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White Paper

Five Steps to a High-Performance Estate Recovery Strategy:

Abstract

An aging U.S. population, soaring health costs, and economic downturn have created a dramatic increase in annual deceased debt of more than \$10 billion. Despite the billions of dollars at stake, organizations are wary about recovering on deceased receivable balances due to concerns over the sensitivity of the surviving families, the risks such recoveries may present to their reputations and relationships, and the unfamiliarity with this segment of their receivables portfolio.

Organizations typically deal with these sensitive accounts by outsourcing them to non-specialist collection agencies or law firms, by trying to recover using internal resources or by simply writing them off. Yet most organizations are overlooking the better way – the right way – to recover on deceased accounts receivable: utilizing probate. With up to 25% of all deceased accounts ending up in probate, probate recovery offers organizations the most effective and survivor-sensitive way to recover on deceased accounts. And, while the value of probate claims has long been recognized, an automated process to locate probated estates and file claims simply did not exist. Until now.

This white paper will look at a number of key demographic trends in the U.S., the impact of those trends, and the development of a new web-based technology that is redefining how organizations are recovering on their deceased receivables.



Introduction – A Demographic and Financial Time Bomb

It's an all-too-familiar scenario. Slumping revenues. Narrowed margins. Increased operating costs. Organizations today are facing unprecedented challenges from a combination of sources, including a difficult U.S. economy, high debt levels, and soaring healthcare costs. In combination with the worrisome macroeconomic environment, demographics in the U.S. are shifting as our population ages. Consider the following:

- The number of adults over the age of 65 will double over the next 40 years, from around 40 million today to nearly 90 million by 2050.
- The percentage of people over 65 will increase from one in eight today to one in five by 2050.
- People over the age of 65 account for nearly 75% of all deaths in the United States.
- The number of annual deaths within this age group will grow from around 2 million today to nearly 3.5 million over the next 40 years.

At the same time, the cost of medical care for this age group are far greater than at any other stage of life. The statistics speak for themselves:

- Half of typical lifetime healthcare expenditures are incurred after the age of 65. One third of lifetime expenditures are incurred after the age of 85 for those who live that long.
- 30% of Medicare's annual budget is spent on caring for recipients in their final six months of life – \$88 billion annually.
- Medicare spends \$80,000 caring for a single patient during their last six months of life; \$160,000 when the patient has cancer.

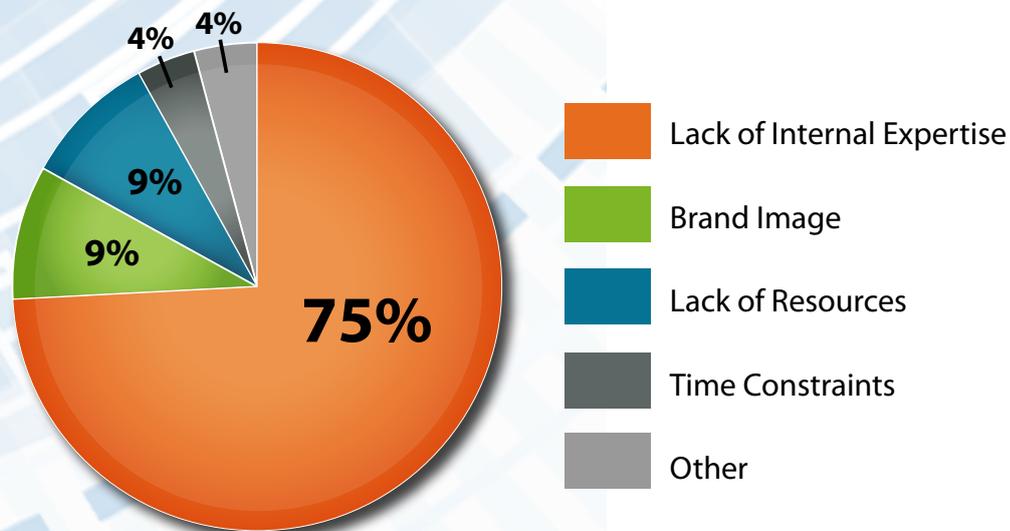
These trends are inescapable and provide a major challenge for creditors. How do organizations ensure fair payment from aging consumers who may happen to pass away before their debt is paid?



