

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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SENATE BILL 51  
Human Resources Committee Substitute Adopted 4/22/91

Short Title: Funeral and Burial Trust Act.

(Public)

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Sponsors:

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Referred to:

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February 11, 1991

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE FUNERAL AND BURIAL TRUST FUND ACT.

3 The General Assembly of North Carolina enacts:

4 Section 1. Article 13B of Chapter 90 of the General Statutes is repealed.

5 Sec. 2. Chapter 90 of the General Statutes is amended by adding the  
6 following new Article to read:

7 **“ARTICLE 13D.**

8 **“FUNERAL AND BURIAL TRUST FUNDS.**

9 **“§ 90-210.60. Definitions.**

10 As used in this Article, unless the context requires otherwise:

- 11 (1) ‘Board’ means the North Carolina Board of Mortuary Science as  
12 created pursuant to Article 13A of Chapter 90 of the General Statutes;  
13 (2) ‘Financial institution’ means a bank, trust company, savings bank, or  
14 savings and loan association authorized by law to do business in this  
15 State;  
16 (3) ‘Insurance company’ means any corporation, association, partnership,  
17 society, order, individual or aggregation of individuals engaging in or  
18 proposing or attempting to engage as principals in any kind of  
19 insurance business, including the exchanging of reciprocal or  
20 interinsurance contracts between individuals, partnerships, and  
21 corporations.  
22 (4) ‘Prearrangement insurance policy’ means a life insurance policy,  
23 annuity contract, or other insurance contract, or any series of contracts

1 or agreements in any form or manner, issued by an insurance company  
2 authorized by law to do business in this State, which, whether by  
3 assignment or otherwise, has for a purpose the funding of a preneed  
4 funeral contract or an insurance-funded funeral or burial  
5 prearrangement, the insured or annuitant being the person for whose  
6 service the funds were paid;

7 (5) 'Preneed funeral contract' means any contract, agreement, or mutual  
8 understanding, or any series or combination of contracts, agreements,  
9 or mutual understandings, whether funded by trust deposits or  
10 prearrangement insurance policies, or any combination thereof, which  
11 has for a purpose the furnishing or performance of funeral services, or  
12 the furnishing or delivery of personal property, merchandise, or  
13 services of any nature in connection with the final disposition of a  
14 dead human body, to be furnished or delivered at a time determinable  
15 by the death of the person whose body is to be disposed of, but does  
16 not mean the furnishing of a cemetery lot, crypt, niche, or mausoleum;

17 (6) 'Preneed funeral contract beneficiary' means the person upon whose  
18 death the preneed funeral contract will be performed; this person may  
19 also be the purchaser of the preneed funeral contract;

20 (7) 'Preneed funeral funds' means all payments of money made to any  
21 person, partnership, association, corporation, or other entity upon any  
22 preneed funeral contract or any other agreement, contract, or  
23 prearrangement insurance policy, or any series or combination of  
24 preneed funeral contracts or any other agreements, contracts, or  
25 prearrangement insurance policies, but excluding the furnishing of  
26 cemetery lots, crypts, niches, and mausoleums, which have for a  
27 purpose or which by operation provide for the furnishing or  
28 performance of funeral or burial services, or the furnishing or delivery  
29 of personal property, merchandise, or services of any nature in  
30 connection with the final disposition of a dead human body, to be  
31 furnished or delivered at a time determinable by the death of the  
32 person whose body is to be disposed of, or the providing of the  
33 proceeds of any insurance policy for such use;

34 (8) 'Preneed funeral planning' means offering to sell or selling preneed  
35 funeral contracts, or making other arrangements prior to death for the  
36 providing of funeral services or merchandise;

37 (9) 'Preneed licensee' means a funeral establishment which has applied for  
38 and has been granted a license to sell preneed funeral contracts under  
39 the Article. Such license is also referred to in this Article as a 'preneed  
40 funeral establishment license.'

