TEXAS DEPARTMENT OF BANKING

SPECIAL AUDITS DIVISION

EXAMINATION MANUAL

FOR INSURANCE-FUNDED & TRUST-FUNDED PREPAID FUNERAL CONTRACT PERMITS

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Introduction

Section 154.053(e) the Texas Finance Code (Finance Code) directs the Department to develop a prepaid funeral contract (PFC) examination manual in consultation with the advisory committee established under §154.208 of the Finance Code that includes procedures intended to reduce the expense of examinations to the Department and permit holders while fostering a consistent, effective and efficient examination process.

The recordkeeping requirements for insurance-funded PFC permit holders are located in §25.10 of the Texas Administrative Code (Administrative Code). (***See Appendix A***) The recordkeeping requirements for trust-funded permit holders are located in §25.11 of the Administrative Code (***See Appendix A***).

The objectives of this manual are to:

- provide a resource to examiners to promote consistency in findings during PFC regulatory examinations,
- enhance the efficiency and effectiveness of the examinations;
- provide guidance to the industry regarding the Department's examination process and
- promote compliance with the Finance and Administrative Codes.

The core procedures outlined in this manual are not intended to be a complete list of all possible factors that may influence an examiner's assessment and should not replace an examiner's independent judgment.

Examination Frequency, Scheduling and Planning
§154.053(b)(c) – Finance Code

As a result of changes enacted during the 81st Legislative Session, the Department moved to a more risk based examination frequency schedule allowing certain licensees to be examined less frequently, every 18 months as opposed to 12 months, while retaining a 12 month examination schedule or more frequently for regulated entities that demonstrate higher risk. Permit holders who received a uniform risk rating (***See Appendix B***) that is a "1" strong, or "2" satisfactory, at their last examination will generally be examined no more frequently than once every 18 months. More frequent examinations will be performed for permit holders receiving less than satisfactory ratings at their last examination or who are subject to a formal enforcement proceeding or order by the Commissioner in accordance with §154.053(b) of the Finance Code. Further, the Department will attempt to conduct a courtesy visit to new permit holders within the first three to four months of permit issuance to verify that management has the knowledge and systems in place to comply with PFC statutory regulations and rules. A full scope examination will be conducted within 12 months of permit issuance with subsequent examinations based upon the established risk focused examination frequency schedule.

Examiners will schedule regulatory examinations in advance with the permit holder. Typical advance notification is two weeks but more or less advance notice may be required given the

circumstances. The examiner – in – charge (EIC) will provide a "Records Request List" (***See Appendix C***) to the permit holder which details the records the permit holder must have available when the examiner arrives on-site and to use as a guide in preparing for the examination. This document also provides the permit holder with the date and time of the on-site examination, the examination period being covered, and the name and telephone number of the EIC. Further, depending on the size and complexity of the permit holder's operations, the EIC may pre-select new and withdrawal PFC files to be reviewed so that they can be made available for inspection at the onset of the examination. In addition to the pre-selected sample, a smaller sample of new and withdrawal PFC files are typically selected once the examiner arrives on-site when reviewing less than 100% to verify the files can be readily retrieved and are compliant.

Examination Overview

The PFC examination consists primarily of reviewing management's processing of claim files, issuance of new PFCs, and reconciliation of contract/policy and deposit/withdrawal activity from the closing date of the prior examination to the closing date of the current examination. In addition, the examination is intended to assess the permit holder's compliance with PFC statutory requirements outlined in Chapter 154 of the Finance Code and the applicable rules and regulations of Title 7, Chapter 25 of the Administrative Code with an emphasis on consumer protection.
Concerns regarding examiner findings or conduct during the examination that cannot be resolved through discussion with the EIC should be brought to the attention of the Director of the Special Audits Division for further discussion and resolution.

Off-site Review Utilizing the Department's Data Exchange Program (DEX)

In order to provide more efficiency and effectiveness for the examination process, the Department created the DEX portal system. DEX allows for users to upload examination documentation which can be reviewed prior to the on-site arrival. This additional off-site review provides for fewer burdens to our licensees while also reducing out-of-state examination costs. If a licensee desires to utilize DEX, management must first contact the Special Audits Administrator in order to set up a profile for the permit holder. Upon completion, the examiner will inquire to management as to which examination documents will be uploaded for off-site review. However, PFC withdrawal files must still be reviewed on-site as well as any complex reconciliation involving the clearing of multiple rec items.

Entrance Meeting

Upon arrival, the EIC will typically hold an opening meeting with the permit holder's agent to discuss the scope and probable length of the examination, and the status of providing the requested records and documents. Any significant changes in operations, recordkeeping practices or personnel since the last examination should also be disclosed to the examiner during this meeting. This is typically when the management questionnaire and representation letter are presented to the EIC (***See Appendix D & E***), as the EIC will have sent these documents with the Records Request List when scheduling the examination. ***It is particularly important that management take the time needed to carefully and accurately complete these documents as the***

examiner relies on management's representations in conducting the examination. The management questionnaire and representation letter should be returned to the examiner well before the end of the examination to allow sufficient time for examiner review and follow-up.

Review of General Files
§25.10 (c) and §25.11(b) – Administrative Code

An examiner typically begins by reviewing the permit holder's general files which should at a minimum include the items outlined in Title 7, §25.10 for insurance-funded permit holders and §25.11 for trust-funded permit holders of the Administrative Code. A review of the general files early in the examination process provides the examiner with an opportunity to resolve any questions or concerns that may arise from the review of items in the general files.

Reconciliation
§25.10(e)(4) and §25.11(d)(4 &5) – Administrative Code

Relevant to both Trust and Insurance funded permits, the reconciliation portion of the examination enables the examiner to verify the accuracy of management's internal records as well as the permit holder's Annual report (See Appendix F) filed annually with the Department and to prepare the recapitulation pages of the Report of Examination (ROE). The examiner will compare the data reported on the latest filed Annual Report to the December 31 reconciliation report to verify its accuracy. The reconciled period activity will be entered in the Department's Excel spreadsheet (***See Appendix G***) for use in preparing the recapitulation pages of the ROE.

Insurance-Funded Permits

Management must demonstrate to the examiner that all required reports are balanced at least semiannually on June 30 and December 31 of each year.

The examiner will review required reports detailing the new business, out-of-force/non-forfeiture policies and in-force policies required under §25.10(e)(1), (2) and (3) of the Administrative Code, to verify each report captures the required information and meets all the requirements under the respective paragraphs. Further, the examiner will verify that each required report balances to the reconciliation report required under §25.10(e)(4) of the Administrative Code.

