need to be concerned in any respect regarding your preneed contract or this letter from the Special Deputy Receiver.

The funds that you paid us when you signed the preneed contract were used to purchase a life insurance policy through Memorial Service Life Insurance Company. The purchase of an insurance policy is the most common method of funding preneed funeral contracts. When the beneficiary of the policy dies, the proceeds of the policy are paid by the insurance company to the funeral home that provides funeral services for the beneficiary.

Earlier this year, the state of Texas took over Memorial Service Life Insurance Company because it became insolvent. Fortunately, the insurance policies issued by Memorial Service Life Insurance Company are all guaranteed by the Texas Insurance Guaranty Fund Association. Therefore, when

_____ [*Insert Name of Funeral Home*] provides the funeral that you have contracted for, we will file a claim with the Texas Insurance Guaranty Fund Association and receive the full amount of the insurance policy.

We wanted you to have this information so that you could rest assured that the funeral arrangements that you have made will be fully honored and carried out by _____ [*Insert Name of Funeral Home*]. If you have any questions or concerns, please feel free to contact us at _____ [*Insert funeral home phone number and/or email address*].

Sincerely yours,

[ADD NAME/SIGNATURE]