41 **§ 90-210.61. Deposit or application of preneed funeral funds.**

42 (a) Preneed funeral funds are subject to the provisions of this Article and shall be  
43 deposited or applied as follows:

- 1           (1)    If the preneed funeral contract purchaser chooses to fund the preneed  
2           funeral contract by a trust deposit or deposits, the preneed licensee  
3           shall deposit all funds in an insured account in a financial institution,  
4           in trust, in the preneed licensee's name as trustee within five business  
5           days. The preneed licensee, at the time of making the deposit as  
6           trustee, shall furnish to the financial institution the name of each  
7           preneed funeral contract purchaser and the amount of payment on each  
8           for which the deposit is being made. The preneed licensee may  
9           establish an individual trust fund for each preneed funeral contract or a  
10          common trust fund for all preneed funeral contracts. The trust  
11          accounts shall be carried in the name of the preneed licensee as trustee,  
12          but accounting records shall be maintained for each individual preneed  
13          funeral contract purchaser showing the amounts deposited and  
14          invested, and interest, dividends, increases, and accretions earned.  
15          Except as provided in this Article, all interest, dividends, increases, or  
16          accretions earned by the funds shall remain with the principal. The  
17          trust fund may be charged with applicable taxes and for reasonable  
18          charges paid by the trustee to itself or others for the preparation of  
19          fiduciary tax returns. Penalties charged by a financial institution for  
20          early withdrawals caused by a transfer pursuant to G.S. 90-210.63  
21          shall be paid by the preneed licensee. Penalties charged as a result of  
22          other early withdrawals as permitted by this Article shall be paid from  
23          the trust fund, and the financial institution shall give the preneed  
24          funeral contract purchaser prompt notice of these penalties.
- 25          (2)    Notwithstanding any other provision of law, if a preneed funeral  
26          contract is funded by a trust deposit or trust deposits, a preneed  
27          licensee may retain, free of the trust, up to ten percent (10%) of any  
28          payments made on a preneed funeral contract, provided that the  
29          preneed licensee fully discloses in writing in advance to the preneed  
30          funeral contract purchaser the percentage of the payments to be  
31          retained and subsequent to the execution of the preneed funeral  
32          contract, the preneed licensee performs any services or provides any  
33          goods or merchandise in connection with the preneed funeral contract.  
34          If there is no substitution pursuant to G.S. 90-210.63(a), the preneed  
35          licensee shall give credit for the amount retained upon the death of the  
36          preneed funeral contract beneficiary and performance of the preneed  
37          funeral contract.
- 38          (3)    If the preneed funeral contract purchaser chooses to fund the contract  
39          by a prearrangement insurance policy, the preneed licensee shall apply  
40          all funds received for this purpose to the purchase of the  
41          prearrangement insurance policy within five business days. The  
42          preneed licensee shall notify the insurance company of the name of  
43          each preneed funeral contract purchaser and the amount of each

1                    payment when the prearrangement insurance policy or policies are  
2                    purchased.

3            (b) Except as provided by this Article or by the preneed funeral contract, all  
4 payments made by the purchaser of a preneed funeral contract or prearrangement  
5 insurance policy shall remain trust funds within a financial institution or as paid  
6 insurance premiums with an insurance company, as the case may be, until the death of  
7 the preneed funeral contract beneficiary and until full performance of the preneed  
8 funeral contract.

9            (c) Each preneed licensee may establish and maintain with a financial institution  
10 of its choice, a preneed funeral fund clearing account. Preneed funeral funds received  
11 by a preneed licensee may be deposited and held in such an account until disbursed by  
12 the preneed licensee to fund a preneed funeral contract pursuant to subdivisions (a)(1)  
13 or (a)(3) of this section. This account shall be used solely for the receipt and  
14 disbursement of preneed funeral funds.

15           (d) Funds deposited in trust under a revocable standard preneed funeral contract  
16 may, with the written permission of the preneed funeral contract purchaser, be  
17 withdrawn by the trustee and used to purchase a prearrangement insurance policy.  
18 Except as provided in this subsection, no funds deposited in trust in a financial  
19 institution pursuant to this Article shall be withdrawn by the trustee to purchase a  
20 prearrangement insurance policy.

21           (e) Except as provided by G.S. 90-210.61(c), at no time before making a deposit  
22 or purchasing a prearrangement insurance policy may a preneed licensee, or its agents  
23 or employees, deposit in its own account or the account of any other person any monies  
24 coming into its hands for the purpose of purchasing services, merchandise, or  
25 prearrangement insurance policies under the provisions of this Article.