The reconciliation report will be reviewed to verify it shows the activity related to each policy that was identified in the new issue report and the out-of-force/non-forfeiture policy report. In addition, the examiner will review documentation to support any other changes to contract/policy count and death benefit reported. Finally, the examiner will verify that the ending totals of the reconciliation period for contract/policy count and death benefit reported balance to those same totals on the corresponding in-force policy report.

Trust-Funded Permits

Management must demonstrate to the examiner that all required records are balanced at least quarterly. Specifically, the number of outstanding individual ledgers ***(See Appendix H)*** and total principal balance must reconcile to the contract count and principal balance on the control ledger ***(See Appendix I)*** for the quarterly reporting period being reconciled in accordance with §25.11(e)(4) and (5) of the Administrative Code. Further, the principal and interest balance on the control ledger must reconcile to the trustee/bank statement on at least a quarterly basis.

Evidence of the quarterly reconciliation must be retained for review during the examination. Depending on how automated a permit holder's operations are, individual ledgers and the control ledger will be maintained either manually on ledger cards or electronically in a database. If management maintains the ledgers manually, an adding machine tape (or other spreadsheet format) must be provided for each quarter of the examination period summarizing the ending total principal balance and the total number of outstanding contracts. If the ledgers are maintained electronically, the system generated reports are used to document that the reconciliations are performed at least quarterly. Further, if management allocates the interest and dividends earned from the trust to the individual ledgers, then the interest total for the cumulative individual ledgers must also balance to the interest total of the control ledger.

Examiners review individual ledgers and the control ledger to verify the reports include the information required under §25.11(e)(4)(A)-(J) and §25.11(e)(5)(A)-(G) of the Administrative Code. Further, the individual ledgers may be reviewed to determine if there are any contracts that appear to qualify as abandoned property under §154.301 through 154.307 of the Finance Code.

Any differences between the trust amount and control ledger or system amounts should be identified by management as outstanding reconciling items. Reconciling items should be normal and reasonable timing differences (deposits in transit, pending withdrawals, etc.). Furthermore, these reconciling items must be cleared, resolved or reinstated by management within 90 days of occurrence.

Examiners review the appropriateness of all withdrawals from trust in accordance with §154.260 through §154.263 of the Finance Code during the review of trustee statements and quarterly reconciliations. If any discrepancies other than those that relate to the existing outstanding reconciling items are noted, then management must provide an explanation as to what caused the difference.

PFC permit holders have requested specific guidance from the Department on the threshold amount of an error, omission, or adjustment that is necessary to properly reconcile the records that would result in a violation being cited or as a comment in the Other Findings and Recommendations Section of the ROE. In determining whether or not to cite a violation, the examiner will consider the materiality of an error or omission made in the reports and will follow

the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Concepts No. 2. FASB stated the essence of the concept of materiality as follows:

> "The omission or misstatement of an item in a financial report is material if, in light of the surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the items."

In the event that a permit holder disagrees with an examiner's materiality determination and the disagreement cannot be resolved through discussion with the EIC, the situation should be brought to the attention of the Director of the Special Audits Division for further discussion and resolution.

Historical Contract Register – Trust-Funded Permits
§25.11(d)(1) – Administrative Code

The historical contract register ***(See Appendix J)*** is management's representation and disclosure of trust-funded PFCs issued under the permit in chronological or contract number order. PFCs may be removed from the register when three years or more has elapsed from the date of the final disposition. The historical contract register is typically used to perform a review of the new PFCs written. Further, examiners review the historical contract register to verify that it includes all information required and that the information is accurate and consistent with the current status of the PFC.

New Issue PFC File Review – Trust and Insurance-Funded Permits

Examiners review new PFC files for specific compliance requirements. As part of the review of new PFC files, the examiner will verify that all preneed sales are written on current model or non-model Departmental approved PFC forms (***See Appendix K)*** and have been properly executed by the appropriate parties. Additionally, each file for an insurance-funded PFC must include a copy of the executed policy application, the data face sheet as required by Section 25.10(d)(2) of the Administrative Code, and any executed irrevocable assignments or waivers of right to cancel the PFC.

PFC Guaranteed Services and Merchandise
§25.7(b)(1)and(2)(A-C) – Administrative Code

The PFC form details the ***guaranteed*** services and merchandise to be delivered at the time of the PFC beneficiary's death. Examiners review the PFC to verify that compliant descriptions of the merchandise and services selected are included on the PFC as required. (***See Appendix L)***. Compliant descriptions help to verify that the services and funeral goods selected on the PFC are provided upon the death of the beneficiary.

§154.1511 - Finance Code

The PFC form details the ***non-guaranteed*** services and merchandise to be delivered at the time of need of the PFC beneficiary's death. Examiners review the non-guaranteed cash advance items on new PFCs to verify the items listed are traditional cash advance items at reasonable estimated costs. If necessary, to determine if a cost was reasonable, the examiner may request additional documentation from the permit holder to support the basis of the amount charged for a particular non-guaranteed item. Any good or service to be provided by the contracted funeral provider may not be listed on the non-guaranteed section of the PFC (such as additional mileage).

PFC Consumer Disclosures

The PFC form includes important consumer disclosures. Some consumer disclosures are in shaded text boxes and require a purchaser to initial that they have read the disclosure in the text box. Since examiners review new PFCs to verify that the text boxes are initialed (if required) all pages of the PFC should be made available for review. If a permit holder maintains electronic copies of PFCs issued management must still produce all pages of the preneed contract for review.

Irrevocable Assignments and Waivers of Right to Cancel
§154.156 - Finance Code

Part of the review of new PFC issues includes a review of any irrevocable assignments or waivers of right to cancel the PFC (***See Appendix M***) which are typically executed by a purchaser who does not want their policy or PFC to be considered a personal asset of their estate. Examiners review these documents to verify proper completion and execution. The examiners will also seek to determine that these documents are not being consistently promoted by funeral providers for purposes other than what they are intended.

Deposit Review - Trust Funded Permits
§154.253 - Finance Code and §25.11(h) - Administrative Code

The purpose for performing the deposit analysis is to verify that the permit holder is depositing and posting PFC payments within 30 days of receipt from the purchaser as required. Management is responsible for maintaining a clear audit trail to support the timely deposit and posting of PFC payments, including fully completed and dated cash receipts that support batch deposits. For example, a deposit for payments received from the 1st-15th of a given month should include a copy of the pages that contain the receipts issued on those days with documentation which totals to the amount of the deposit. Alternatively, permit holders may include a listing with the name of each account holder, the date received and the amount of the deposit. Automated permit holders use their

system to generate a report specifying the requested payment dates, the amount of payments received and the amount deposited.

