



## 2021 ANNUAL REPORT

### PREPAID FUNERAL BENEFITS CONTRACTS BUSINESS

# FORM COMPLETION INSTRUCTIONS & DEFINITIONS

## GENERAL INSTRUCTIONS

- The 2021 Annual Report is a **consolidated report form** with all three (3) funding types included:
  - **Page 1 - Licensee Name/Address/Contact Information:** Page 1 only needs to be completed once, instead of for each funding type. Toward the top of Page 1, check/select the applicable boxes for the funding type(s) being reported - Cash-Funded (Trust), Insurance-Funded, and/or Annuity-Funded.
  - **Page 2 - Affidavit of Licensee/Seller:** Page 2 only needs to be signed/notarized once, instead of for each funding type. The "Authorized Agent" is the person at the funeral home (owner, manager, office manager, etc.) who is completing the annual report form(s) and certifying its completeness and accuracy. If there is only one (1) person completing/certifying the annual report, then it is not necessary to have a second signature (Affiant 2). Page 2 must be notarized by a Notary Public. (The Notary must be a different person from the "Authorized Agent" - a person cannot notarize his/her own signature.)
  - **Page 3 - Annual Report Fee Schedule:** To determine the correct annual report fee due, the **gross** (not net) contract totals of all active cash-funded (trust), insurance-funded, and/or annuity-funded contracts **should be added together before** referencing the annual report fee schedule on Page 3. On the 2021 Annual Report form, we have again included fields for the gross \* contracts amounts to be entered for all three (3) funding types and a field for the combined total. The combined total of all "active" contracts as of 12-31-2021 should be referenced against the fee schedule to ensure that the correct annual report fee is paid. **Only one (1) check or money order should be issued for the combined total** - not multiple checks/money orders for the different funding types.  
*\*On cash/trust-funded, use the contract gross amount - **NOT** the amount collected - to determine the annual report fee.*
  - **Page 4A - Cash-Funded (Trust) Contracts In-Force:** To be completed by those prepaid licensees that have cash/trust-funded prepaid business. On the 2021 Annual Report, we have made the completion of Lines #6 - #13 optional, since they pertain to un-disbursed investment income and surplus funds . . . data that may not be readily available to the person completing the annual report. If that data is available, please go ahead and complete that section. If the total of Line #14 (Amount Collected = Trust Fund Liability) is less than the total of Line #15 (Trust Account Balance = Total Trust Fund Assets), then a detailed reconciliation must be attached to the report. **Deposit(s) to the trust account are required when shortages/deficiency balances are identified.**
  - **Page 4B - Insurance-Funded Contracts In-Force:** To be completed by those prepaid licensees that have insurance-funded prepaid business.
  - **Page 4C - Annuity-Funded Contracts In-Force:** To be completed by those prepaid licensees that have annuity-funded prepaid business.
- **Regarding Pages 4A, 4B, and 4C:** It is only necessary to print and complete the pages that are applicable to the prepaid licensee for the year ending December 31st. There is no need to print and submit report pages with zero balances on funding types that are not used by the prepaid licensee.
- The 2021 Annual Report must be mailed in to the Department and must be received by the Department **on or before the deadline date (close of business on Tuesday, March 15, 2022)**. If the Annual Reports are put in the mail the day before or the day of the deadline, they will be received late. A **late penalty will be assessed** for any and all 2021 Annual Reports that are received by the Department after the deadline date. The 2021 Annual Report should not be faxed in to the Department, since payment is required with the annual report.
- Please remember to attach the annual report fee payment (check, cashier's check, or money order - no cash) to the completed, signed, and notarized forms. **Any 2021 Annual Reports that are received by the Department without a fee payment, only partially completed, missing signatures/notary certifications, and/or missing attached exhibits/in-force reports, will be considered by the Department as being an incomplete submission.** An additional administrative penalty will be assessed for those reports on which multiple items (as referenced above) are missing as of the deadline date.
- Double check the annual report forms to ensure that (1) all items have been completed, (2) applicable signatures have been included, (3) any notary public certifications have been done, and (4) all supporting exhibits have been attached (i.e., funeral home inventory report(s), insurance company in-force report(s), bank/trustee statement(s) of account copies).