26 **"§ 90-210.62. Types of preneed funeral contracts; forms.**

27           (a) A preneed licensee may offer standard preneed funeral contracts and  
28 inflation-proof preneed funeral contracts. A standard preneed funeral contract applies  
29 the trust funds or insurance proceeds to the purchase price of funeral services and  
30 merchandise at the time of death of the contract beneficiary without a guarantee against  
31 price increases. An inflation-proof contract establishes a fixed price for funeral services  
32 and merchandise without regard to price increases. Upon written disclosure to the  
33 purchaser of a preneed funeral contract, inflation-proof contracts may permit the  
34 preneed licensee to retain all of the preneed funeral contract trust funds on deposit, and  
35 all insurance proceeds, even those in excess of the retail cost of goods and services  
36 provided, when the preneed licensee has fully performed the preneed funeral contract.  
37 Preneed funeral contracts may be revocable or irrevocable, at the option of the preneed  
38 funeral contract purchaser.

39           (b) The Board shall approve all forms for preneed funeral contracts. All  
40 contracts must be in writing, and no form shall be used without prior approval of the  
41 Board. Any use or attempted use of any oral preneed funeral contract or any written  
42 contract in a form not approved by the Board shall be deemed a violation of this Article.

43 **"§ 90-210.63. Substitution of licensee.**

1       (a) If the preneed funeral contract is irrevocable, the preneed funeral contract  
2 purchaser, or after his death the preneed funeral contract beneficiary or his legal  
3 representative, upon written notice to the financial institution or insurance company and  
4 the preneed licensee who is a party to the preneed funeral contract, may direct the  
5 substitution of a different funeral establishment to furnish funeral services and  
6 merchandise.

7           (1) If the substitution is made after the death of the preneed funeral  
8 contract beneficiary, a funeral establishment providing any funeral  
9 services or merchandise need not be a preneed licensee under this  
10 Article to receive payment for such services or merchandise. The  
11 original contracting preneed licensee shall be entitled to payment for  
12 any services or merchandise provided pursuant to G.S. 90-210.65(d).

13           (2) If the substitution is made before the death of the preneed funeral  
14 contract beneficiary, the substitution must be to a preneed licensee. If  
15 the preneed funeral contract is funded by a trust deposit or deposits,  
16 the financial institution shall immediately pay the funds held to the  
17 original contracting preneed licensee. The original contracting  
18 preneed licensee shall immediately pay all such funds received to the  
19 successor funeral establishment so designated; provided, however, the  
20 original contracting preneed licensee shall not be required to give  
21 credit for the amount retained pursuant to G.S. 90-210.61(a)(2).  
22 Provided further, if the original contracting preneed licensee did not  
23 retain any portion of payments made to it as is permitted by G.S. 90-  
24 210.61(a)(2) then such preneed licensee may retain up to ten percent  
25 (10%) of said funds received from the financial institution. Upon  
26 making payments pursuant to this subsection, the financial institution  
27 and the original contracting preneed licensee shall be relieved from all  
28 further contractual liability thereon.

29           (3) If the preneed funeral contract is funded by a prearrangement  
30 insurance policy, the insurance company shall not pay any of the funds  
31 until the death of the preneed funeral contract beneficiary, and the  
32 insurance company shall pay the funds in accordance with the terms of  
33 the policy.

34       (b) The person giving notice of the substitution of a preneed licensee and the  
35 successor preneed licensee shall enter into a new preneed funeral contract for the funds  
36 transferred, and this Article shall apply, including the duty of the successor preneed  
37 licensee to deposit all of the funds in a financial institution if the death of the preneed  
38 funeral contract beneficiary has not occurred. Nothing in this subsection shall be  
39 construed to permit the use of the transferred funds to purchase a prearrangement  
40 insurance policy, nor to permit an irrevocable preneed funeral contract to be made  
41 revocable or to result in the payment of any of the transferred funds to the preneed  
42 funeral contract purchaser or to the preneed funeral contract beneficiary or his estate,  
43 except as provided by G.S. 90-210.64(a).

44 **"§ 90-210.64. Death of preneed funeral contract beneficiary; disposition of funds.**

1 (a) After the death of a preneed funeral contract beneficiary and full performance  
2 of the preneed funeral contract by the preneed licensee, the preneed licensee shall  
3 promptly complete a certificate of performance or similar claim form and present it to  
4 the financial institution that holds funds in trust under G.S. 90-210.61(a)(1) or to the  
5 insurance company that issued a preneed insurance policy pursuant to G.S. 90-  
6 210.61(a)(3). Upon receipt of the certificate of performance or similar claim form, the  
7 financial institution shall pay the trust funds to the contracting preneed licensee and the  
8 insurance company shall pay the insurance proceeds according to the terms of the  
9 policy.