Examiners will typically sample deposits throughout the examination period. One deposit per quarter is generally the minimum sample although this may be increased if exceptions are noted.

Once it is determined whether or not deposits were made within 30 days, the examiner will then test to verify that payments received to the individual accounts are credited within 30 days of receipt. If the permit holder maintains the individual ledgers manually, then the examiner will look through the ledger book for the account selected to verify that the payment has been posted within 30 days of the date actually received. If the permit holder maintains the individual ledgers on an automated system, the examiner will request the supporting portion of a payment history for a particular account to verify that the payment selected was posted as required.

Out-of-Force File Review
§25.10(d)(3-5) and §25.11(c)(3 & 4) – Administrative Code

Examiners review matured PFC files to verify that they contain copies of all documents required for outstanding PFCs as outlined in 25.10 and 25.11 of the Administrative Code. If the PFC seller is also the servicing funeral home on the at-need contract, the examiner verifies all guaranteed preneed services and merchandise or their equivalent in quality were provided as required on the at-need contract. In addition, the examiner verifies that the total amount identified on the PFC for non-guaranteed cash advance items, as well as the proportional growth attributable to that amount, has been credited, applied or refunded as required. If all PFC items were provided, the family only owes for any at-need cash advance items in excess of those funded, if any, plus any merchandise or service upgrades.

All matured files must contain a preneed to at-need reconciliation, which must be signed by the funeral provider, if the provider is not also the seller ***(See Appendix N and O)****.*

Matured PFC File Review (provided by contracted provider)

§25.10(d)(3)(A) – Administrative Code

This section pertains when the funeral goods and services were provided by the contracted funeral provider or were delivered under an assignment by an agreed to Texas successor provider.

Preneed to At-need Comparison
§154.161(a)(2)(B) and (3)(A) - Finance Code
§25.10(d)(3)(A)(vii) - Administrative Code

For Trust-funded PFCs:

- If the payments are current and any remaining balance due is paid prior to the funeral service, the provider must deliver the guaranteed services and merchandise selected at no additional cost.

For Insurance-funded PFCs:

The maturity file is first reviewed to determine what type of policy was issued to fund the PFC and whether premium payments are current.

Annuity contract and Full Benefit insurance policy

- The provider must deliver the guaranteed services and merchandise selected at no additional cost if the premiums are current

Limited Benefit insurance policy

- The provider must deliver the guaranteed services and merchandise selected at no additional cost if the premiums are current and
  - the limited death benefit period has expired ; OR
  - the limited death benefit period has NOT expired, but the remaining balance due on the insurance policy is paid prior to the funeral service

For both Insurance-Funded and Trust-Funded PFCs:

- The provider is not required to deliver the guaranteed services and merchandise selected if
  - the insurance policy funding the PFC is in default; or
  - the purchaser did not follow the payment terms in a trust-funded PFC,

Changes to the PFC at the Time of Death
§154.1551 – Finance Code

In determining whether or not a refund is due, examiners should refer to Supervisory Memorandum 1026 (***See Appendix P***) and to the PFC provisions.

- For a fully funded PFC, the responsible person may make changes up to 10% of the Guaranteed Services and Merchandise section of the PFC. The provider must give credit if the changes result in decreased costs, but is not required to refund any money.

- Also, the responsible person and the provider can agree to changes in excess of 10% of the guaranteed services and merchandise selected on the PFC. However, if the responsible person and the provider agree to make changes in excess of 10%, the provider must give credit for any changes that decrease costs <u>and</u> if applicable, issue a refund. Conversely, the

responsible person must pay the provider for any changes that result in increased costs.

- Modifications to the PFC must be calculated on a comparable time-price basis. In the case of an upgrade to the casket, urn, outer burial container or service type, the consumer must either be given credit for today's price of the casket surrendered and billed for the current price of the substituted casket, or be given credit for the original preneed price of the surrendered casket and billed the preneed price for the substituted casket at the date of the original sale.

- Purchasers can prevent any changes to the guaranteed services and merchandise selected under a fully funded PFC by signing the relevant text box on the PFC.

  - the responsible person may make unlimited changes to the funeral goods and services selected if
    - agreed to by the provider, at the time of the funeral service, and
    - the trust contract is paid in full or
    - the policy is fully funded

  - The responsible person may add, surrender, cancel or modify any non-guaranteed cash advance item included under the PFC at the time of the funeral. Any resulting credit may either be used to pay for additional funeral merchandise or services or refunded.

Final Disposition of the Body
§154.1551(a)(2) – Finance Code
Texas Attorney General Opinion # JC-0279

A purchaser of a PFC who is also the contract beneficiary is the only person allowed to change the method of final disposition that has been chosen on the PFC regardless of whether or not the PFC is fully paid. Examiners will review the method of disposition of the body on the at-need contract such as by ground burial or cremation to verify that it agrees with the method documented on the PFC or a written instrument subsequent to the date of the PFC signed by the purchaser or contract beneficiary.

Potential Overcharges and Materiality
§154.161(a)(2)(B) and §154.161(a)(3)(A) – Finance Code

A preneed to at-need reconciliation must be signed by the funeral provider if the provider is not also the seller. If after the examiner's review of the matured file the family appears to have been charged more than what they should have paid on

the at-need contract, the examiner will review any discrepancies with management regarding potential overcharges and possible refunds due.

In determining whether or not an overcharge is material enough to require a refund or to require management to review the remaining matured files in the examination period that were not included in the examiner's sample, the Department will consider the materiality of the overcharge as well as the repeat nature of the violation. The Department does not generally require isolated overcharges of $10 or less to be refunded. Further, the Department typically allows an error rate of 5% of the total number of matured files reviewed or one contract exception, whichever is greater, provided total overcharges do not exceed $500 and no single contract overcharge is greater than $100. Management's review policies and procedures are also considered as are the number of consecutive times the violation has been cited. Beyond these materiality parameters and considerations, the Department may require that management review the remaining death claims processed during the examination period that were not included in the examiner's sample. However, if the exceptions appear to be limited to a particular provider or permit holder's processor, the Department may only require a targeted full management review focusing on where the exceptions were found.

