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FINANCES

Accepting an insurance assignment might seem to be an easy and safe way to ensure you'll be paid for the funeral or cemetery services you provide, but it's not always so straightforward. You need to know the potential pitfalls and common roadblocks you can face when dealing with this funding alternative.

Funeral and cemetery insurance assignments 101

Cash flow is necessary for the successful operation of your organization. The importance of cash flow in day-to-day operations cannot be overstated—even nonprofit cemeteries need to be able to pay their employees and suppliers. Therefore, you must make sure that each and every funeral and/or burial is fully paid for.

One the fastest and easiest way to do this, other than cash payment, is through insurance assignments.

However, is it really in your best interest to have your staff handle this huge responsibility of account receivable management (processing and payment of insurance assignment)? If such assignments are processed incorrectly, mistakes can create a negative cash flow for your funeral home and/or cemetery.

Accepting insurance assignments to pay for your services is an essential part of sustaining cash flow, but most funeral homes or insurance funding companies do not properly verify the life insurance prior to performing the funeral service.

The problem is that most funeral home and cemetery employees are not properly trained in the process of handing insurance assignment verification.

Most insurance funding companies include a strict recourse clause in their insurance assignments that does not fully protect your business interests. The result is increase financial risk for you.

Not properly verifying the life insurance policy poses significant risks. The life insurance may be contestable for several different reasons:

- The person the family thinks is the beneficiary may not be the actual beneficiary.
- There may be loans or a lien against the life insurance proceeds.

- The life policy may have been collaterally assigned.
- The policy may have a defect, such as the date of birth given in the application not matching the actual date of birth of the insured.
- The life policy may be a decreasing term or accidental death policy.

These are just a few of the details that, if not properly verified, could compromise what the insurance assignment will pay. So it is critical to verify the life insurance policy properly to ensure your services will be properly and fully paid for.

I'm going to address a few of the issues you might run into when handling insurance assignments, and dispel some common misconceptions.

The insurance company might tell you it cannot release any information due to HIPAA regulations. This is incorrect. Life insurance information is not protected health information under the Health Insurance Portability and Accountability Act.

Under a related rule, covered entities may disclose a decedent's personal health information to family members and others involved in the decedent's care before death, and to a funeral director after death, in order for the funeral director to perform his/her duty.

The insurance company might demand a death certificate before releasing information. An insurance company *does* have legal basis to require a certified copy of the death certificate before it will release any information concerning the decedent.

An insurance company *does not* have a legal right to get a certified death certificate with cause and manner of death prior to paying benefits.

The deceased's employer might balk at releasing benefit information under

a group life insurance plan. ERISA (Employment Retirement Income Security Act) requires disclosure.

Employers intrude upon an employee's protected interest when the employer fails to provide the employee's personal information, with the employee's original contractual consent, to an individual, agent or entity acting on behalf of the employee or beneficiary.

The rights of a funeral home and/or cemetery are derived from the beneficiary. Therefore, an employer has a fiduciary duty to the funeral home and/or cemetery to disclose all material facts to you.

An employer cannot legally state that it can't verify information and that a packet will be sent to the beneficiary, which can take four to eight weeks to be received. Again, ERISA requires disclosure.

An employer or its third-party administrator has an immediate duty to disclose information to you; if it refuses, that is a violation of ERISA.

Research your state law's unfair settlement practice laws. Most states have laws that require insurance companies to disclose information once a claim has been reported. If insurance companies don't disclose information, they have violated

these unfair settlement practice laws.

A high percentage of unpaid insurance assignments are due to non-disclosure of information by insurance companies or erroneous verification by insurance companies.

In either case, your cash flow ends up being hurt, which is something few organizations can afford.

If you don't think that you or someone on your staff has the time to become fully knowledgeable about handling insurance assignments, there are many experts who do this for a living and could handle it for you. 