

# Ask The Expert

[Industry leader]

## The State of Funeral Funding

### Q&A with Steve Calloway

#### ■ Summary

**It may have started out as a small regional funding company in 2002, but following a name change and the combination of business professionals in 2007, Express Funeral Funding has gone on to become one of the largest funding companies of life insurance assignments for funeral homes and cemeteries in the United States. Steve Calloway, president of the New Albany, Ind.-based company, talks about the state of funeral funding and where the industry is headed. *Patti Martin Bartsche reports***

#### **What are the biggest changes you've seen in the funeral industry in the last 10 years?**

Funeral service providers, especially independent operators, are scrambling to find ways to offset the increasing pressure on profits resulting from changes in consumer preferences such as cremation versus traditional burial, rising cost of goods and services, pricing pressure from low-cost service providers and massive marketing campaigns of national funeral service providers. Cash flow is the lifeblood of every business to sustain profitability and enable growth. A significant change in the funeral industry in the last 10 years, and especially the last five years, is the large growth in the number of funeral homes using the services of a funding company. More and more funeral service providers are using funding companies to free up cash flow previously tied up in insurance assignment receivables and converting this nonproductive asset into a resource to support and grow their businesses. Ten years ago, many funeral homes were not familiar with a funding company. Today, more than 50 percent of funeral homes have used a funding company.

#### **What are the mistakes most often made by funeral directors when filing claims?**

There are two critical functions when taking a life insurance assign-

ment and filing a claim. The first is the verification of benefits, and the second is the submission of claim documents for payment.

A funeral director's greatest exposure to error is in the verification of benefits. Different types of individual and group policies require case specific information to be verified to accurately determine the amount of insurance benefit available. It can become an awkward situation for a funeral director and the family if funeral arrangements are selected based on a "verified" policy benefit that later turns out to be wrong and there is not enough funds to cover the funeral expense.

Mistakes when submitting claim documents for payment can occur if a funeral director is not familiar with a particular insurance company's procedures and all the required documents. This leads to back-and-forth communication between the insurance company, the funeral director and the family that further delays the payment of benefits.

We maintain the latest forms and procedures for every insurance company to provide fast, accurate verification and payment of benefits.

#### **What sets you apart from other similar companies?**

Express Funeral Funding is operated by seasoned professionals who combine experience in the insurance industry,



Steve Calloway

funeral industry, finance and sales to deliver a customer-driven marketing approach to serve our customers. We deliver competitively priced services with speed, accuracy and reliability. Our focus is on long-term customer relationships and delivering exceptional customer service every day.

We understand our customers' business and appreciate their concerns. We have developed and continually reinforce a business culture where our employees put the customer first, and we can tailor our services to meet the specific needs of a funeral service provider, their staff and families.

Express Funeral Funding has developed the most streamlined process in the industry with the least amount of time and paperwork required from the funeral home and family.

#### **How can firms improve cash flow?**

When funeral homes attempt to improve cash flow they typically look at ways to increase revenue or lower operating costs and overlook the potential to significantly increase cash flow by freeing up cash tied up in receivables waiting on payment for a life insurance assignment. With immediate payment on life insurance

## VIEWPOINT

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assignments, funeral homes free up cash that can be productively used for business promotion and expansion, debt reduction, early payment vendor discounts, etc.

### **What benefits do you provide to families? To funeral homes?**

Not only do we provide families with fast and easy access to cash for funeral expenses, we can also provide payment up to the full policy benefit amount to help families with additional financial needs. We provide fast and accurate verification of policy benefits with immediate payment to funeral homes. In addition to improving cash flow, funeral homes will eliminate the administrative time and cost associated with verifying benefits and preparation of claim documents.

### **What don't funeral homes understand about funding?**

Funeral homes understand the benefit of immediate payment, but many underestimate the amount of administrative time involved in accurately verifying claim benefits and completing different forms for each insurance company.

There are key pieces of information that must be verified to determine the final benefit amount for each different type of life insurance claim. Examples of different life insurance policies include individual life; group life for active, inactive and retirees; dependent coverage; basic life; voluntary life; accidental death; ported versus converted policies; age reducing; and several more. All of these policies have

different features that can affect the ultimate benefit amount and required paperwork to complete a claim. Group policies can be especially difficult as their benefit criteria may be different by insurance company and employer.

### **Should a funeral home work with multiple funding companies?**

The use of a single funding company is more efficient for the funeral home and eliminates the potential confusion and errors with using different forms and processes from multiple funding companies. However, large funeral service providers with multiple locations across several states frequently use more than one source for all their purchased goods and services, including funding companies. I would still use a single funding company for a specific location or geographic region.

### **How are you able to pay claims as soon as 24 hours?**

Our trained and experienced staff has developed relationships and procedures with insurance companies to streamline the verification of benefits and claim filing process. Upon verification of benefits, the funds are electronically deposited in the funeral home's bank account.

### **What are your thoughts about states that have found themselves with trust shortfalls because of financial mismanagement?**

In recent years we have seen trust shortfalls in Illinois, California and Wisconsin with combined losses in excess of \$65 million affecting hundreds

of funeral homes and thousands of families that invested in these preneed contracts. This is a black eye for the involved funeral director associations, a financial burden to the affected funeral homes and negatively affects consumer confidence in the funeral industry.

Preplanning of funeral services is beneficial to families and funeral service providers. Funeral director associations have a fiduciary responsibility to protect not only the funds but also the reputations of the funeral homes utilizing their services. As a result of the mishandling of a few states, other state association trust funds will be unjustly burdened with additional regulations and could see many of their members return to life insurance as the preferred means for preneed funding.

### **How can funeral firms best protect themselves financially?**

One of the most important keys to success for any business is proper cash flow management. This can be especially challenging for a business like a funeral home, which has mostly level monthly expenses and revenues that can vary dramatically from month to month. A business must have sufficient cash available for ongoing operations.

A company could have a large amount of accounts receivable on its balance sheet that increases their equity but still be short on cash needed to pay workers, vendors, bank loans, etc. If the business is not able to convert its accounts receivable to cash quickly, it could fail and be technically bankrupt despite a positive net worth.

To protect themselves, funeral homes need to maintain a sufficient cash balance or have access to immediate cash to cover the industry inherent variations in monthly cash flow. Using a funding company to convert accounts receivable into cash is a valuable resource available to funeral homes. •