Matured PFC File Review (*not* provided by contracted provider)
§25.10(d)(3)(B) and §25.11(c)(3)(C) – Administrative Code

For matured PFC files for which services *were provided by a person other than the contracted or assigned successor funeral provider*, the Administrative Code only requires the following limited documents:

- an assignment of benefits statement for insurance-funded PFCs or a statement for trust-funded PFCs from the purchaser or purchaser's representative requesting the delivery of funds to the servicing funeral provider;
- evidence of payment to the servicing funeral provider;
- a copy of a Texas certified death certificate or a death certificate from the state in which death occurred; and
- documentation to support the death benefits available at the time of claim for insurance-funded PFCs.

Cancelled PFC File Review – Trust-Funded
§25.11(d)(5) – Administrative Code

Examiners review cancelled PFC files to verify that they contain copies of all documents required for an outstanding contract, a completed departmental withdrawal form or evidence of departmental withdrawal approval, a computation of any earnings withdrawn and evidence of payment of the cancellation benefit. Examiners also review these file for evidence that the cancellation benefit was correctly calculated in accordance with §154.155(d) and §154.254 and paid within 30 days of the date the cancellation notice was received by the permit holder in accordance with §154.155(b) of the Finance Code. Generally, a purchaser who cancels the contract within the first year is entitled to 90% of the actual amount paid in accordance with §154.254 of the Finance Code. Further, a purchaser cancelling a PFC written after September 1, 2001 and held beyond the first year is entitled to amounts paid in less any retainage in accordance with §154.252 and §154.155(d), plus half of all earnings attributable to the contract.

The purchaser of the trust-funded PFC typically initiates the cancellation of the contract. However, if the permit holder (Seller) solicits the purchaser to cancel, then the purchaser is entitled to receive all principal monies paid and all interest attributable to that money, in accordance with §154.155(e) of the Finance Code.

Cancelled PFC File Review- Insurance-Funded
§25.10(d)(4) – Administrative Code

Examiners review cancelled PFC files to verify they contain copies of all documents required for an outstanding contract, a completed departmental withdrawal form or evidence of departmental withdrawal approval, documentation to support the available cash surrender value of the funding policy, and evidence of payment of cancellation benefit.

Change in Funding Policy Status – Insurance-Funded Contracts
§25.10(d)(5) – Administrative Code

Each file pertaining to a PFC whose funding insurance policy has changed status since the last examination must be retained for review. Examiners review these files to verify they contain the following elements:

- Copies of all documents required for an outstanding contract

- A copy of the permit holder's letter to the purchaser informing the purchaser of the contract status. The letter must state the date of the status change and, if applicable, the reduced death benefit coverage amount and the termination date of such coverage. The letter must also inform the purchaser that the PFC may not be honored by the funeral provider due to the non-forfeiture or delinquent status of the funding policy.

- Each reduced paid-up or extended term policy file must also include copies of an election form indicating the purchaser has chosen reduced paid-up or extended term status unless the policy has automatic non-forfeiture provisions.

Disaster Recovery
§25.10(h)(i) and §25.11(j) – Administrative Code

The examiner will verify that the permit holder has a disaster recovery plan in place, that the plan is tested according to company guidelines and any corrective measures identified in the testing are implemented according to company guidelines.

Suspense Reports – Insurance-Funded Permits
§25.10(e)(5) – Administrative Code

The examiner will review suspense reports pertaining only to Texas policies funding prepaid funeral contracts to verify that payments received on paid in full policies are not retained in a suspense account for longer than 30 days but are instead refunded within that time.

Credit Balance Reports – Trust-Funded Permits
§25.11(d)(4) – Administrative Code

The examiner will review individual ledgers to verify overpayments on trust contracts are refunded within 30 days.

Exit Meeting

At the conclusion of the examination, the EIC will complete a summary of findings matrix (***See Appendix Q***) which lists any violations of law, other findings and recommendations and includes a tentative uniform risk rating assigned to the permit holder. The EIC will schedule an exit meeting and request that at least one designated agent be present. At the exit meeting the EIC will discuss each violation cited and the required corrective action along with the other findings and recommendations. If conflict or confusion regarding examiner findings cannot be resolved through discussion with the EIC, the situation should be brought to the attention of the Director of the Special Audits Division for further discussion and resolution

The tentative uniform risk rating may be upgraded or downgraded following subsequent supervisory review of the ROE and working papers at the Department's headquarters. Should ratings be downgraded from the tentative rating assigned, the examiner will contact the permit holder to explain the reasons for the downgrade in the rating.

Report of Examination (ROE)

The examiner drafts the ROE, transmittal letter and recapitulation pages which are forwarded to headquarters for processing, supervisory review and editing. The final ROE is then mailed to the Chairman of the Board or Owner of the permit generally within two to four weeks with copies mailed to other agents as requested by management.

In those situations where the licensee is a corporate entity and the ROE involves the assignment of a uniform risk rating of ““3,” marginal, “4,” poor or “5,” critically deficient, the Department will require a response be forwarded to the Department from management outlining the corrective action taken or in process together with copies of documentation evidencing the corrections as directed in the ROE and a signed board acknowledgment form (***See Appendix R and S***). The Department will require management’s response and corrective action plan within 30 days of receipt of the ROE.

APPENDIX A
§§25.10 and 25.11 OF THE ADMINISTRATIVE CODE
RECORDKEEPING REQUIREMENTS

§25.10. Record Keeping Requirements for Insurance-Funded Contracts.

(a) Application and general requirements. This section applies to a permit holder that sells or maintains insurance-funded prepaid funeral benefit contracts (prepaid contracts). Unless the commissioner grants an exception as provided for in subsections (f)(3) and (g) of this section, a permit holder must maintain and produce for examination the records as specified in this section. The permit holder:

(1) must make the records available to the department for examination at the physical location in Texas or if approved by the commissioner, in another state that the permit holder has designated in written notice to the department on file at the time of the examination;

(2) is required to make all the records specified in the department's pre-examination records request available to the department at the beginning of an examination and must produce such other records that provide additional clarification of required documents as may be requested during the examination in a manner that does not impede the efficient completion of the examination; and

(3) must maintain the records either in hard copy form or stored on microfiche or in an electronic database from which the record can be retrieved and printed in hard copy in a manner that does not impede the efficient completion of the examination.

(b) Corporate records. Corporate records of a permit holder subject to this section and all corporate minutes must be maintained and made available to the department at each examination.

