ARKANSAS DEPT. OF COMMERCE | ARKANSAS INSURANCE DEPT. | PREPAID FUNERAL BENEFITS DIVISION

2025 ANNUAL REPORT

PREPAID FUNERAL BENEFITS CONTRACTS BUSINESS

FORM COMPLETION INSTRUCTIONS & DEFINITIONS

GENERAL INSTRUCTIONS

The **2025 Annual Report** form is in a consolidated format that includes the following pages:

- **Page 1** – Prepaid Licensee Information Page: Includes fields for the Prepaid Licensee Name, Physical and Mailing Address(es), Contact Phone, and E-Mail. **Page 1 only needs to be completed once**. At the top of Page 1, **check the funding type(s)** that is/are being reported [Cash/Trust-Funded, Insurance-Funded, and/or Annuity-Funded].

- **Page 2** – Affidavit of Licensee/Seller: **Page 2 only needs to be completed once**. The "Authorized Agent" (or "Affiant") is the person at the funeral home or perpetual care cemetery (owner, manager, office manager, etc.) who is completing the annual report form and certifying its completeness and accuracy. If there is only one (1) person completing/certifying the annual report, then it is not necessary to have a second signature (Affiant 2). **Page 2 must be notarized by a Notary Public**. [NOTE: The **notary** must be someone *other than* the "Authorized Agent" (or "Affiant") certifying the annual report . . . a person cannot notarize his/her own signature.]

- **Page 3** – Annual Report Fee Schedule: To determine the correct annual report fee due, the **gross** (not net) **contract totals** of all active cash/trust-funded, insurance-funded, and/or annuity-funded contracts should be added together *before* referencing the annual report fee schedule on Page 3. On the 2025 Annual Report form, we have again included fields for the gross contracts amounts to be entered for all three (3) funding types and a field for the combined total. The combined total of all "active" contracts as of 12-31-2025 should be referenced against the fee schedule at the bottom of Page 3 to ensure that the correct annual report fee is paid. **Only one (1) check or money order should be issued for the annual report fee payment** - not multiple checks/money orders for the different funding types. [NOTE: On **cash/trust-funded contracts**, **use the contract gross amount** - NOT the amount collected - to determine the annual report fee.]

  Since the "per-contract" fees are now being reported and paid with the annual report (instead of the quarterly reports), the "per-contract" fee due for newly-sold prepaid contracts in 2025 should be paid with a separate check from the annual report – do **not** combined the annual report fee and the "per-contract" fee on the same payment check. The annual report fee is used to pay operating expenses for the Prepaid Funeral Benefits Division and the "per-contract" fees are used to fund the Prepaid Funeral Contracts Recovery Program Fund. They must be posted under different accounts, so they should be paid separately.

- **Page 4A** – Cash/Trust-Funded Contracts In-Force: Page 4A must be completed by those prepaid licensees that have cash/trust-funded prepaid business. On the 2025 Annual Report, we have again made the completion of Lines #6 - #13 optional, since they pertain to un-disbursed investment income and surplus funds . . . data that may not be readily available to the person(s) completing the annual report. If that data is available, please go ahead and complete Lines #6 - #13. If the total of **Line #14** (Amount Collected = Trust Fund Liability) is greater than the total of **Line #15** (Trust Account Balance = Total Trust-Funded Assets), then a **trust shortage/deficiency balance is indicated** and a detailed reconciliation must be attached to the report. **Deposit(s) to the trust account are required when a shortage/deficiency balance in the principal balance is identified**.

  Supporting exhibit(s) that should be attached to Page 4A: (1) Exhibit of the prepaid licensee's "active" cash/trust-funded prepaid contracts as of December 31st of the year in-review (including the prepaid contract beneficiary's name, contract issue date, contracts count, gross contracts amount, and total amount collected/deposited on those "active" cash/trust-funded prepaid contracts); (2) complete, transactional statements of account from the trustee/bank or broker/dealer acting as custodian of funds for January 1 through December 31 of the year in-review; (3) exhibit of the prepaid licensee's "matured" or "terminated" (due to death, cancellation, or outgoing re-assignment/transfer) cash/trust-funded prepaid contracts processed during the year in-review (including the prepaid contract beneficiary's name, contract issue date, contracts count, gross contracts amount, and total amount withdrawn from the prepaid trust on those termed/matured cash/trust-funded prepaid contracts.

