

2020 PRE-NEED ANNUAL REPORT INSTRUCTIONS – MASTER TRUST ONLY

FILING REQUIREMENTS

- Pursuant to NEB. REV. STAT. § 12-1110 each pre-need seller shall file an Annual Report with the Nebraska Department of Insurance on or before June 1, 2021, on such forms as prescribed by the Nebraska Department of Insurance. All completed Annual Reports should be remitted to the following address:

State of Nebraska Department of Insurance
 1135 M Street, Suite 300 P.O. Box 82089
 Lincoln, NE 68501-2089
- Any pre-need seller who has discontinued making pre-need sales but who continues to have trust funds on deposit with a trustee(s) shall not be required to obtain a renewal of its pre-need seller license but shall be **required** to continue to file an Annual Report with the Nebraska Department of Insurance, as long as trust funds are being held,.
- Each pre-need seller maintaining branch locations may file a joint Annual Report **only if such branch locations are not separately licensed** and are part of the same licensed entity. All separately licensed pre-need sellers are required by law to file an Annual Report pursuant to NEB. REV. STAT. § 12-1110.
- The Annual Report shall contain the name and **complete street address** of each trustee with which the pre-need seller has trust funds on deposit, and the amount on deposit with each such trustee as of December 31, 2020.
- The Annual Report shall also include a list of all amounts retained as required by NEB. REV. STAT. § 12-1114, i.e. the cost-of-living-adjustment (CPI).
- Each Annual Report, when filed with the Nebraska Department of Insurance, shall be accompanied by a fee of fifty dollars (\$50.00).
- Each pre-need seller must use the table below to determine which forms to include in their annual report. If your business utilizes a combination of pre-need fund management methods, ensure that your annual report includes the forms indicated below for each method.

TRUSTING METHOD	Master Trust Account Method 1	Master Trust Account Method 2	Letter of Credit	Surety Bond
TREATMENT OF EXCESS INCOME	Allow income to accumulate in the trust account in lieu of CPI	Withdraw income in excess of CPI from trust account	N/A	N/A
ANNUAL REPORT MUST INCLUDE	Cover page and page 2	Cover page and page 2	Cover page and page 2	Cover page and page 2
	Schedule IB	Schedule IB	Attach copy of letter of credit	Attach copy of surety bond
	Schedule IVB	Schedule IIB		
		Schedule IIIB		
		Schedule IVB		

VIOLATIONS AND PENALTY

Pursuant to NEB. REV. STAT. § 12-1118, any person who violates any provision of the Burial Pre-Need Sale Act or who makes a report required under such act which is false or fraudulent shall be guilty of a Class II misdemeanor and his or her license shall be revoked.

LINE INSTRUCTIONS

COVER PAGE

- Line 1. Enter the name of the pre-need seller (company) as it appears on its Pre-Need Seller's license. Entering the name of the pre-need seller's owner or manager on this line is incorrect and may result in rejection of the Annual Report.
- Line 2. Enter the Federal Employer Identification Number or FEIN.
- Line 3. Enter the pre-need seller's main business address. If there is a mailing address which you prefer to use for correspondence, it can be entered **in addition to** the main business address.
- Line 4. Enter the pre-need seller's main business telephone number.
- Line 5. Enter the pre-need seller's current e-mail address. If none, state "None."
- Line 6. List all locations which are conducting pre-need business under the Pre-Need Seller's license number entered on line 2. These are considered branch locations. If none, state "None." Locations which are conducting pre-need business under a different Pre-Need Seller license number are considered separate pre-need sellers and should report their pre-need activity on a separate Annual Report.
- Line 7. Mark "Yes" if pre-need fund activity for more than one pre-need seller location is being included in this Annual Report. If this Annual Report contains activity for only one pre-need seller location, mark "No."

Certification

All lines in this section must be accurately completed by an authorized representative able to certify the truth and accuracy of the information contained in the Annual Report. Incompleteness in this section will result in rejection of the Annual Report.

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Letter of Credit/Surety Bond

Mark "Yes" if the pre-need seller utilized a letter of credit or surety bond during the 2020 calendar year. If all of the pre-need funds received during the year were trusted, this section does not apply and "No" should be marked.

If "Yes" is marked, a copy of the current letter of credit or surety bond must be attached to the Annual Report.

Pre-Need Agents Ceasing Employment in 2020

The Department is requesting the assistance of all pre-need sellers in maintaining accurate and up to date records of the pre-need agents associated with each pre-need seller.

Please use the table to provide the name, pre-need license number and date of the end of employment for each individual who ceased being a pre-need agent for your entity during 2020.

