

Standard Preneed Contract

For consumers unable to make regularly scheduled payments, funds being set aside for funeral expenses are placed in a Bank Trust Account

or

For consumers who prefer to use an existing whole life insurance policy to fund future funeral expenses - policy must be **irrevocably** assigned to Funeral Home

or

For consumers that wish to set funds aside for funeral needs but do not wish to select funeral home merchandise or services

A Standard Contract means that the consumer will be responsible for any increase in the cost of the merchandise and services selected on their preneed contract when the time comes to perform the contract. For example, John Doe selected services and products that totaled \$4,800 in 2010. He assigned his \$5,000 whole life insurance policy over to the funeral home. John passed away in 2014 and the costs of his selected services and merchandise had risen due to inflation to \$5,200. John's family would be responsible for the remaining \$200 balance.

Inflation-Proof Preneed Contract

For consumers who prefer to pay in full for pre-selected services and merchandise. By law, the funeral home must place those funds in a guaranteed growth product (insurance) designed to offset inflation

or

For consumers who prefer to pre-select funeral merchandise and services **and** pay in installments - Payment amount and schedule is determined by consumer age and health

All payments must have been made to fully fund the contract before the funeral

An Inflation-Proof Contract means that the funeral home has contracted with an insurance company to provide a growth product designed to offset inflation. Consumers wishing to prepay for funeral services, in full or in installments, are guaranteed that the funeral home's merchandise and services purchased on the preneed contract will be provided at the time of need for no additional cost to the family (the policy is designed so price increases are covered by policy growth – in the event that inflation exceeds policy growth, the funeral home still accepts the policy as payment in full)

Non-Guaranteed Cash Advance Items

In North Carolina, both Standard and Inflation-Proof Funeral Preneed Contracts provide an area where the consumer may set aside funds for cash advance items. These are services not provided by the funeral home.

Examples of these services may be Obituaries, the Opening and Closing of the Grave, Flowers, and an Honorarium for the Priest or Minister.

As the heading of this section states, the amount set aside for these items may or may not fully fund the services and, therefore, cannot be guaranteed by the funeral home in the preneed contract.

The funeral home lists the actual preneed cost and selections at the time of the services.

The amount of money originally set aside for cash advances has the proportionate amount of interest earned (growth) added to the original cash advance funds for the final cash advance credit for the funeral.

Should the amount set aside exceed the final costs of services contracted, the amount is refunded to the estate of the deceased.

Should the amount set aside not meet the costs of the services selected, the family would be expected to pay the difference.

The detail of the initial deposit, interest earned and the cost of cash advances is provided at the time of service.

In an Inflation-Proof Preneed Contract the items funded in this section of the contract are still being protected against inflation by the earnings in the insurance product.

However, since these cash advance items are services provided by others the funeral home is unable to guarantee these in the same way they do the funeral home goods and services.