(c) General files. A permit holder subject to this section must maintain and produce for department examination general files regarding its prepaid funeral benefits operations. The files must contain the original or a copy of the following:

(1) financial statements of the permit holder or the permit holder's parent or holding company including a balance sheet and income statement dated not later than the last day of the permit holder's preceding fiscal year, or the permit holder's most recent income tax return, or if the permit holder is an insurance company, the most recent statement filed with the insurance regulatory agency of the insurance company's state of domicile;

(2) if the permit holder received a uniform risk rating of 3, 4, or 5 at the last examination or if the last examination was a limited scope examination, the examination report acknowledgments, signed by the permit holder's board of directors, for the last examination report;

(3) the Texas Department of Insurance (TDI) approval letter and sample copy of policy form for each policy currently being issued to fund prepaid funeral contracts in the Texas preneed market;

(4) all written complaints received related to insurance-funded prepaid funeral contracts, documents related to any regulatory action, and documents evidencing litigation activity since the last examination;

(5) all recordkeeping exceptions and other department or commissioner approvals or directions upon which the permit holder relies in connection with its current operations;

(6) if the permit holder is an insurance company or an entity that controls or is controlled by an insurance company, a copy of the examination reports of the insurance regulatory agency of the insurance company's state of domicile for the period since the last examination, and the responses to the regulatory agency regarding examination report findings that are pertinent to the prepaid funeral benefits business, unless the law of the state of domicile prohibits disclosure of the examination reports and related correspondence to the department;

(7) for any outstanding prepaid contract with a funeral provider that has an issue date since the last examination, either:

(A) general, casket, outer burial container, and urn price lists for the corresponding or contracted funeral provider; or

(B) alternative documentation that demonstrates compliance with required casket, outer-burial container and urn merchandise descriptions.

(8) a list of funeral home providers for all outstanding contracts;

(9) a list of TDI licensed insurance agents currently selling for the permit holder; and

(10) a list of funeral home providers that are known to the permit holder to have ceased business since the last examination.

(d) Individual files.

(1) A permit holder subject to this section must maintain a file for each prepaid funeral contract. The file must either be maintained separately or be capable of retrieval separately for outstanding contracts and may be maintained either chronologically, alphabetically or serially by policy number. Each file must contain all correspondence pertaining to the contract, including documentation to evidence that the executed prepaid funeral contract has been issued to the contract purchaser and the funding policy has been issued to the policy owner within 30 days of the receipt of the initial down payment and insurance application.

(2) Each file pertaining to an outstanding prepaid funeral contract must contain a copy of the executed policy application, executed prepaid funeral contract, any irrevocable assignments, and the data face sheet of the insurance policy or annuity contract funding the prepaid funeral contract.

(3) Each file pertaining to a matured prepaid funeral contract must be retained for the period since the last examination. The file must contain copies of all documents required for an outstanding prepaid funeral contract. In addition:

(A) a matured-contract file for which services were provided by the contracted funeral provider or were provided under an assignment, by an agreed to Texas successor provider must contain:

(i) the original or a final copy of the completed at-need contract or funeral purchase agreement, itemization of services performed and merchandise delivered, or the interment order if the prepaid contract relates only to a grave opening and closing fee, outer burial container or other related merchandise and services. The document must be signed by the decedent's personal representative and

indicate the prepaid credits and discounts applied and the balance due, if any, from the family at the time of death;

(ii) documentation to substantiate any upgrades or downgrades or discounts or credits given and to explain any differences between the prepaid and the at-need contracts;

(iii) a copy of a Texas certified death certificate or a death certificate from the state in which death occurred;

(iv) evidence of payment of the policy(s) death benefits to the servicing funeral provider;

(v) documentation that reflects the balance owing, if any, on the funding policy(s) and the death benefits available at the time of claim;

(vi) if applicable, evidence of payment to the decedent's personal representative of any refund of contract overcharges by the provider; and

(vii) pre-need to at-need reconciliation, which must be signed by the funeral provider, if the provider is not also the seller.

(B) a matured contract file for which services were provided by a person other than a person listed in subparagraph (A) of this paragraph must contain:

(i) a signed assignment of benefits statement from the purchaser or purchaser's representative requesting the delivery of funds to the servicing funeral provider;

(ii) evidence of payment to the servicing funeral provider;

(iii) a copy of a Texas certified death certificate or a death certificate from the state in which death occurred; and

(iv) documentation to support the death benefits available at the time of claim.

(4) Each file pertaining to a canceled prepaid contract must be retained for the period since the last examination. The file must contain copies of all documents required for an outstanding contract, a completed departmental withdrawal form or evidence of departmental withdrawal approval, documentation to support the available cash surrender value of the funding policy, and evidence of payment of cancellation benefit.

(5) Each file pertaining to a prepaid contract whose funding insurance policy has changed status since the last examination, for example, to a reduced paid-up, lapsed, or extended term insurance policy, must be retained for the period since the last examination. The file must contain:

(A) copies of all documents required for an outstanding contract;

(B) a copy of the permit holder's letter to the purchaser which:

(i) informs the purchaser of contract status;

(ii) states the date of the status change and, if applicable, the reduced death benefit coverage amount;

(iii) states the termination date of such coverage; and

(iv) informs the purchaser that the prepaid benefits may not be honored by the funeral provider due to the non-forfeiture or delinquent status of the funding policy; and

(C) for a reduced paid-up or extended term policy, copies of an election form indicating the purchaser has chosen reduced paid-up or extended term status, unless the policy has automatic non-forfeiture provisions.

(e) Reports. A permit holder subject to this section must maintain the following records regarding its prepaid funeral benefits operations for both new and conversion sales:

(1) a report detailing new business issued within the reporting period sorted by policy type and maintained either chronologically by date of policy issuance, alphabetically by the insured's name, or serially by policy number. The new issue report must balance to the reconciliation report required under paragraph (4) of this subsection. Information required to be in separate columns includes:

(A) the insured's name;

(B) the policy number or numbers;

(C) the prepaid contract total;

(D) the date of policy issuance; and

(E) the death benefit, or insurance in force, whichever is applicable.

(2) reports detailing out-of-force and non-forfeiture policies, sorted by policy type, and subtotaled in count and reduced coverage amount by status codes for death maturity, canceled, surrendered, lapsed, reduced paid-up, extended term, voided, not taken, or such other codes which may be used to designate policies no longer in force, maintained either chronologically by date of policy issuance, alphabetically by the insured's name, or serially by policy number. If the reports cannot be sub-totaled, a separate report must be generated for each type of termination status or non-forfeiture change. The reports must balance to the reconciliation report required under paragraph (4) of this subsection. Information required to be in separate columns includes:

(A) the insured's name;

(B) the date of policy issuance;

(C) the policy number or numbers;

(D) the date the policy matured, lapsed, or was surrendered or canceled; and

(E) the death benefit amount that has been paid, reduced, deleted, or transferred.