A Dilemma for Creditors

Given the dire economic situation, the continued graying of America and the ongoing rise in healthcare costs, businesses can no longer afford to ignore their deceased accounts and consider a strategy to effectively manage this segment of their receivables portfolio. However, the typical organization may be ill-equipped to handle deceased account recovery citing these top three reasons:

- Lack of internal expertise – organizations see recovery of deceased debt as a specialized capability that they lack, along with the personnel, time and guidance they would need to acquire it.
- Brand image – organizations are concerned that pursuing deceased debt may tarnish their brand and impact business relationships with survivors.
- Lack of time and resources – organizations avoid pursuing deceased debt in favor of processes they understand better and see as less risky.



The situation is sensitive and delicate. Businesses have a fundamental fiduciary duty to recover the cost of credit provided to effectively manage costs as well as be accountable to their shareholders. In addition, there is nothing easy about recovering on deceased accounts receivables. Oftentimes, the deceased's survivors have not personally incurred the debt, they may be feeling vulnerable in the aftermath of a loved one's death, and they may be protective of their loved one's memory. Organizations are understandably vigilant about wanting to maintain the trust and relationships they have developed among customers, their families, and the communities they serve.



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Most businesses are uncertain about how to recover on this significant, yet highly sensitive, source of revenue. How can they quickly and efficiently establish a carefully calibrated recovery effort based on a proven, sensitive account recovery strategy?

The Opportunities of Probate

Probate offers an established, legal and survivor-sensitive means to recover on deceased accounts. Its design helps to shield both creditors and survivors from the unpleasant aspects of recovering on deceased debt, while producing compelling financial results. The benefits of probate include:

- No unnecessary contact with survivors or heirs – established rules and procedures keep the conversation focused on attorneys and personal representatives instead of on the family.
- Inherited from the English legal system, probate provides 200 years of established law and procedure for settling estates.
- Creditors receive settlements before heirs inherit the remainder of the estate
- Acknowledging the importance Americans place on end-of-life care, probate recognizes the priority of payment of certain medical claims, including those relating to expenses of last illness.

The Challenges of Probate

Many times, creditors don't realize that utilizing probate to recover on deceased receivables is an option. In other cases, organizations quickly realize that tackling probate one case at a time, one jurisdiction at a time, is an overwhelming, time-consuming process.

Probate claims must be filed in a timely manner, with exact rules determined by each state. Within every state, individual probate courts have their own processes and specifications needed to file probate claims. Participants in the probate process (creditors) must adhere to specific court-approved procedures and documentation in order to properly present a probate claim to a personal representative of the estate, an estate attorney or the court.



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Many probates (more than 15%) are opened outside of the last known legal residence or mailing address of the deceased. The time frame for filing can be as little as 60 days between the opening of a probate and closure. That's not a lot of time for creditors to find the open probate, organize the claim and properly present it. Searching for probated estates can also be costly and time consuming. Due to fees often associated with searching and the fact that in some jurisdictions it can take up to three years to open a probate, creditors may stop looking prematurely, causing them to miss at least 50% of estates.

With over 3,450 probate courts in the United States, probate can present a great deal of complexity and confusion – and plenty of opportunity to do it wrong. But ultimately, making the decision to utilize probate protects your organization's rights to payment.

How to Approach the Probate Process

Combine a general lack of awareness of the benefits of probate with a confusing and overwhelming process, and it's clear why so few organizations have a deceased account recovery strategy that includes probate. And yet, the evidence of success in using probate to recover deceased accounts receivable is compelling. In the credit card industry, for example, the nation's largest card issuers have been using probate to recover as much as 30% to 40% of their deceased account receivables – with no additional risk to their brands.



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So if a creditor wants to create a deceased account recovery strategy that focuses on probate, what are the most common ways to do that? The first three options listed below are time-consuming, expensive and/or inefficient. The last option hasn't been available for creditors – until now. And it's a game-changer for organizations who take advantage of it.

Options for Creditors	Worth it?	Why?
Develop probate expertise in-house	No	Expensive and not core to the business
Hire an attorney	No	Attorney must have the resources and expertise to cover all 3,450+ jurisdictions; legal fees incurred in the search and filing process are extremely costly
Hire a non-specialist collection agency	No	Non-specialist collection agencies tend to have a broader recovery focus, with incorporating an organization's whole accounts receivable portfolio, and not specifically on deceased receivables and probate
Provide an internal resource with access to an automated, web-based probate recovery solution	Yes	Direct control, low cost and high return. Up-to-date reference for all open probates and relevant information for filing properly and in a timely manner for any jurisdiction; unique level of probate focus and expertise



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Introducing Forte's Probate Finder OnDemand™

Forte, LLC's Probate Finder OnDemand is the first and only automated, web-based probate estate location and recovery solution. It delivers a comprehensive, easy-to-use and cost-effective solution to accelerate and improve probate collections. It is a simple, powerful, web-based tool for organizations who have adopted it.

