



**2015 ANNUAL REPORT**  
**PREPAID FUNERAL BENEFITS CONTRACTS**

**FORM COMPLETION INSTRUCTIONS & DEFINITIONS**

**GENERAL INSTRUCTIONS**

- It is only necessary to print and complete the forms that are applicable to the funeral home for the year ending December 31st. For example, if the funeral home only funds prepaid funeral benefits contracts via cash/trust and does not fund via insurance/annuity policies, only print and complete the Cash-Funded (Trust) Annual Report forms. There is no need to print and submit report forms with zero balances on funding types that are not used by the funeral home.
- The Annual Reports must be mailed in to the Department and must be received by the Department **on or before the deadline date**. If the Annual Reports are put in the mail the day before or the day of the deadline, they will most likely be received late. A late penalty will be assessed for any and all Annual Reports that are received by the Department after the deadline date. The Annual Reports should not be faxed in to the Department.
- To determine the correct annual report fee to remit with the reports, the gross (not net) contract totals of all active cash-funded, insurance-funded, and annuity-funded contracts should be combined (aggregated) first before referencing the fee schedule on Page 3 of 4. If the report totals are compared against the fee schedule separately, it might result in the annual report fee being underpaid by the licensee/funeral home, due to the tiered fee schedule.
- Please remember to attach the annual report fee payment (check or money order) to the completed, signed, and notarized forms. For 2015, any Annual Reports that are received by the Department without a fee payment will be returned to the licensee/funeral home as being an incomplete submission.
- Double check the annual report forms to ensure that all applicable signatures have been included and any notary public certifications have been done.

**CASH-FUNDED (TRUST), INSURANCE-FUNDED, AND ANNUITY-FUNDED REPORTS**

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"Affidavit of Seller" Section - Definition of "Affiant": There was some confusion on the 2014 Annual Report forms regarding what the term "Affiant" meant. "Affiant" is a fancy word for a "person who affirms" something. To reduce/eliminate the confusion, this has been renamed "Authorized Representative" on the 2015 Annual Report forms. There are two (2) blanks/spaces for authorized representative signatures . . . it is only necessary to have one (1) signature from the licensee/funeral home, unless the licensee/funeral home has more than one person completing and/or certifying the report.

"Notary Public" Section - State: In prior years, this item was already populated with "Arkansas," since the majority of prepaid funeral benefits licensees/funeral homes/cemeteries are headquartered in Arkansas. Since we do have an increasing number of licensees with corporate headquarters in other states, it was necessary to leave the "State Of" blank.

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Additional comments regarding "gross" versus "net" contract amount: The "gross" contract amount is the "bottom line total" which includes all guaranteed services, guaranteed merchandise, guaranteed or non-guaranteed cash accommodation (advance) items, estimated sales tax, or any other items that may be itemized and included in the pre-need contract total. The "gross" contract amount is the amount that must be totaled up to determine the Annual Report Fee due. "Net" contract amount is the amount remaining *after* deductions for other pledged policies, burial association policies, funeral home credits or discounts, etc. On cash-funded (trust) pre-need contracts, the "net" contract amount is the amount to be deposited into the trust account; on insurance- and annuity-funded pre-need contracts, it is typically the amount for which the insurance policy/annuity is issued.

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Additional comments regarding the In-Force Roll-Forward - Item (1): This is the BEGINNING contract count and gross contract amount as of January 1st of the year in review. It should be the same totals as were reported as the ending count/amount as of December 31st of the immediate prior year.

Count of "All New Sales" (newly-issued prepaid contracts during the year in review): The Department is comparing the counts of newly-issued prepaid contracts reported and paid on the quarterly statements against the counts reported on the annual reports. If there is a discrepancy between the quarterly reports and the annual reports, we will follow up with the licensee/funeral home.



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**CASH-FUNDED (TRUST) REPORT**

PAGE 2

"Trust Account Information" Section: Please report the Trustee Bank or Brokerage Firm and any cash-funded (trust) account number(s) under which prepaid funeral benefits cash-funded proceeds have been deposited. If the licensee/funeral home has multiple trust agreements and/or accounts under which funds are located, please attach a complete listing to the annual report.

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Additional comments regarding the In-Force Roll-Forward - Item (2): Net Contracts Proceeds Additions on existing cash-funded contracts for 20XX are any cash funds/payments received and deposited during the year in review on cash-funded (trust) contracts that were issued prior to the current year.

Additional comments regarding the In-Force Roll-Forward - Item (3): The Amount to report for "All New Sales" is the amount collected from the contract purchaser/customer and deposited into the trust account, not the gross contract amount. (Unless the entire amount was collected as a single payment on the front-end.)