10 (b) Unless otherwise specified in the preneed funeral contract, the preneed  
11 licensee shall have no obligation to deliver merchandise or perform any services for  
12 which payment in full has not yet been deposited with a financial institution or that will  
13 not be provided by the proceeds of a prearrangement insurance policy. Any such  
14 amounts received which do not constitute payment in full shall be refunded to the estate  
15 of the deceased preneed funeral contract beneficiary or credited against the cost of  
16 merchandise or services contracted for by a representative of the deceased. Any balance  
17 remaining after payment for the merchandise and services as set forth in the preneed  
18 funeral contract shall be paid to the estate of the preneed funeral contract beneficiary or  
19 the prearrangement insurance policy beneficiary named to receive any such balance.  
20 Provided, however, unless the parties agree to the contrary, there shall be no refund to  
21 the estate of the preneed funeral contract beneficiary of an inflation-proof preneed  
22 funeral contract.

23 (c) In the event that any person other than the contracting preneed licensee  
24 performs any funeral service or provides any merchandise as a result of the death of the  
25 preneed funeral contract beneficiary, the financial institution shall pay the trust funds to  
26 the contracting preneed licensee and the insurance company shall pay the insurance  
27 proceeds according to the terms of the policy. The preneed licensee shall, subject to the  
28 provisions of G.S. 90-210.65(d), immediately pay the monies so received to the other  
29 provider.

30 (d) When the balance of a preneed funeral fund is payable to the estate of a  
31 deceased preneed funeral contract beneficiary and there has been no representative of  
32 the estate appointed, the balance due may be paid into the office of the clerk of superior  
33 court in the county where probate proceedings could be filed for the deceased preneed  
34 funeral contract beneficiary.

35 **"§ 90-210.65. Refund of preneed funeral funds.**

36 (a) Within 30 days of receipt of a written request from the purchaser of a  
37 revocable preneed funeral contract who has trust funds deposited with a financial  
38 institution pursuant to G.S. 90-210.61(a), the financial institution shall refund to the  
39 preneed funeral contract purchaser the entire amount held by the financial institution.

40 (b) Within 30 days of receipt of a written notice of cancellation of any  
41 prearrangement insurance policy purchased pursuant to G.S. 90-210.61(a)(3), the  
42 issuing insurance company shall pay such amounts to such person or persons as is  
43 provided under the terms of the prearrangement insurance policy.

1 (c) After making refund pursuant to this section and giving notice of the refund  
2 to the preneed licensee, the financial institution or insurance company shall be relieved  
3 from all further liability.

4 (d) Notwithstanding any other provision of this Article, if a preneed funeral  
5 contract is revoked or transferred following the death of the preneed funeral contract  
6 beneficiary, the purchaser of the preneed funeral contract may be charged according to  
7 the contracting preneed licensee's price lists for any services performed or merchandise  
8 provided prior to revocation or transfer.

9 (e) This section shall not apply to irrevocable preneed funeral contracts.  
10 Irrevocable preneed funeral contracts may not be revoked nor any proceeds refunded  
11 except by order of a court of competent jurisdiction.

12 **"§ 90-210.66. Recovery fund.**

13 (a) There is established the Preneed Recovery Fund. The Fund shall be  
14 administered by the Board. The purpose of the Fund is to reimburse purchasers of  
15 preneed funeral contracts who have suffered financial loss as a result of the  
16 malfeasance, misfeasance, default, failure or insolvency of any licensee under this  
17 Article, and includes refunds due a preneed funeral contract beneficiary from a preneed  
18 licensee who has retained any portion of the preneed funeral contract payments pursuant  
19 to G.S. 90-210.61(a)(2).

20 (b) From the fee of fifteen dollars (\$15.00) for each preneed funeral contract as  
21 required by G.S. 90-210.67(d), the Board shall deposit two dollars (\$2.00) into the  
22 Fund. The Board may suspend the deposits into the Fund at any time and for any period  
23 for which the Board determines that a sufficient amount is available to meet likely  
24 disbursements and to maintain an adequate reserve.

25 (c) All sums received by the Board pursuant to this section shall be held in a  
26 separate account known as the Preneed Recovery Fund. Deposits to and disbursements  
27 from the Fund account shall be subject to rules established by the Board.