- **Page 4B** – Insurance-Funded Contracts In-Force: Page 4B must be completed by those prepaid licensees that have insurance-funded prepaid business. If the insurance-funded prepaid business being reported is from multiple insurance companies/third party administrators (TPAs), the prepaid licensee may either submit a separate Page 4B for each insurance company/TPA being reported or a single, consolidated Page 4B that includes "active" business from all insurance companies/TPAs. [NOTE: From an auditing standpoint, it's easier for the Department to reconcile in-force counts/amounts if these are reported separately rather than being co-mingled/combined. However, we're not going to require prepaid licensees to prepare a separate Page 4B for each and every insurance company/TPA.]

  Supporting exhibit(s) that should be attached to Page 4B: (1) Exhibit of the prepaid licensee's "active" insurance-funded prepaid contracts as of December 31st of the year in-review (if the prepaid licensee maintains its own internal inventory report of "active" insurance-funded prepaid contracts); (2) exhibit of the funeral home's terminated/matured (due to death, cancellation, or outgoing re-assignment/ transfer)

insurance-funded prepaid contracts processed during the year in-review; (3) complete, detailed insurance company/TPA insurance policies in-force reports as of December 31st of the year in-review (not just the recap or summary page).

NOTE: We understand that most – if not all – of the third-party "assignable benefits" policies come from insurance companies that don't provide a year-end in-force report (e.g.: New York Life/AARP, MetLife, Modern Woodmen, State Farm, Prudential, TransAmerica, and other large insurance companies that do not typically "service" the funeral services industry). We are not looking for in-force reports from those companies.

- **Page 4C** – Annuity-Funded Contracts In-Force: Page 4C must be completed by those prepaid licensees that have annuity-funded prepaid business. If the annuity-funded prepaid business being reported is from multiple insurance companies/third party administrators (TPAs), the prepaid licensee may either submit a separate Page 4C for each insurance company/TPA being reported or a single, consolidated Page 4C that includes "active" business from all insurance companies/TPAs. [NOTE: From an auditing standpoint, it's easier for the Department to reconcile in-force counts/amounts if these are reported separately rather than being co-mingled/combined. However, we're not going to require prepaid licensees to prepare a separate Page 4C for each and every insurance company/TPA.]

  Supporting exhibit(s) that should be attached to Page 4C: (1) Exhibit of the prepaid licensee's "active" annuity-funded prepaid contracts as of December 31st of the year in-review (if the prepaid licensee maintains its own internal inventory report of "active" annuity-funded prepaid contracts); (2) exhibit of the funeral home's terminated/matured (due to death, cancellation, or outgoing re-assignment/transfer) annuity-funded prepaid contracts processed during the year in-review; (3) complete, detailed insurance company/TPA annuity policies in-force reports as of December 31st of the year in-review (not just the recap or summary page).

  NOTE: We understand that most – if not all – of the third-party "assignable benefits" policies come from insurance companies that don't provide a year-end in-force report (e.g.: New York Life/AARP, MetLife, Modern Woodmen, State Farm, Prudential, TransAmerica, and other large insurance companies that do not typically "service" the funeral services industry). We are not looking for in-force reports from those companies.

- **Page 5** – Newly-Sold "Per-Contract" Fee Due: Prior to 2023, all prepaid licensees were required under Arkansas Prepaid Funeral Benefits Law [Ark. Code § 23-40-119 (d)] to file quarterly "per-contract" fee reports and to pay the $5.00-per-contract fee for each new prepaid contract sold during the quarter.

  During the 2023 AR Legislative Session, the requirement to file the quarterly "per contract" fee reports was removed under **Act 345 of 2023** (Senate Bill 97), with future "per-contract" activity to be reported (and the "per-contract" fee paid) with the prepaid funeral annual report, beginning with the 2023 Annual Report.

  The $5.00-per-contract fee [as established under Ark. Code § 23-40-119 (d)(1)(A)(i)(a)] is still required by Arkansas Prepaid Funeral Benefits Law because these fees are required to fund the **Prepaid Funeral Contracts Recovery Program Fund** [as established under Ark. Code § 23-40-125].