Additional comments regarding the In-Force Roll-Forward - Item (9): **Un-Disbursed (or Un-Distributed) Net Investment Income (UNII)** (defined): Investment Income (II) is the income received from investment assets - before taxes - such as bonds, stocks, mutual funds, loans, etc.; may be in the form of interest payments, dividends, capital gains collected upon the sale of a security or other assets. Net Investment Income (NII) (as defined by A.C.A. § 23-40-103 Definitions, (7) is "(A) All revenue and earnings of the trust fund, including, but not limited to, interest, dividends, and capital gains; minus (B) Investment expenses, trustee's fees, capital losses, and all revenue and earnings on cash accommodation funds." Un-Disbursed (or Un-Distributed) Net Investment Income represents the amount that has not been withdrawn or distributed from the trust account(s).

Self-Reported "Deficiency Balances" on Cash-Funded (Trust) Prepaid Funeral Business: If the licensee/funeral home/cemetery self reports a "deficiency balance" on its cash-funded (trust) pre-need business as of year-end, then a detailed reconciliation must be attached to the annual report. Arkansas Prepaid Funeral Benefits Law requires that, if there exists a deficiency balances on a cash-funded (trust) prepaid funeral benefits account, the account be "made whole" by the licensee/funeral home/cemetery by depositing funds into the trust account(s) to bring the balance(s) up to a level sufficient to cover any and all existing prepaid funeral benefits contract liabilities.

Supporting documentation: The licensee/funeral home/cemetery needs to attach a complete, transactional statement from each trustee bank or brokerage firm for each trust account for the entire year in review.

**INSURANCE-FUNDED REPORT**

PAGE 1

Additional comment regarding required documentation/reporting: The in-force report provided to the licensee/funeral home by its insurance companies/third party administrators (TPAs) is not the same as an in-force listing maintained by the licensee/funeral home. The insurance companies'/TPAs' in-force report reflects policies, which is typically not the same thing as pre-need contracts. It is possible for a pre-need contract to be funded by 1, 2 or more insurance policies or annuities, so the policies report may not correctly reflect the number of pre-need contracts in-force as of a specific date. Additionally, a number of insurance companies/TPAs do not have "assignable benefits" totals on their in-force reports.

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Additional comments regarding the In-Force Roll-Forward - Item (2) Adjustments to 20XX Annual Report: Should reflect any in-force item totals that were missed on the immediate prior year's annual report, whether they be contracts that should have been included but were not, contracts that actually matured (due to death, cancellation, or outgoing re-assignment/transfer) prior to December 31st that should have been excluded, etc.

Additional comments regarding the In-Force Roll-Forward - Item (3) Gross Contracts Total of ALL NEW SALES for the calendar year 20XX: This new contracts count and gross contracts amount should be based on the **actual contract date**, not the policy issue/effective date, if the contract is funded by insurance/annuity policies. Sometimes, the pre-need contract date and the insurance/annuity policy issue/effective date are the same, but in a



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*Insurance-Funded Report, Page 4, Item (3) (continued)*

number of instances, there is a "lag time" of a few days between the date the licensee/funeral home executes the pre-need contract and the date on which the insurance company/TPA issues the policy in its system of record. This may impact contracts counts if the contract was executed toward the end of a quarter/year, but the insurance policy that funds the contract was not issued until after that period end.

Additional comments regarding the In-Force Roll-Forward - Item (4) Gross Contracts Total of ALL TERMINATED CONTRACTS in 20XX: Also the same as "matured," this includes contracts that are terminated due to (a) death of the contract purchaser/beneficiary (and performance of the at-need services), (b) cancellation of the pre-need contract at the request of the contract purchaser/beneficiary (as permitted by Arkansas Law, depending on revocability status), or (c) outgoing re-assignment/transfer to a substitute provider (also as permitted by Arkansas Law, depending on revocability status).

If there are multiple insurance companies/TPAs referenced on Page 4, it is preferred (but not required) that a separate in-force roll-forward page be completed for each funding source. If multiple in-force reports from multiple insurance companies/TPAs are combined/co-mingled into a single in-force roll-forward recap, it may make it more difficult to identify and/or resolve any in-force discrepancies that may be identified on the annual report.

**ANNUITY-FUNDED REPORT**

Please refer to the comments under the "Insurance-Funded Report" section on Pages 2 and 3. Items also applicable to the annuity-funded report.

**\*\*IMPORTANT\*\***

If you have any questions regarding the completion of these Annual Report forms, please don't hesitate to call or e-mail the Arkansas Insurance Department/Prepaid Funeral Benefits Division. Michelle Fahey (Administrative Specialist III) may be contacted by phone at (501) 371-2683 or by e-mail at [michelle.fahey@arkansas.gov](mailto:michelle.fahey@arkansas.gov). We will be glad to answer your inquiries/questions.