28 (d) The Board shall adopt rules governing management of the Fund, the  
29 presentation and processing of applications for reimbursement, and subrogation or  
30 assignment of the rights of any reimbursed applicant.

31 (e) The Board may expend monies in the Fund for the following purposes:

32 (1) To make reimbursements on approved applications;

33 (2) To purchase insurance to cover losses as deemed appropriate by the  
34 Board and not inconsistent with the purposes of the Fund;

35 (3) To invest such portions of the Fund as are not currently needed to  
36 reimburse losses and maintain adequate reserves, as are permitted to be  
37 made by fiduciaries under State law; and

38 (4) To pay the expenses of the Board for administering the Fund,  
39 including employment of legal counsel to prosecute subrogation  
40 claims.

41 (f) Reimbursements from the Fund shall be made only to the extent to which  
42 such losses are not bonded or otherwise covered, protected or reimbursed and only after  
43 the applicant has complied with all applicable rules of the Board.

1       (g) The Board shall investigate all applications made and may reject or allow  
2 such claims in whole or in part to the extent that monies are available in the Fund. The  
3 Board shall have complete discretion to determine the order and manner of payment of  
4 approved applications. All payments shall be a matter of privilege and not of right, and  
5 no person shall have any right in the Fund as a third-party beneficiary or otherwise. No  
6 attorney may be compensated by the Board for prosecuting an application for  
7 reimbursement.

8       (h) In the event reimbursement is made to an applicant under this section, the  
9 Board shall be subrogated in the reimbursed amount and may bring any action it deems  
10 advisable against any person, including a preneed licensee. The Board may enforce any  
11 claims it may have for restitution or otherwise and may employ and compensate  
12 consultants, agents, legal counsel, accountants and any other persons it deems  
13 appropriate.

14       (i) The Fund shall apply to losses arising after the effective date of this act,  
15 regardless of the date of the underlying preneed funeral contract.

16 **"§ 90-210.67. Application for license.**

17       (a) No person may offer or sell preneed funeral contracts or offer to make or  
18 make any funded funeral prearrangements without first securing a license from the  
19 Board. There shall be two types of licenses: a preneed funeral establishment license  
20 and a preneed sales license. Only funeral establishments holding a valid establishment  
21 permit pursuant to G.S. 90-210.25(d) shall be eligible for a preneed funeral  
22 establishment license. Employees and agents of such entities, upon meeting the  
23 qualifications to engage in preneed funeral planning as established by the Board, shall  
24 be eligible for a preneed sales license. The Board shall establish the preneed funeral  
25 planning activities that are permitted under a preneed sales license. The Board shall  
26 adopt rules establishing such qualifications and activities no later than 12 months  
27 following the ratification of this act. Preneed sales licensees may sell preneed funeral  
28 contracts, prearrangement insurance policies, and make funded funeral prearrangements  
29 only on behalf of one preneed funeral establishment licensee; provided, however, they  
30 may sell preneed funeral contracts, prearrangement insurance policies, and make funeral  
31 prearrangements for any number of licensed preneed funeral establishments that are  
32 wholly owned by or affiliated with, through common ownership or contract, the same  
33 entity; provided further, in the event they engage in selling prearrangement insurance  
34 policies, they shall meet the licensing requirements of the Commissioner of Insurance.  
35 Every preneed funeral contract shall be signed by a person licensed as a funeral director  
36 or funeral service licensee pursuant to Article 13A of Chapter 90 of the General  
37 Statutes.

38       Application for a license shall be in writing, signed by the applicant and duly  
39 verified on forms furnished by the Board. Each application shall contain at least the  
40 following: the full names and addresses (both residence and place of business) of the  
41 applicant, and every officer and director thereof if the applicant is a partnership,  
42 association, or corporation and any other information as the Board shall deem  
43 necessary. A preneed funeral establishment license shall be valid only at the address  
44 stated in the application or at a new address approved by the Board.