  Please report the total number of newly-sold prepaid contracts, by month. This includes not only new prepaid contracts to the prepaid licensee but also any new prepaid contracts issued as a result of an incoming re-assignment/transfer from another funeral home. Sum up the total number of new prepaid contracts ("Total New Count in 2025"). Multiply the total of new prepaid contracts for the year by the $5.00-per-contract fee to calculate the **Total "Per-Contract" Fee Due for 2025**.

  As stated above under the Page 3 instructions, since the "per-contract" fees are now being reported and paid with the annual report (instead of the quarterly reports), the "per-contract" fee due for newly-sold prepaid contracts in 2025 should be paid with a separate check from the annual report – do **not** combined the annual report fee and the "per-contract" fee on the same payment check. The annual report fee is used to pay operating expenses for the Prepaid Funeral Benefits Division and the "per-contract" fees are used to fund the Prepaid Funeral Contracts Recovery Program Fund. They must be posted under different accounts, so they should be paid separately.

ADDITIONAL INSTRUCTIONS:

- Regarding Pages 4A, 4B, and 4C: It is only necessary to print and complete the pages that are applicable to the prepaid licensee for the year being reported. If the prepaid licensee only funds prepaid contracts via insurance/annuity policies but not cash/trust, then there is no need for the prepaid licensee to complete and submit a "zero count/amount" Page 4A with the annual report.

- The 2025 Annual Report must be mailed to the Department and must be received by the Department on or before the deadline date (close of business on Monday, March 16, 2026). If the Annual Reports are put in the mail the day before or the day of the deadline, they will be received late. A late penalty will be assessed for any and all 2025 Annual Reports that are received by the Department after the deadline date, unless the prepaid licensee has requested and been approved for a filing extension. The 2025 Annual Report should **not** be faxed to the Department, since payment is required with the annual report.

- Please remember to attach the annual report fee payment (check, cashier's check, or money order - no cash) to the completed, signed, and notarized forms. Any 2025 Annual Reports that are received by the Department without the annual report fee payment, only partially completed, missing signatures/notary certifications, and/or missing attached exhibits/in-force reports, will be considered by the Department

as being an incomplete submission. An additional administrative penalty will be assessed for those reports on which multiple items (as referenced above) are missing as of the deadline date.

- Double check the annual report forms to ensure that: (1) all items have been completed, (2) applicable signatures have been included, (3) any notary public certifications have been done, and (4) all supporting exhibits have been attached [funeral home or cemetery internally-maintained inventory report(s), insurance company in-force report(s), bank/trustee statement(s) of account, etc.].

- Additional comments regarding "gross" versus "net" contract amount: The **"gross" contract amount** is the "bottom line total" which includes all services, all merchandise, cash accommodation (advance) items, estimated or actual sales tax, and/or any other items that may be itemized and included in the prepaid contract total (regardless of whether the pricing is "guaranteed" or "non-guaranteed").

  The **"net" contract amount** is the amount remaining after deductions for funeral home credits/discounts and/or credits for assignable benefits (other pledged policies, burial association certificates, etc.).

  The "gross" contract amount is the amount that must be totaled up to determine the Annual Report Fee due. To correctly calculate the Annual Report Fee due with the Annual Report, enter the Combined Gross Contracts Amount for "active" Cash/Trust-Funded, Insurance-Funded, and Annuity-Funded contracts (as of 12-31-2025) in the fields provided to calculate the **Combined Total Contracts Amount**.

PAGE 4A: CASH/TRUST-FUNDED PREPAID REPORTING

- Line #1: The beginning count/amounts (as of January 1 of the year being reported) should be the same as the ending count/amounts as of December 31 of the previous year's annual report (Line #5 count/amounts). If the beginning count/amounts for the current year are not the same as the ending count/amounts for the previous year, then there's an issue.

- Line #2: Any adjustments to the previous year's annual report are to be made under Line #2 with an explanation of those adjustments toward the bottom of Page 4A. If there are any cash/trust-funded prepaid contracts that were sold during the previous year but missed being reported on the previous year's annual report, then those need to be added under Line #2. Conversely, if there were any cash/trust-funded prepaid contracts that were "matured" or terminated during the previous year but missed being reported on the previous year's annual report, then those need to be deducted under Line #2.