Probate Finder OnDemand maintains the most comprehensive and up-to-date database of probated estate records available. With Probate Finder OnDemand, companies can quickly identify when an account has become deceased with the free Date of Death (DOD) Finder, when a deceased account estate has a matching probate, where that probate is filed and all the filing requirements necessary to make a claim. There is no fee for searching. Organizations only pay when a match is identified. There are no run-time charges or other expenses while the system searches for an open probated estate.

The web-based solution requires no new hardware or software. Its intuitive interface requires little training or specialized knowledge. Other features include:

- Access to more than three million estate records
- Simple, fully automated account uploading process
- Automated, hourly matching of estate records and accounts
- Easy document storage and retrieval
- Nationwide coverage of more than 3,450 probate courts
- Information Security Program certified to the ISO-27001 standard and HIPAA compliant, ensuring maximum data security and regulatory compliance
- Comprehensive online help and one-on-one customer care support

Proven Results

Forte, the industry leader in probate data and recovery solutions that improve deceased account recoveries has helped a wide variety of organizations implement a probate strategy. Consider the following three real-world case studies:



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Major Healthcare System

Background

- Reactive approach to identifying deceased and probated accounts
- No formal deceased collection process, resulting in increased reputational risk
- Filed fewer than 200 claims per year

Solutions

- Worked with Probate Finder OnDemand to implement a proactive deceased account recovery strategy
- Integrated national date-of-death and probated estate solutions into existing processes
- Automated claim preparation and claim filing processes
- Implemented capability to include multiple patient accounts on a single claim

Results

- Increased claim filings to 2,500 per year
- Realized a \$4 million annual probate recovery opportunity
- Mitigated reputational risk while substantially increasing collections

National Collection Agency

Background

- National collection agency with over 30 years of experience and hundreds of clients
- Manual process in place for identifying and collecting on deceased and accounts
- Process was extremely manual and self-taught

Solutions

- Probate Finder OnDemand was immediately implemented on a trial basis
- Integrated an automated recovery process that quickly identified deceased accounts, found probated estates and filed claims
- Automated claim preparation and claim filing processes

Results

- Found \$1.1 million in filed claims
- Realized an immediate ROI of 138%
- Settlements received in first 5 months paid for their entire first year of service

Large National Bank

Background

- One of the nation's largest banks supporting 380 locations across 10+ states
- Existing strategy was reactive and inconsistent in identifying deceased accounts and probated estates
- Process of navigating the 3,450+ courts nationwide made identifying probated estates difficult and time-consuming

Solutions

- Probate Finder OnDemand was implemented with immediate access to over 3 million probated estate records
- Implementing Probate Finder OnDemand included self-paced training for team members, business process alignment, and legacy system integration

Results

- Found \$5.4 million in filed claims, \$200,000 in settled claims
- ROI of 1300%
- 10 resources reallocated to core business functions

For more information please call 1.888.423.0522 or visit www.probatefinder.com



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Conclusion

Deceased receivable account collections present a dilemma for organizations: businesses have a fiduciary responsibility to collect for services, yet when these collections are pursued using the wrong tactics or collections partner, deceased account recovery can present risks to the organization's reputation and relationships. But with the current economic environment and shifting demographics, deceased account recovery is something providers must deal with.

Forte's Probate Finder OnDemand represents a unique and powerful new approach that enables organizations to collect on deceased accounts in the most effective and compliant way. It delivers a sensitive and highly effective way to recover deceased account receivables, while optimizing the use of internal staff and reducing the expenses associated with nonspecialist collection agencies or law firms.

To learn more about Probate Finder OnDemand, please visit www.probatefinder.com.

Forte, LLC is a sister company of DCM Services, the leader in outsourcing solutions for non-probate and probate portfolios. To learn more about DCM Services and their probate, survivor-sensitive recovery focus, please visit www.dcmservices.com.