1       (b) An application for a preneed funeral establishment license shall be  
2 accompanied by a nonrefundable application fee of not more than one hundred fifty  
3 dollars (\$150.00). The Board shall set the amounts of the application fees and renewal  
4 fees by rule, but the fees shall not exceed one hundred fifty dollars (\$150.00). If the  
5 license is granted, the application fee shall be applied to the annual license fee for the  
6 first year or part thereof. Upon receipt of the application and payment of the application  
7 fee, the Board shall issue a renewable preneed funeral establishment license unless it  
8 determines that the applicant has violated any provision of G.S. 90-210.69(c) or has  
9 made false statements or representations in the application, or is insolvent, or has  
10 conducted or is about to conduct, its business in a fraudulent manner, or is not duly  
11 authorized to transact business in this State. Each preneed funeral establishment  
12 licensee shall pay annually to the Board on or before June 30 of each year a license  
13 renewal fee of not more than one hundred fifty dollars (\$150.00).

14       (c) An application for a preneed sales license shall be accompanied by a  
15 nonrefundable application fee of not more than fifty dollars (\$50.00). The Board shall  
16 set the amounts of the application fees and renewal fees by rule, but the fees shall not  
17 exceed fifty dollars (\$50.00). If the license is granted, the application fee shall be  
18 applied to the annual license fee for the first year or part thereof. The Board shall set  
19 the amounts of the application fees and renewal fees by rule, but the fees shall not  
20 exceed fifty dollars (\$50.00). Upon receipt of the application and payment of the  
21 application fee, the Board shall issue a renewable preneed sales license provided the  
22 applicant has met the qualifications to engage in preneed funeral planning as established  
23 by the Board unless it determines that the applicant has violated any provision of G.S.  
24 90-210.69(c). Each preneed sales licensee shall pay annually to the Board on or before  
25 June 30 of each year, a license renewal fee of not more than fifty dollars (\$50.00).

26       (d) Any person selling a preneed funeral contract, whether funded by a trust  
27 deposit or a prearrangement insurance policy, shall remit to the Board, within 10 days of  
28 the sale, a fee of fifteen dollars (\$15.00) for each sale. The fee shall not be remitted in  
29 cash.

30       (e) The fees collected under this Article, except for monies used pursuant to G.S.  
31 90-210.66, shall be used for the expenses of the Board in carrying out the provisions of  
32 this Article. Any funds collected under this Article and remaining with the Board after  
33 all expenses under this Article for the current fiscal year have been fully provided for  
34 shall be paid over to the General Fund of the State of North Carolina. Provided,  
35 however, the Board shall have the right to maintain an amount, the cumulative total of  
36 which shall not exceed twenty percent (20%) of gross receipts under this Article for the  
37 previous fiscal year of its operations, as a maximum contingency or emergency fund.

38       (f) Any entity licensed by the Commissioner of Banks under Article 13B of  
39 Chapter 90 of the General Statutes before the effective date of this act shall be entitled  
40 to have its license renewed notwithstanding that it is not a funeral establishment,  
41 provided it otherwise satisfies the requirements of this Article.

42 **"§ 90-210.68. Licensee's books and records; notice of transfers, assignments and**  
43 **terminations.**

1       (a) Every preneed licensee shall keep for examination by the Board accurate  
2 accounts, books, and records in this State of all preneed funeral contract and  
3 prearrangement insurance policy transactions, copies of all agreements, insurance  
4 policies, instruments of assignment, the dates and amounts of payments made and  
5 accepted thereon, the names and addresses of the contracting parties, the persons for  
6 whose benefit funds are accepted, and the names of the financial institutions holding  
7 preneed funeral trust funds and insurance companies issuing prearrangement insurance  
8 policies. The Board, its inspectors appointed pursuant to G.S. 90-210.24 and its  
9 examiners, which the Board may appoint to assist in the enforcement of this Article,  
10 may at any time investigate the books, records, and accounts of any licensee under this  
11 Article with respect to trust funds, preneed funeral contracts, and prearrangement  
12 insurance policies. The Board may require the attendance of and examine under oath all  
13 persons whose testimony it may require. Every preneed licensee shall submit a written  
14 report to the Board, at least annually, in a manner and with such content as established  
15 by the Board, of its preneed funeral contract sales and performance of such contracts.  
16 The Board may also require other reports.

17       (b) A preneed licensee may transfer preneed funds held by it as trustee from the  
18 financial institution which is a party to a preneed funeral contract to a substitute  
19 financial institution that is not a party to the contract. Within 10 days after the transfer,  
20 the preneed licensee shall notify the Board, in writing, of the name and address of the  
21 transferee financial institution. Before the transfer may be made, the transferee  
22 financial institution shall agree to make disclosures required under the preneed funeral  
23 contract to the Board or its inspectors or examiners. If the contract is revocable, the  
24 licensee shall notify the contracting party of the intended transfer.