  - Contract Count (#): If no adjustments to the previous year's annual report, then no count should be listed; added (+) count for new contracts in previous year(s) that were not reported on previous year's annual report; minus (-) count for terminated contracts in previous year(s) that were not reported on previous year's annual report.

  - Gross Contract Amount ($): If no adjustments to the previous year's annual report, then no amount should be listed; added (+) amount for new contracts in previous year(s) that were not reported on previous year's annual report (including add-ons to existing contracts); minus (-) amount for terminated contracts in previous year(s) that were not reported on previous year's annual report.

  - Amount Collected ($): Any payments collected on existing prepaid contracts during the current year (on prepaid contracts sold in prior years) and deposited into the prepaid trust during the current year.

- Line #3: **NEW SALES**; any new cash/trust-funded prepaid contracts that were sold between January 1 and December 31 of the current year in-review are to be reported under Line #3.

- Line #4: **TERMINATED CONTRACTS**; any cash/trust-funded prepaid contracts that terminated/matured (due to death, cancellation, or outgoing re-assignment/transfer) between January 1 and December 31 of the current year in-review are to be reported under Line #4.

- Line #5: The ending count/amounts (as of December 31 of the year being reported); the total amount reported under the **Gross Contracts Amount ($)** column, Line #5 is the amount that needs to be reported on Page #3 (Combined Gross Contracts Amount of Active Cash/Trust-Funded Contracts as of December 31) to determine the annual report fee due.

- Lines #6 - #9: **Un-disbursed net investment income**; if the trust account earned investment income throughout the year, the change in investment income remaining in the prepaid trust may be reported here. This allows for a breakdown between the principal balance in the prepaid trust (which belongs to the prepaid contract purchasers) versus the accrued interest income (which belongs to the prepaid licensee on the "guaranteed" portion of services and merchandise). Completion of Lines #6 - #9 is optional - if that information is available on the prepaid trust statements of account, then please report it on Page 4A; if that information is not readily available, then leave Lines #6 - #9 blank.

- Lines #10 - #13: **Surplus funds**; if the trust account balance includes any "surplus funds" (principal amount over and above the total liabilities amount), then it may be reported here. Sometimes referred to as "pad" in the account balance. Completion of Lines #10 - #13 is optional - if that information is available on the prepaid trust statements of account, then please report it on Page 4A; if that information is not readily available, then leave Lines #10 - #13 blank.

- Line #14: **AMOUNT COLLECTED**; should be the same amount as reported under the "Amount Collected ($)" column, Line #5.

- Line #15: **TRUST ACCOUNT(S) BALANCE**; should be the total of all principal amounts on-deposit plus any un-disbursed net investment income and/or surplus funds.

Trust Account(s) Information section (bottom of Page 4A): All trustee/banks and/or brokers/dealers acting as custodian of prepaid funds need to be listed in this area [Name, address, and account number(s)]. If the prepaid licensee has prepaid funds on-deposit with multiple trustees, then attach a listing of all trustees and trust accounts to Page 4A.

Self-Reported Shortages/Deficiency Balances on Cash/Trust-Funded Prepaid Business: If the *Amount Collected* total (Line #14) is greater than the *Trust Account(s) Balance* total (Line #15), then there is a "shortage" or "deficiency balance" on the cash/trust-funded prepaid block and a detailed reconciliation must be attached to the annual report. Arkansas Prepaid Funeral Benefits Law requires that, if there exists a deficiency balance (shortage) on a cash/trust-funded prepaid funeral benefits account, the account be "made whole" by the prepaid licensee by depositing funds into the trust account(s) to bring the principal balance(s) up to a level sufficient to cover any and all existing prepaid funeral benefits contract liabilities.

Supporting exhibit(s) that should be attached to Page 4A: Refer to the list on Page 1 of this document.

