



INSTRUCTIONS FOR USE OF NFDA INSURANCE FORMS

Insurance is widely used to fund preneed and at-need funeral arrangements. In many cases, the ownership of existing insurance policies is assigned to a funeral home by a preneed consumer seeking to qualify for Medicaid benefits. In at-need situations, family members may be looking to assign the proceeds of a policy on the decedent's life to pay for the funeral. Therefore, with both preneed and at-need arrangements, it is critical that insurance policies and proceeds be properly assigned and paid to the funeral home. Toward that end, NFDA has assembled this packet of forms and information to assist its members.

Funeral homes should understand that many insurance companies have their own forms and some companies may not accept the generic forms contained in this packet.

Funeral homes should always contact the insurance company and ask whether it will accept these forms or if it requires the use of the insurance company's own forms.

- 1. Verifying Insurance Information for an At-Need Funeral Arrangement.** When arranging at-need funerals, a family member may prefer to pay all or part of the funeral bill by assigning insurance policy proceeds to the funeral home. Prior to accepting the assignment of the policy proceeds in payment, the funeral home will want to verify that the policy is in force, that the payor is the beneficiary of the policy, and what is the amount of the death benefits payable under the policy.

Unfortunately, because of federal privacy statutes, many insurance companies no longer readily provide this information to a funeral home. Therefore, funeral homes are unable to confirm whether policies are in force and how much the beneficiary will receive under the policy. Obviously, this presents major hurdles to the use of insurance proceeds as a means to fund an at-need funeral.

To obtain the necessary information, the beneficiary of the policy must sign an authorization form which directs the insurance company to release the information to the funeral home. NFDA Insurance Form No. 1 will satisfy the requirements of most insurance companies. However, some insurance companies may insist that their own authorization form be utilized. Therefore, funeral homes should contact the insurance company prior to forwarding NFDA Insurance Form No. 1 to obtain the requested information.

- 2. Verifying Insurance Information for Preneed Funding.** Prior to accepting an insurance policy as payment for a preneed contract, funeral homes will want to contact the insurance company and confirm that: (a) the insurance policy is in place and is current; (b) the dollar amount of proceeds that will be paid upon death; (c) the fact that there are no loans against the policy; (d) the purchaser of the preneed contract is the owner of the policy; and (e) the ownership of the policy can be transferred to the funeral home.

As a condition of releasing this information, most insurance companies will require the written authorization of the owner of the policy. NFDA Insurance Form No. 2 is designed to provide that authorization.

3. **Assigning Insurance Policy Proceeds to Fund At-Need Funeral.** NFDA Insurance Form No. 3, which is entitled “Assignment of Insurance Proceeds,” may be used by funeral homes when a family wishes to use insurance policy proceeds to fund an at-need funeral. Prior to submitting the Assignment of Insurance Proceeds form, the funeral home will want to verify that the policy is in place and confirm who are the beneficiaries under the policy. When obtaining this information, the funeral home should also determine if the insurance company has its own assignment forms or whether it will recognize NFDA Insurance Form No. 3 by which the beneficiary will assign policy proceeds to the funeral home to pay for the at-need funeral.
4. **Assigning Life Insurance Policy to Fund Preneed Contract.** When a consumer wishes to assign an insurance policy to a funeral home to fund a preneed funeral contract, it is necessary to file an assignment form with the insurance company to transfer the ownership of the policy. The first step a funeral home should undertake is to contact the insurance company and request its insurance assignment form. If the insurance company does not have its own form, the funeral home may use NFDA Insurance Form No. 4 to transfer the ownership of the policy.
5. **Using Surplus Preneed Funds for Spouse and Family of Medicaid Recipients.** Preneed consumers, who are Medicaid recipients, may direct that surplus funds be used to purchase preneed funeral services for a surviving spouse and preneed burial space items (casket, urn, vault, marker, opening and closing services) for immediate family members. When the Medicaid recipient makes preneed arrangements, if it is anticipated that surplus funds may remain after the funeral services are paid for, those surplus funds may be used to pay for preneed funeral services for the surviving spouse or preneed burial space items for other immediate family members. However, the key requirement is that those arrangements must be made prior to the death of the Medicaid recipient. Once that Medicaid recipient dies, it is generally **too late** to enter into preneed agreements that are paid for by the surplus funds. At that point, the only option is to return the surplus funds to the State’s Estate Recovery Program.

Although it is important to enter into contractual agreements regarding surplus funds while the Medicaid recipient is still alive, the standard preneed contract forms are not designed to address surplus funds. As a result, we have prepared the Addendum to Preneed Contract which is NFDA Insurance Form No. 5. The Addendum is designed to address the many uncertainties that will arise when pre-planning using the surplus funds of Medicaid recipients.

What are the uncertainties? First and foremost, no one will know if surplus funds will exist and how much they may be. The amount of surplus funds will depend in large part on when the Medicaid recipient dies. A \$10,000.00 insurance policy assigned to a

funeral home today will probably produce surplus funds if the Medicaid recipient dies next year. However, if the Medicaid recipient lives for another decade, there may not be surplus funds after the recipient's funeral is paid for.

Another factor that introduces uncertainty in these arrangements is that no one can predict the order of death for surviving spouses or immediate family members. In addition, the Medicaid recipient may want surplus funds to be set aside for particular family members depending upon when their deaths occur in relation to other family members. Another factor that needs to be addressed is whether the Medicaid recipient would only want to purchase particular burial space items, such as a grave plot, instead of the full range of the burial space items, such as caskets and vaults.

The Addendum attempts to deal with all of these contingencies. In the Addendum, the Medicaid recipient may indicate whether surplus funds are to be used for a spouse or immediate family member. In addition, if the Medicaid recipient wishes to establish a priority list among his or her family members for receipt of the funds, the recipient may do so, on the second page of the Addendum. The recipient may also select those particular burial space items which he or she wishes to purchase for immediate family members with the surplus funds.

As noted on NFDA Insurance Form No. 5, "immediate family members" include the Medicaid beneficiary's parents, minor or adult children (including adoptive and step-children), siblings (including adoptive and step-siblings), and the spouses of immediate family members. "Burial space" items include the casket, urn, burial vault, urn vault, grave plot, niche, mausoleum space, marker, monument and opening and closing fees.

It is important that the Addendum to Preneed Contract be attached to the preneed contract that is submitted to the Medicaid caseworker. This will help if the State later attempts to claim the surplus funds after the Medicaid recipient has died.

Although the Addendum to Preneed Contract is primarily designed to address surplus preneed funds remaining after the funeral of a preneed consumer who was a Medicaid beneficiary, it can also be utilized in non-Medicaid situations. If a preneed consumer assigns a large insurance policy to a funeral home to fund a preneed contract and a surplus is anticipated, the Addendum may be used when the consumer wishes to use the surplus to pay for funeral expenses of family members instead of directing it to be paid to an alternate beneficiary.

FAXBACK FORMS

- Doc # 1199 (1) Authorization for Disclosure of Insurance Policy Information for At-Need Funeral Arrangements
- Doc # 1201 (2) Authorization for Disclosure of Insurance Policy Information for Preneed Contract Arrangements
- Doc # 1200 (3) Assignment of Insurance Proceeds
- Doc # 1175 (4) Irrevocable Assignment of Policy Ownership
- Doc # 1186 (5) Addendum to Preneed Contract
- Doc # 1185 (6) Universal Claim for Death Benefits and Proof of Death Form