25       (c) If any preneed licensee transfers or assigns its assets or stock to a successor  
26 funeral establishment or terminates its business as a funeral establishment, the preneed  
27 licensee and assignee shall notify the Board at least 15 days prior to the effective date of  
28 the transfer, assignment or termination: provided, however, the successor funeral  
29 establishment must be a preneed licensee or shall be required to apply for and be  
30 granted such license by the Board before accepting any preneed funeral contracts,  
31 whether funded by trust deposits or preneed insurance policies. Provided further, a  
32 successor funeral establishment shall be liable to the preneed funeral contract  
33 purchasers for the amount of contract payments retained by the assigning or transferring  
34 funeral home pursuant to G.S. 90-210.61(a)(1)a.1.

35       (d) Financial institutions that accept preneed funeral trust funds and insurance  
36 companies that issue prearrangement insurance policies shall, upon request by the Board  
37 or its inspectors or examiners, disclose any information regarding preneed funeral trust  
38 accounts held or prearrangement insurance policies issued by it for a preneed licensee.

39       (e) In the event that any preneed licensee is unable or unwilling or is for any  
40 reason relieved of its responsibility to perform as trustee or to perform any preneed  
41 funeral contract, the Board, with the written consent of the purchaser of the preneed  
42 funeral contract, or after the purchaser's death or incapacity, the preneed funeral contract  
43 beneficiary may order the contract to be assigned to a substitute preneed licensee  
44 provided that the substitute licensee agrees to accept such assignment.

1 **"§ 90-210.69. Rulemaking; enforcement of Article; judicial review.**

2 (a) The Board is authorized to adopt rules for the carrying out and enforcement  
3 of the provisions of this Article. The Board may perform such other acts and exercise  
4 such other powers and duties as are authorized by this Article and by Article 13A of this  
5 Chapter to carry out its powers and duties.

6 (b) The Board may administer oaths and issue subpoenas requiring the  
7 attendance of persons and the production of papers and records in any investigation  
8 conducted by it. Members of the Board's staff or the sheriff or other appropriate official  
9 of any county of this State shall serve all notices, subpoenas and other papers given to  
10 them by the Board for service in the same manner as process issued by any court of  
11 record. Any person who does not obey a subpoena issued by the Board shall be guilty  
12 of a misdemeanor and, upon conviction thereof, shall be fined or imprisoned in the  
13 discretion of the court.

14 (c) If the Board finds that a licensee, an applicant for a license or an applicant for  
15 license renewal is guilty of one or more of the following, the Board may refuse to issue  
16 or renew a license or may suspend or revoke a license or place the holder thereof on  
17 probation upon conditions set by the Board, with revocation upon failure to comply with  
18 the conditions:

19 (1) Offering to engage or engaging in activities for which a license is  
20 required under this Article but without having obtained such a license;

21 (2) Aiding or abetting an unlicensed person, firm, partnership, association,  
22 corporation or other entity to offer to engage or engage in such  
23 activities;

24 (3) A crime involving fraud or moral turpitude by conviction thereof;

25 (4) Fraud or misrepresentation in obtaining or receiving a license or in  
26 preneed funeral planning;

27 (5) False or misleading advertising; or

28 (6) Violating or cooperating with others to violate any provision of this  
29 Article or the rules adopted pursuant thereto.

30 (d) Any proceedings pertaining to or actions against a funeral establishment  
31 under this Article may be in addition to any proceedings or actions permitted by G.S.  
32 90-210.25(d)(4). Any proceedings pertaining to or actions against a person licensed for  
33 funeral directing or funeral service may be in addition to any proceedings or actions  
34 permitted by G.S. 90-210.25 (e)(1) and (2).

35 (e) All hearings under this Article shall be conducted pursuant to G.S. 150B-  
36 40(e). Judicial review shall be pursuant to Article 4 of Chapter 150B of the General  
37 Statutes.