PAGE 4B: INSURANCE-FUNDED PREPAID REPORTING

- Line #1: The beginning count/amounts (as of January 1 of the year being reported) should be the same as the ending count/amounts as of December 31 of the previous year's annual report (Line #5 count/amounts). If the beginning count/amounts for the current year are not the same as the ending count/amounts for the previous year, then there's an issue.
- Line #2: Any adjustments to the previous year's annual report are to be made under Line #2 with an explanation of those adjustments toward the bottom of Page 4B. If there are any insurance-funded prepaid contracts that were sold during the previous year but missed being reported on the previous year's annual report, then those need to be added under Line #2. Conversely, if there were any insurance-funded prepaid contracts that were terminated/matured during the previous year but missed being reported on the previous year's annual report, then those need to be deducted under Line #2.
  - Contract Count (#): If no adjustments to the previous year's annual report, then no count should be listed; added (+) count for new contracts in previous year(s) that were not reported on previous year's annual report; minus (-) count for terminated contracts in previous year(s) that were not reported on previous year's annual report.
  - Gross Contract Amount ($): If no adjustments to the previous year's annual report, then no amount should be listed; added (+) amount for new contracts in previous year(s) that were not reported on previous year's annual report (including add-ons to existing contracts); minus (-) amount for terminated contracts in previous year(s) that were not reported on previous year's annual report.
- Line #3: **NEW SALES**; any new insurance-funded prepaid contracts that were sold between January 1 and December 31 of the current year in-review are to be reported under Line #3.
- Line #4: **TERMINATED CONTRACTS**; any insurance-funded prepaid contracts that terminated/matured (due to death, cancellation, or outgoing re-assignment/transfer) between January 1 and December 31 of the current year in-review are to be reported under Line #4.
- Line #5: The ending count/amounts (as of December 31 of the year being reported); the total amount reported under the **Gross Contracts Amount ($)** column, Line #5 is the amount that needs to be reported on Page #3 (Combined Gross Contracts Amount of Active Insurance-Funded Contracts as of December 31) to determine the annual report fee due.

CROSS-CHECK ITEMS:

- Line #6: Net Amount of insurance policies in-force; will most likely be the policies face amount total from the insurance company's/TPA's in-force report. The Contract Net Amount is calculated as follows: Gross Contracts Amount minus (-) Assignable Benefits = Net Contracts Amount
- Line #7: Total of Assignable Benefits; assignable benefits are typically third-party insurance and/or annuity policies (that the consumer has assigned over to the funeral home/cemetery to apply toward the payment of the prepaid contract) or burial association certificates. The prepaid licensee should be tracking assignable benefits on its internal inventory report.
- Line #8: Gross Contracts Total; Gross Contract Amount = Net Contract Amount + Assignable Benefits. The Gross Amount of Contracts ($) total under Line #8 should match the total under Line #5.

Additional comments regarding required documentation/reporting: The **in-force reports** provided to the prepaid licensee by its insurance companies/third party administrators (TPAs) *are not the same as* an **inventory listing** maintained by the prepaid licensee. The insurance companies'/TPAs' in-force reports reflect policy count, which is typically *not the same thing as* prepaid contracts count. It is possible for a prepaid contract to be funded by 1, 2, or more insurance policies or annuities, so the policies in-force report may not correctly reflect the number of prepaid contracts in-force as of a specific date. Additionally, a number of insurance companies/TPAs do not have "assignable

benefits" totals reflected on their in-force reports. In a number of cases, the policy face amount represents the net prepaid contract total, not the gross prepaid contract total.

Additional comments regarding the In-Force Roll-Forward - Item (3) Gross Contracts Total of ALL NEW SALES for the calendar year 2025: The new contracts count and gross contracts amount should be based on the **actual contract date**, not the policy issue/effective date, if the contract is funded by an insurance policy. Sometimes, the prepaid contract date and the insurance policy issue/effective date *are the same*, but in some instances, there is "lag time" of a few days between the date the prepaid contract is executed and the date on which the insurance company issues the policy in its system of record. This may impact contract counts if the prepaid contract was executed toward the end of a quarter/year, but the insurance policy that funds the contract was not issued until after that period end.

