



TEXAS DEPARTMENT OF BANKING

★ Dedicated to Excellence in Texas Banking ★

SUPERVISORY MEMORANDUM – 1031

September 1, 2022

TO: All Perpetual Care Cemetery Certificate Holders
FROM: Charles G. Cooper, Banking Commissioner
SUBJECT: Examination Frequency for Perpetual Care Cemeteries

BACKGROUND

The examination frequency policy communicated through this memorandum represents an update and revision to the examination frequency which was last revised on September 1, 2012.

OVERVIEW

Chapter 712.044 of the Texas Health and Safety Code provides that the Commissioner may examine perpetual care cemetery (PCC) certificate holders on a periodic basis, as the Commissioner reasonably considers necessary or appropriate to efficiently administer and enforce this chapter. On September 1, 2012, this memorandum was revised to implement an 18-month examination frequency schedule based on two key risk factors: the size of the PCC trust fund, and the certificate holder's prior examination rating. Specifically, certificate holders with a trust fund of \$1 million or more as reported in their most recent examination and who receive satisfactory ratings would be examined every 12 months. Certificate holders with less than \$1 million and who receive satisfactory ratings as reported in their most recent examination would be examined every 18 months.

After re-evaluating the current risk factors in correlation with the findings noted in examinations of certificate holders, the Department will no longer consider the PCC trust fund size as an examination frequency risk factor. As a result, this policy is revised to remove the PCC trust fund size criteria when determining the certificate holder's examination frequency.

In the Department's view, the revisions to this policy do not jeopardize consumer protection, are sufficient to provide effective oversight, and provide for a more efficient use of the Department's examination staff. Further, the revised extended examination cycle is consistent with the examination cycles of other non-depository license holders regulated by the Department, and will also assist in reducing the regulatory burden for qualifying, well managed certificate holders.

In general, as depicted by the table shown below, certificate holders who receive satisfactory ratings will be examined every 18 months.

Examination Frequency Guide for Certificate Holders

Uniform Rating	Full Scope Exam Frequency
Most current examination rating is a 1 or 2	18 Months
Most current examination rating is a 3	12 Months
Most current examination rating is a 4 or 5	12 Months for full scope examination <ul style="list-style-type: none"> • In addition, a limited scope examination in approximately 3 months of examination resulting in a 4 or 5 rating
Certificate Holders that have not received at least two examinations with ratings	12 Months

ADDITIONAL QUALIFIERS AND INFORMATION APPLICABLE TO ALL CERTIFICATE HOLDERS

A certificate holder that qualifies for an extended examination frequency may be excluded from the program if additional circumstances arise relating to changes in financial condition, management practices, ownership, business models, regulatory compliance, or any other issue which could significantly impact the overall condition of the certificate holder. Additionally, any certificate holder that is subject to a formal administrative action will be excluded from the 18-month cycle until such action is no longer in effect or until the certificate holder has complied with the requirements of the action.

The Commissioner reserves the right to conduct any examination it deems necessary and appropriate even if the above general criteria and other conditions have been met and the performance of the examination is necessary for the efficient enforcement of applicable law.