SCHEDULE IB

- Report all pre-need master trust account balances at their market value as of December 31, 2020, **except** balances from pre-need sales made before January 1, 1987. Only balances from pre-need sales made on or after January 1, 1987, should be reported on Schedule IB.
- The total balance amount from all Schedule IB pages used should equal the master trust account market value as of December 31, 2020 as shown on Schedule IVB, line 17.

SCHEDULE IIB

- Line 1. If using for preparation of Schedule IVB: Enter the market value of the master trust account balance as of December 31, 2019. This amount should be the same as the amount on the 2020 Schedule IVB, Line 1.
If using for preparation of Schedule IIIA: Enter the total trust account balance as of December 31, 2020. This amount should be the same as the amount on the 2020 Schedule IIIA, Line 1.
- Line 2. The percentage increase in the National CPI for 2020 was 1.3% or .013.
- Line 3. Multiply Line 1 by Line 2. Enter the result. This is the amount of income required to be retained in the trust account(s) in accordance with NEB. REV. STAT. § 12-1114. This is also the amount that should be carried over to line 23, on Schedule IVB or line 19 on Schedule IIIA.

SCHEDULE IIIB

Only complete Schedule IIIB if the pre-need seller intends to withdraw all or a portion of 2020 income available for distribution from the trust account(s) in 2021. A separate Schedule IIIB must be completed for each trustee. Do not complete this schedule if excess income will be allowed to accumulate in the trust account(s).

Use the lines provided to enter the number of the trust account from which excess income will be withdrawn, and the amount to be withdrawn from that account. Duplicates of Schedule IIIB are acceptable if additional space is needed. The total from all Schedule IIIB pages used should equal the amount on Schedule IIB, line 3.

SCHEDULE IVB

- Line 1. Enter the market value of the master trust account as of December 31, 2019 from the 2019 Annual Report. This amount should be confirmed by bank records.
- Line 2. Enter the amount of 2019 income that was distributed after January 1, 2020. This amount should be the same as that reflected on the 2019 Annual Report, Schedule IVB, Line 23 or Line 23(c). If the distribution amount differs from the 2019 Annual Report, Schedule IVB, Line 23 or Line 23(c), the difference must be explained or justified on the 2020 Annual Report. This can be done by including the difference directly on Schedule IVB, in an appropriate area of the schedule, with an explanatory notation by the difference. Alternatively, the difference can be explained in letter form.
- Line 3. Subtract line 2 from line 1 to arrive at the market value of the master trust account which has been adjusted for the 2020 excess income distribution.

Master Trust Principal Additions

- Line 4. Enter the gross total of all pre-need agreement receipts received during 2020. Pre-need receipts should be recorded **net** of the proceeds received for the following items:
- Lot
 - Grave space
 - Crypt or niche located in a mausoleum, columbarium or lawn crypt upon which construction has been substantially completed
 - Interest charged by the pre-need seller on an installment payment plan
 - Funds used for the perpetual care, endowed care or continual care and maintenance of item(s) sold in a pre-need sale (NEB. REV. STAT. § 12-1104)
- Line 5. If the pre-need seller opts to retain any amount up to 15% of pre-need sales, pursuant to NEB. REV. STAT. § 12-1104, enter the total of all amounts that were not placed into the trust accounts because of this allowable exclusion from trust requirements.
- Line 6. Subtract Line 5 from Line 4. Enter result.

Master Trust Principal Distributions

Report only those amounts which were actually disbursed during 2020 pursuant to NEB. REV. STAT. § 12-1113. Amounts which were eligible for disbursement due to the performance of the pre-need agreement, but which had not yet actually been disbursed at December 31, 2020, should be reported in the year in which the actual disbursement is made.

EXAMPLE: An agreement was performed on December 31, 2020. Funds from the corresponding trust account were not disbursed until January 1, 2021. This disbursement should not be included in the 2020 Annual Report because as of December 31, 2020, the funds were still in the trust account.

- Line 7. Enter the amount disbursed in 2020 due to performance of pre-need agreements. This amount should include all CPI and/or income retained in the trust account while it was active.
- Line 8. Enter the amount disbursed in 2020 due to cancellation or transfer of pre-need agreements. This amount should include all CPI and /or income retained in the trust account while it was active.
- Line 9. Enter the amount disbursed in 2020 due to partial or complete construction of mausoleums, columbariums, or lawn crypts. This amount should include all CPI and/or income retained in the trust account while it was active.
- Line 10. Add lines 7 through 9. Enter result.

Master Trust Income, Losses and Expenses

- Line 11. Enter the amount of gross realized gain earned by the master trust account(s) in 2020 and substantiated by bank records.