38 **"§ 90-210.70. Penalties.**

39 (a) Anyone who embezzles or who fraudulently, or knowingly and willfully  
40 misapplies, or in any manner converts preneed funeral funds to his own use, or for the  
41 use of any partnership, corporation, association, or entity for any purpose other than as  
42 authorized by this Article; or anyone who takes, makes away with or secretes, with  
43 intent to embezzle or fraudulently or knowingly and willfully misapply or in any  
44 manner convert preneed funeral funds for his own use or the use of any other person for

1 any purpose other than as authorized by this Article shall be punished as a Class H  
2 felon. Each such embezzlement, conversion, or misapplication shall constitute a  
3 separate offense and may be prosecuted individually. Upon conviction, all licenses  
4 issued under this Article shall be revoked.

5 (b) Any person who willfully violates any other provision of this Article shall be  
6 guilty of a misdemeanor and shall be fined not less than five hundred dollars (\$500.00)  
7 nor more than one thousand dollars (\$1,000), or shall be imprisoned for not less than 10  
8 days nor more than six months, or both. Each such violation shall constitute a separate  
9 offense and may be prosecuted individually.

10 (c) If a corporation embezzles or fraudulently or knowingly and willfully  
11 misapplies or converts preneed funeral funds as provided in subsection (a) hereof or  
12 otherwise violates any provision of this Article, the officers, directors, agents, or  
13 employees responsible for committing the offense shall be fined or imprisoned as herein  
14 provided.

15 (d) The Board shall have the power to investigate violations of this section and  
16 shall deliver all evidence of violations to the district attorney in the county where the  
17 offense occurred.

18 **"§ 90-210.71. Nonregulation of insurance sales.**

19 The provisions of this Article do not regulate the issuance and sale of insurance  
20 policies, but apply only to the underlying preneed funeral contracts.

21 **"§ 90-210.72. Nonapplication to certain funeral contracts.**

22 This Article does not apply to contracts for funeral services or merchandise sold as  
23 preneed burial insurance policies pursuant to Part 13 of Article 10 of Chapter 143B of  
24 the North Carolina General Statutes or to replacements or conversions of such policies  
25 pursuant to G.S. 143B-472.28."

26 Sec. 3. G.S. 90-210.18(b) reads as rewritten:

27 **"§ 90-210.18. Construction of Article; State Board; members; election;  
28 qualifications; term; vacancies.**

29 (b) The North Carolina Board of Mortuary Science is created as a continuation of  
30 the North Carolina Board of Embalmers and Funeral Directors. The Board is the agency  
31 for regulation of the practice of funeral service in this State. The Board shall have ~~seven~~  
32 nine members as follows:

33 (1) Four funeral service licensees or persons holding both funeral  
34 director's license and an embalmer's license,

35 (2) Two persons holding a funeral director's license or a funeral service  
36 license, and

37 (3) ~~One-Three public member-members.~~

38 A member's term shall be three years and shall expire on December 31 or when his  
39 successor has been duly elected or appointed. No member may serve more than two  
40 complete consecutive terms.

41 The six seats on the Board for licensees shall be filled in an election in which every  
42 person licensed to practice embalming, funeral directing, or funeral service in this State  
43 may vote. No licensee may be nominated, elected, or serve unless he holds a North  
44 Carolina license in the class designated for the seat and unless he is engaged in full-time

1 employment in this State in a practice authorized by his license. Any vacancy occurring  
2 in an elective seat on the Board shall be filled for the unexpired term by majority vote of  
3 the remaining Board members.

4 The public ~~member~~members of the Board shall have full voting authority. ~~He~~They  
5 shall be appointed by the Governor and may neither be licensed under this Article nor  
6 employed by a person who is. A vacancy occurring in ~~the~~a public member's seat shall  
7 be filled for the unexpired term by the Governor."

8 Sec. 4. G.S. 90-210.22 reads as rewritten:

9 **"§ 90-210.22. Required meetings of the Board.**

10 The Board shall hold at least two meetings in each year at which examinations shall  
11 be given to qualified applicants for licenses. In addition, the Board may meet as often as  
12 the proper and efficient discharge of its duties shall require. ~~Four~~Five members shall  
13 constitute a quorum."

14 Sec. 5. (a) As of the effective date of this act, there shall be no requirement  
15 for the filing, maintenance or renewal of any bond as was required by G.S. 90-  
16 210.31(al) as such section existed prior to being repealed by this act.

17 (b) As of the effective date of this act, the Commissioner of Banks shall  
18 deliver to the North Carolina Board of Mortuary Science all of his records pertaining to  
19 the regulation of preneed funeral funds.

20 Sec. 6. This act becomes effective January 1, 1992.