PAGE 4C: ANNUITY-FUNDED PREPAID REPORTING

- Line #1: The beginning count/amounts (as of January 1 of the year being reported) should be the same as the ending count/amounts as of December 31 of the previous year's annual report (Line #6 count/amounts). If the beginning count/amounts for the current year are not the same as the ending count/amounts for the previous year, then there's an issue.
- Line #2: Any adjustments to the previous year's annual report are to be made under Line #2 with an explanation of those adjustments toward the bottom of Page 4C. If there are any annuity-funded prepaid contracts that were sold during the previous year but missed being reported on the previous year's annual report, then those need to be added under Line #2. Conversely, if there were any annuity-funded prepaid contracts that were terminated/matured during the previous year but missed being reported on the previous year's annual report, then those need to be deducted under Line #2.
  - Contract Count (#): If no adjustments to the previous year's annual report, then no count should be listed; added (+) count for new contracts in previous year(s) that were not reported on previous year's annual report; minus (-) count for terminated contracts in previous year(s) that were not reported on previous year's annual report.
  - Gross Contract Amount ($): If no adjustments to the previous year's annual report, then no amount should be listed; added (+) amount for new contracts in previous year(s) that were not reported on previous year's annual report (including add-ons to existing contracts); minus (-) amount for terminated contracts in previous year(s) that were not reported on previous year's annual report.
  - Amount Collected on Annuity Contract ($): If no adjustments to the previous year's annual report, then no amount should be listed; added (+) amount for payments made toward annuity-funded contracts in previous year(s) that were not reported on previous year's annual report (including add-ons to existing contracts); minus (-) amount for terminated contracts in previous year(s) that were not reported on previous year's annual report.
- Line #3: **NEW SALES**; any new annuity-funded prepaid contracts that were sold between January 1 and December 31 of the current year in-review are to be reported under Line #3.
- Line #4: **Collections on PRIOR YEARS' SALES**: Any payments made toward annuity-funded contracts/policies that were issued *prior to* January 1 of the year in-review that were made between January 1 and December 31 of the current year in-review are to be reported under Line #4.
- Line #5: **TERMINATED CONTRACTS**; any annuity-funded prepaid contracts that terminated/matured (due to death, cancellation, or outgoing re-assignment/transfer) between January 1 and December 31 of the current year in-review are to be reported under Line #5.
- Line #6: The ending count/amounts (as of December 31 of the year being reported); the total amount reported under the **Gross Contracts Amount ($)** column, Line #5 is the amount that needs to be reported on Page #3 (Combined Gross Contracts Amount of Active Annuity-Funded Contracts as of December 31) to determine the annual report fee due.

CROSS-CHECK ITEMS:

- Line #7: **Annuity-Funded Prepaid Contracts Balance Due**; on those annuity-funded prepaid contracts where the annuity policy is not fully funded as of December 31 of the year in-review, the remaining balance due on those contracts/policies.
- Line #8: Total of Assignable Benefits; assignable benefits are typically third-party insurance and/or annuity policies (that the consumer has assigned over to the funeral home/cemetery to apply toward the payment of the prepaid contract) or burial association certificates. The prepaid licensee should be tracking assignable benefits on its internal inventory report.
- Line #9: Active (Annuity-Funded) Contracts Amount as of December 31; Amount Collected on Annuity Contracts (#) [6C] + Balance Due on Annuity-Funded Contracts [7C] + Assignable Benefits [8C] = Gross Annuity-Funded Contracts [9C]. The total of [9C] should match the total on [6B].

IMPORTANT

If you have any questions regarding the completion of the Annual Report form, please don't hesitate to call or e-mail the Arkansas Insurance Department's Prepaid Funeral Benefits Division. The group e-mail address is AID.Prepaid@arkansas.gov - e-mails sent to this address will be received by all Prepaid Funeral Benefits Division personnel. You may also call the AID main switchboard line at (501) 371-2600 and request the **Prepaid Funeral Benefits Division**. We will be glad to answer any questions you might have.

The 2025 Annual Report, fees, and supporting exhibits should be mailed to:

Arkansas Department of Commerce
Arkansas Insurance Department
1 Commerce Way, Suite 502
Little Rock, AR 72202-2087
ATTN: Prepaid Funeral Benefits Division

The **deadline** for all of the above items to be received by the Department is by the close of business on **Monday, March 16, 2026**.