(3) an in-force policy report, sorted by policy type and maintained either chronologically by date of policy issuance, alphabetically by the insured's name, or serially by policy number. The in-force report must balance to the reconciliation report required under paragraph (4) of this subsection. The report must provide the grand total number of policies or prepaid funeral contracts in force and the grand total of death benefit or insurance in force. Information required to be included in separate columns includes:

(A) the insured's name;

(B) the policy number or numbers;

(C) the prepaid contract total;

(D) the date of policy issuance;

(E) the death benefit, or insurance in force, whichever is applicable; and

(F) growth, e.g., dividends and interest, attributable to outstanding policies for the reporting period unless maintained on a separate report.

(4) a reconciliation report that shows the activity related to each policy that was identified in the new issue report required under paragraph (1) of this subsection and the out-of-force and non-forfeiture policy reports required under paragraph (2) of this subsection. In addition to the required reports detailed above, the permit holder must provide documentation to support any other changes to contract/policy count and/or death benefit reported. The ending totals of the respective reconciliation period for contract/policy count and death benefit reported, must balance to the totals on the corresponding in-force policy report required under paragraph (3) of this subsection. The permit holder may use the department's Annual Report Recapitulation of Policy Activity format to complete this report. The report must at a minimum be balanced as of June 30 and December 31 of each year; and

(5) a suspense report of all premiums being held on paid-up policies and premium paying policies where the premiums in suspense are equal to or greater than the modal premium amount.

(f) Exceptions.

(1) A permit holder that sells only insurance-funded contracts is not required to maintain records that are applicable only to trust-funded contracts.

(2) With respect to contracts sold prior to the effective date of this section, a permit holder will not violate this section if it cannot produce records required under this section which were not previously required by statute or rule. However, basic reporting of in-force benefit amounts and policy activity from the last examination date to the current examination date will be required of all permit holders for insurance companies that have outstanding insurance policies funding prepaid contracts in Texas.

(3) A permit holder may apply to the commissioner for an exception to the requirements of this section. An exception may be granted or revoked for good cause only by prior written direction of the commissioner.

APPENDIX A
§§25.10 and 25.11 OF THE ADMINISTRATIVE CODE
RECORDKEEPING REQUIREMENTS

(g) Relocation of records. Prior to changing the location where required records are maintained or where the examination is to be performed pursuant to §154.053(a) of the Texas Finance Code, a permit holder must notify the department, specifying the new address in writing, and, if the change in location requires the granting of an exception, comply with subsection (f)(3) of this section before required records are moved to the new location. The commissioner may revoke a records location if the commissioner determines that such action is necessary to effectively regulate the permit holder and examine the records.

(h) Maintenance of files. Documents and records required to be maintained under this section must be filed within 30 days of receipt. Cash withdrawn on death maturity must be posted within 30 days of actual withdrawal.

(i) Disaster recovery plan. If required records are maintained electronically, the permit holder must provide evidence of a disaster recovery plan, including documentation to substantiate periodic testing and test results or compliance with TDI business continuity planning requirements if applicable, that includes offsite data storage capabilities regarding all records and documentation related to prepaid contracts.

Source: The provisions of this §25.10 adopted to be effective November 8, 2007, 32 TexReg 7897; amended to be effective July 8, 2010, 35 TexReg 5804.

APPENDIX A
§§25.10 and 25.11 OF THE ADMINISTRATIVE CODE
RECORDKEEPING REQUIREMENTS

§25.11. Record Keeping Requirements for Trust-Funded Contracts.

(a) Application and general requirements. This section applies to a permit holder that sells or maintains trust-funded prepaid funeral benefit contracts (prepaid contracts). Unless the commissioner grants an exception as provided for in subsections (f)(2) and (g) of this section, a permit holder must maintain and produce for examination the records as specified in this section. The permit holder:

(1) must make the records available to the department for examination at its physical location in Texas or if approved by the commissioner, in another state that the permit holder has designated in written notice to the department on file at the time of the examination;

(2) is required to make all the records specified in the department's pre-examination records request available to the department at the beginning of an examination and must produce such other records that provide additional clarification of required documents as may be requested during the examination in a manner that does not impede the efficient completion of the examination; and

(3) must maintain the records either in hard-copy form or stored on microfiche or in an electronic database from which the record can be retrieved and printed in hard copy in a manner that does not impede the efficient completion of the examination.

(b) Corporate Records. All corporate records of a permit holder subject to this section and all corporate minutes created since the last examination must be maintained and made available to the department at each examination.

(c) General files. A permit holder subject to this section must maintain and produce for department examination general files regarding its prepaid funeral benefits operations. The files must contain the original or a copy of the following:

(1) unless the permit holder is restricted from selling prepaid funeral benefits, financial statements of the permit holder or the permit holder's parent or holding company including a balance sheet and income statement dated not later than the last day of the permit holder's preceding fiscal year, or the permit holder's most recent income tax return, which must also include a balance sheet;

(2) if the permit holder received a uniform risk rating of 3, 4, or 5 at the last examination or if the last examination was a limited scope examination, the examination report acknowledgements, signed by the permit holder's board of directors for the last examination report;

(3) all written complaints received since the last examination related to prepaid contracts, and all documents received or created since the last examination related to any regulatory action or evidencing litigation activity;

(4) all recordkeeping exceptions and other department or commissioner approvals or directions upon which the permit holder relies in connection with its current operations;

(5) all trust agreements approved by the department since the last examination and all trust agreements that are still active, including amendments and changes to the trust agreements and all successor trust agreements;

(6) all investment plans and reports created or received since the last examination, and all such plans and reports that apply to active trust funds;

(7) all preneed abandoned property reports filed with the department and the State Comptroller of Public Accounts since the last examination;

(8) records of the trustee/depository, reflecting at a minimum all savings account statements, certificate of deposit records, and/or trust statements, received since the last examination;

(9) a copy of all price lists for any outstanding prepaid contract that has an issue date since the last examination;

(10) if the permit holder sells through multiple locations or entities, provide a list of funeral home providers for all outstanding contracts; and

(11) a list of funeral home providers or entities that have outstanding contracts under this permit that are known to the permit holder to have ceased business since the last examination.

(d) Individual files.