- Line 12. Enter the amount of gross realized loss sustained by the master trust account(s) in 2020 and substantiated by bank records.
- Line 13. Calculate the net realized gain or loss by subtracting line 12 from line 11.
- Line 14. The amount on line 14 should never exceed the amount on line 13. The pre-need seller is required to pay the trust account fees, expenses and taxes (FET) out of its own separate funds if the trust account did not make enough income to cover them. (NEB. REV. STAT. § 12-1113(2)(g))
- Enter the whole amount of FET incurred in 2020 only if the amount of net income on line 13 is equal to or greater than the amount of FET.
 - If line 13 shows net income but it is less than the whole amount of FET, only enter FET in the amount of the net income or less. Remaining FET must be paid out of the pre-need seller's own separate funds. If this situation occurs, the Department must receive confirmation of reimbursement to the master trust account of the FET portion to be paid by the pre-need seller. The confirmation may be in the form of a trustee statement showing the reimbursement transaction and must be attached to the annual report.
 - If the amount on line 13 is zero or a net loss, line 14 must be zero and the whole amount of FET must be paid out of the pre-need seller's own separate funds. If this situation occurs, the Department must receive confirmation of reimbursement to the master trust account of the FET amount to be paid by the pre-need seller. The confirmation may be in the form of a trustee statement showing the reimbursement transaction and must be attached to the annual report.
- Line 15. Enter the amount of gross unrealized gain earned by the master trust account(s) in 2020 and substantiated by bank records.
- Line 16. Enter the amount of gross unrealized loss sustained by the master trust account(s) in 2020 and substantiated by bank records.
- Line 17. Calculate the net unrealized gain or loss by subtracting line 16 from line 15.
- Line 18. Calculate the total net gain or loss of the master trust account in 2019 by combining the amounts on lines 13 and 17.
- Line 19. Calculate the master trust market value as of December 31, 2019. Line 3 + Line 6 – Line 10 + Line 11 – Line 12 – Line 14 + Line 15 – Line 16. Enter result.

Calculation of Trust Income Available for Distribution

- Line 20. Carry over the amount of master trust account net **REALIZED** income or net **REALIZED** loss from line 13. If the amount is a net loss, skip lines 21 through 23 and enter a zero on line 25. If amount is net income, go to line 21.
- Line 21. Carry over master trust administrative fees and expenses, including taxes, incurred by the master trust account in 2020, from line 14.
- Line 22. The total income that was distributed during the year as part of the disbursements included on lines 7, 8, or 9 (agreement performances, cancellations, transfers or construction), must be included on this line.
- Line 23. Carry over the amount of income required to be retained for 2020 from Schedule IIB, line 3.
- Line 24. Show any 2017, 2018, 2019 and/or CPI shortage as a positive amount.
- Line 25. Calculate 2020 master trust income available for distribution to the pre-need seller in 2021. Line 20 – line 21 – line 22 – line 23 – Line 24. If the result is a negative amount, enter zero on line 25; there is no excess 2020 income to distribute. If the result is a positive amount, enter this amount on line 25; this is the amount of 2020 income available for distribution.

Master Trust Account Market Value Adjusted for All 2019 Activity

- Line 26. If line 25 yields income available for distribution, the calculation of line 26 is dependent upon the pre-need seller's intended treatment of this income amount. The pre-need seller may choose: a). To retain the income available for distribution in the master trust account in lieu of the CPI for the year; b). To distribute the entire amount of income available for distribution; or c). To distribute a partial amount and retain the rest in the master trust account in lieu of CPI.
- a) If the entire amount of income available for distribution will be retained in the master trust account in lieu of CPI for 2020, mark "Yes" in the space provided and carry over the amount from line 19 to line 25. If you mark "No" to this option, continue to the next option.
 - b) If the entire amount of income available for distribution will be distributed in 2021, mark "Yes", subtract the amount on line 26 from the amount on line 19 and enter the result on line 25. If you mark "No" to this option, continue to the next option.

- c) If only part of the amount of income available for distribution will be distributed in 2021, with the rest remaining in the master trust account in lieu of CPI, enter the amount to be distributed on the line provided. Subtract the amount to be distributed from line 19 and enter the result on line 26.

Line 27. **2017 was the first year for this calculation.** If there are not enough earnings to take a distribution (per Schedule IIIB), the Pre-Need Seller must keep track of the deficiency, beginning in 2017. Please note, for 2020, if you are unable to pay any prior shortages, they are to be added to the 2020 report as one total amount.

Total Contract Obligations as of December 31, 2020

Line 28. Enter the amount of all pre-need agreements outstanding as of December 31, 2020, at cost or book value. This amount should consist of the cost of all pre-need agreements which remain in trust at December 31, 2020, and should include all income retained in the trust and all whole or partial disbursements from the trust made for any reason during 2020.