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#### **PAGE 2 - AFFIDAVIT OF LICENSEE/SELLER**

Affidavit of Seller Section - Definition of "Affiant": There has been some confusion in previous years as to what the term "Affiant" means. An "Affiant" is a person who affirms something. To reduce/eliminate the confusion, this was renamed "Authorized Agent" a couple of years ago. There are two (2) blanks/spaces for authorized agent signatures . . . it is only necessary to have one (1) authorized signature from the prepaid licensee, unless the prepaid licensee has *more than one* person completing and/or certifying the annual report.

#### **PAGE 3 - ANNUAL REPORT FEE SCHEDULE**

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, and/or any other items that may be itemized and included in the prepaid 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. To correctly calculate the annual report fee due to the Department, enter the Combined Gross Contracts Amount for "active" Cash-Funded (Trust), Insurance-Funded, and Annuity-Funded contracts (as of 12-31-2021) in the fields provided to calculate the Combined Total Contracts Amount. The **Combined Total Contracts Amount** should be referenced against the fee schedule. Only one (1) check or money order is needed . . . not a separate check or money order for each different funding type.

#### **PAGE 4A - CASH-FUNDED (TRUST) CONTRACTS IN-FORCE**

Additional comments regarding the In-Force Roll-Forward - Item (1): This is the BEGINNING contract count and collected 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.

Additional comments regarding the In-Force Roll-Forward - Item (2): Net Contracts Proceeds Additions on existing cash-funded contracts for 2021 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" in the column titled "Amount Collected" is the actual 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.)

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 reports 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 to identify the discrepancy. If new contracts are under-reported on the quarterly reports, payment of the under-paid amount will be required.

As mentioned on Page 1, on the 2021 Annual Report, we have made the completion of Lines #6 - #13 optional, since they pertain to un-disbursed investment income and surplus funds . . . data that may not be readily available to the person completing the annual report. If that data is available, please go ahead and complete that section.

"Trust Account Information" Section: The Trustee Bank or Broker/Dealer acting as Custodian and any cash-funded (trust) account number(s) under which prepaid funeral benefits cash-funded proceeds have been deposited should be disclosed. If the prepaid licensee has multiple trust agreements and/or accounts under which funds are located, please attach a complete listing to the annual report.

Self-Reported "Deficiency Balances" on Cash-Funded (Trust) Prepaid Funeral Business: If the prepaid licensee "self reports" a "deficiency balance" or "shortage" on its cash-funded (trust) prepaid 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 balance (shortage) on a cash-funded (trust) prepaid funeral benefits account, the account be "made whole" by the prepaid licensee 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 prepaid licensee must attach a **complete, transactional statement of account** from each trustee/bank or broker/dealer acting as custodian for each trust account for the entire year in review. Also provide a listing of all "active" cash/trust-funded prepaid contracts as of December 31st. (See Page 1 of the Annual Report form for a listing of required fields.)



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#### **PAGE 4B - INSURANCE-FUNDED CONTRACTS IN-FORCE**

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

Additional comments regarding the In-Force Roll-Forward - Item (2) Adjustments to 2020 Annual Report: This line is for corrections to the 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) as of 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 2021: 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 policies. Sometimes, the prepaid contract date and the insurance policy issue/effective date are the same, but in some instances, there is "lag time" of a few days between the date the prepaid licensee executes the prepaid contract and the date on which the insurance company 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 2021: 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 prepaid 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).

If there are multiple insurance companies/TPAs referenced on Page 4B, 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 makes it more difficult to identify and/or resolve any in-force discrepancies that may occur on the annual report.

#### **PAGE 4C – ANNUITY-FUNDED CONTRACTS IN-FORCE**

Please refer to the comments under the "Page 4B - Insurance-Funded Contracts In-Force" section above. Items are also applicable to the annuity-funded report.

Additional comments regarding the In-Force Roll-Forward - Column C "Amount Collected" on Annuity Contracts: This is the total amount collected on the annuity contract by the insurance company/TPA since the policy inception, not just the amount paid in during the year in-review.

### **\*\*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's Prepaid Funeral Benefits Division. The group e-mail address is [AID.Prepaid@arkansas.gov](mailto:AID.Prepaid@arkansas.gov) - e-mails sent to this address will be received by all Prepaid Funeral Benefits Division personnel. Or, you may call the AID main switchboard line at (501) 371-2600 and request the **Prepaid Funeral Benefits Division**. We will be glad to answer any questions you might have.

The 2021 Annual Reports should be mailed to:

Arkansas Department of Commerce  
Arkansas Insurance Department  
1 Commerce Way, Suite 502  
Little Rock, AR 72202-2087  
ATTN: Prepaid Funeral Benefits Division