(1) A permit holder subject to this section shall maintain a prepaid contract file on each purchaser. The file must either be maintained separately or be capable of retrieval separately for outstanding contracts and may be maintained either chronologically or alphabetically. Each file must contain all correspondence pertaining to the contract.

(2) Each file pertaining to an outstanding contract must contain a copy of the executed prepaid contract, any revocable and irrevocable assignments, the individual ledger, and, if applicable, all power of attorney agreements or letters of guardianship.

(3) Each file pertaining to a matured contract must be retained for the period since the last examination. The file must contain copies of all documents required for an outstanding prepaid contract. In addition, a matured contract file must contain:

(A) a fully executed and completed department withdrawal form or evidence of department withdrawal approval, and a computation of earnings withdrawal, if applicable, unless computation procedures are otherwise documented in the general file;

(B) the original or a final copy of the completed at-need contract or funeral purchase agreement, itemization of services performed and merchandise delivered, or the interment order if the prepaid contract relates only to a grave opening and closing fee, outer burial container or other related merchandise and services. The document must be signed by the decedent's personal representative and indicate the prepaid credits and discounts applied and the balance due, if any, from the family at the time of death;

(C) a copy of a Texas certified death certificate or a death certificate from the state in which death occurred;

(D) documentation to substantiate any upgrades or downgrades or discounts or credits given and to explain any differences between the prepaid and the at-need contracts;

(E) a pre-need to at-need reconciliation, which must be signed by the funeral provider, if the provider is not also the seller; and

(F) if applicable, evidence of payment to the decedent's personal representative of any refund of prepaid contract overcharges by the funeral provider.

(4) Each file pertaining to a matured-contract file for which services were provided by a funeral provider other than the permit holder or a permit holder related by common ownership, must be retained for the period since the last examination. The file must contain copies of all documents required for an outstanding prepaid contract and:

(A) a signed statement from the purchaser or purchaser's representative requesting the delivery of funds to the servicing funeral provider;

(B) evidence of payment to the servicing funeral provider; and

(C) a copy of a Texas certified death certificate or a death certificate from the state in which death occurred.

(5) Each file pertaining to a canceled prepaid contract must be retained for the period since the last examination. The file must contain copies of all documents required for an outstanding contract, a completed departmental withdrawal form or evidence of departmental withdrawal approval; and evidence of payment of the cancellation benefit.

(e) Other records. A permit holder subject to this section must maintain the following records regarding its prepaid funeral benefits operations in hard-copy form, or on microfiche or in an electronic database from which they may be reasonably retrieved in hard-copy form:

(1) an historical contract register, maintained either chronologically or by contract number, indicating:

(A) the contract number;

(B) the date of purchase;

(C) the purchaser's name;

(D) the beneficiary's name (if different from the purchaser's name);

(E) the amount of the contract; and

(F) final disposition of the contract, including notations as to whether the contract is matured or canceled, the date of withdrawal from the depository or date withdrawal requested from the depository, and the amount of funds withdrawn; or, in lieu thereof, a record separate from the register, listing matured and canceled contracts for the examination period and setting out the contract number, contract purchaser,

date of withdrawal from the depository or date withdrawal was requested from the depository, and amount of the withdrawal;

(2) cash receipts records reflecting payments collected;

(3) deposit records reflecting payments deposited;

(4) individual ledgers for each contract purchaser, balanced at least quarterly to the control ledger and to the records of the trustee/depository, reflecting the:

(A) contract purchaser's name;

(B) contract number;

(C) the date of purchase;

(D) the face amount of the prepaid funeral contract;

(E) total finance charges payable under the contract, if any;

(F) total retention allowable under the contract, if any;

(G) beginning contract balance;

(H) amounts paid on the contract itemized to reflect retention, finance charges and principal paid with individual cumulative totals;

(I) earnings on deposits, if any; and

(J) total amount of the trust; and

(5) a control ledger for all purchasers, balanced at least quarterly to the principal total and contract count total of the individual ledgers and in total to the records of the trustee/depository, reflecting:

(A) the net cumulative total of outstanding contracts;

(B) deposits of payments;

(C) withdrawal of payments;

(D) net amount of payments on deposit;

(E) earnings of deposit accounts;

(F) earnings withdrawn on deposit accounts; and

(G) net amount of earnings.

(f) Exceptions.

(1) With respect to contracts sold prior to the effective date of this section, a permit holder will not violate this section if it cannot produce records required under this section which were not previously required by statute or rule.

(2) A permit holder may apply to the commissioner for an exception to the requirements of this section. An exception may be granted or revoked for good cause only by prior written direction of the commissioner.

(g) Relocation of Records. Prior to changing the location where required records are maintained or where the examination is to be performed pursuant to §154.053(a) of the Texas Finance Code, a permit holder must notify the department, specifying the new address in writing, and, if the change in location requires the granting of an exception, comply with subsection (f)(2) of this section before required records are moved to the new location. The commissioner may revoke approval of a records location if the commissioner determines that such action is necessary to effectively regulate the permit holder and examine the records.

(h) Maintenance of Files. Documents and records required to be maintained under this section must be filed within thirty days of receipt. Cash received must be posted within 30 days of receipt, and cash withdrawn on death maturity must be posted within 30 days of the actual withdrawal.

(i) Disaster recovery plan. If required records are maintained electronically, the permit holder must provide evidence of a disaster recovery plan, including documentation to substantiate periodic testing and test results, including offsite data storage capabilities regarding all records and documentation related to prepaid contracts.

Source: The provisions of this §25.11 adopted to be effective March 8, 2012, 37 TexReg 1497.

APPENDIX B
§25.14 OF THE ADMINISTRATIVE CODE
UNIFORM RISK RATINGS

§25.14. Uniform Risk Ratings.

(a) In general. All prepaid funeral benefit permit holders are subject to periodic examination. As a result of the examination, the permit holder will be assigned a confidential uniform risk rating of 1 to 5 as further described in this section. The uniform risk rating represents a judgment of the overall risk profile presented by the permit holder in relation to the purposes of regulation. In general, a rating of 1 indicates the highest level of compliance and the least degree of supervisory concern, and a rating of 5 indicates the lowest level of compliance and the highest degree of supervisory concern. A rating of 3, 4 or 5 is considered less than satisfactory for purposes of Finance Code §154.053(b)(1)(A).

(b) Overall risk profile. Evaluation of the overall risk profile of the permit holder can be described as involving three interrelated attributes or components, although these attributes are not separately rated.

(1) Management. This attribute or portion of the evaluation involves judgment of the ability, skill, and motivation of management and staff of the permit holder to identify, measure, monitor, and control potential problems and risks. Competent management should be able to develop and apply management practices and procedures suitable to the size of the permit holder and the nature and complexity of its activities. In addition, the willingness and ability of management to comply with applicable laws and regulations are important considerations.

(2) Compliance. This attribute or portion of the evaluation involves judgment of the degree to which the permit holder administers prepaid funeral contracts in accordance with governing instruments and applicable laws and regulations and the degree to which the permit holder adheres to sound fiduciary principles. The examiner will consider the extent and nature of violations discovered during the examination, and will assess the manner and methods by which the permit holder discovers and corrects violations. Correction of violations cited in previous examinations will also be considered.

(3) Financial condition. This attribute or portion of the evaluation involves judgment of the overall financial condition of the permit holder in relation to the risks imposed by its size and the nature and complexity of its activities. An important consideration is the extent of the financial resources available to the permit holder for the purpose of fulfilling its responsibilities and obligations over the life of the prepaid funeral contracts under its control, including those currently outstanding and those reasonably anticipated to exist in the future. Availability of financial resources can be demonstrated through or enhanced by undertakings of a parent company or associated holding company.

(c) Uniform risk ratings. The uniform risk rating is a single number, 1 to 5, that is based upon a qualitative analysis of the overall risk profile of the permit holder. The rating is not determined through application of a mathematical formula, but is instead based upon a judgment that balances an assessment of the attributes described in subsection (b) of this section in light of all other relevant factors, such as the size of the permit holder and the complexity of its operations.

(1) Rating "1" (Strong Overall Condition). Permit holders assigned a uniform risk rating of 1 are sound in every respect; any adverse findings or comments are of a minor nature and can be resolved in the normal course of business by management. Permit holders in this group give no cause for supervisory concern.

(A) Management.

APPENDIX B
§25.14 OF THE ADMINISTRATIVE CODE
UNIFORM RISK RATINGS

(i) Consistently and effectively identifies, measures, monitors, and controls potential problems and risks. Demonstrates the ability to promptly and successfully address existing and potential problems and risks.

(ii) Demonstrates strong management practices and procedures relative to the size of the permit holder and the nature and complexity of its activities.

(iii) Demonstrates a willingness and ability to comply with applicable laws and regulations.

(B) Compliance.

(i) Administers prepaid funeral contracts in accordance with governing instruments and applicable laws and regulations.

(ii) Demonstrates adherence to sound fiduciary principles.

(iii) Any noted violations are isolated, technical in nature and easily correctable.

(iv) Corrects any violations in a timely manner and correction may occur after self evaluation.

(C) Financial condition.

(i) The overall financial condition of the permit holder is strong in relation to the risks imposed by its size and the nature and complexity of its activities.

(ii) Demonstrates more than sufficient financial resources available for the purpose of fulfilling the permit holder's responsibilities and obligations over the life of the prepaid funeral contracts under its control, including those currently outstanding and those reasonably anticipated to exist in the future.

(2) Rating "2" (Satisfactory Overall Condition). Permit holders assigned a uniform risk rating of 2 are generally satisfactory but may reflect a few weaknesses. To the extent that deficiencies are correctable in the normal course of business, supervisory concern is not warranted.

(A) Management.

(i) In general, effectively identifies, measures, monitors, and controls potential problems and risks. Minor weaknesses may exist, but are not material to the soundness of the permit holder and are being addressed.

(ii) Demonstrates satisfactory management practices and procedures relative to the size of the permit holder and the nature and complexity of its activities.

(iii) Demonstrates a willingness and ability to comply with applicable laws and regulations.

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UNIFORM RISK RATINGS

(B) Compliance.

(i) Administers prepaid funeral contracts in substantial compliance with governing instruments and applicable laws and regulations.

(ii) Demonstrates adherence to sound fiduciary principles.

(iii) Any noted violations are generally technical in nature and few in number.

(iv) Corrects violations in a timely manner.

(C) Financial condition.

(i) The overall financial condition of the permit holder is satisfactory in relation to the risks imposed by its size and the nature and complexity of its activities.

(ii) Demonstrates sufficient financial resources available for the purpose of fulfilling the permit holder's responsibilities and obligations over the life of the prepaid funeral contracts under its control, including those currently outstanding and those reasonably anticipated to exist in the future.

(3) Rating "3" (Marginal Overall Condition). Permit holders assigned a uniform risk rating of 3 exhibit operating and compliance weaknesses ranging from moderate to marginally severe. Permit holders in this group require more than normal supervision to assure correction of deficiencies and are considered less than satisfactory.

(A) Management.

(i) May inadequately identify, measure, monitor, or control potential problems and risks. The capabilities or resources of management may be insufficient to address existing and potential problems and risks.

(ii) Management practices and procedures need improvement or are less than satisfactory in relation to the size of the permit holder and the nature and complexity of its activities.

(iii) May demonstrate a reluctance to take all necessary steps to comply with applicable laws and regulations.

(B) Compliance.

(i) Compliance practices are less than satisfactory. Contract administration may be in substantial noncompliance with governing instruments, and applicable laws.

(ii) May fail to consistently adhere to sound fiduciary principles.

(iii) Violations may be in evidence, some of which may be repeat criticisms.

(iv) May fail to correct violations in a timely manner.

(C) Financial condition.

(i) The overall financial condition of the permit holder is less than satisfactory in relation to the risks imposed by its size and the nature and complexity of its activities.

(ii) Financial resources may not be sufficient for the purpose of fulfilling the permit holder's responsibilities and obligations over the life of the prepaid funeral contracts under its control, including those currently outstanding and those reasonably anticipated to exist in the future. The permit holder's financial condition needs to be improved.

(4) Rating "4" (Poor Overall Condition). Permit holders assigned a uniform risk rating of 4 exhibit poor operating and compliance weaknesses. Permit holders in this group require increased supervisory attention to assure prompt corrective action.

(A) Management.

(i) The level of problems and risk exposure is excessive. Problems and risks are inadequately identified, measured, monitored, or controlled and require immediate action by management to preserve the soundness of the permit holder. Identified criticisms are not being addressed or resolved.

(ii) Management practices and procedures are inadequate relative to the size of the permit holder and the nature and complexity of its activities.

(iii) May demonstrate an unwillingness or inability to take all necessary steps to comply with applicable laws and regulations.

(B) Compliance.

(i) The level of compliance problems is significant. Contract administration may be notably deficient and in substantial noncompliance with governing instruments, and applicable laws.

(ii) May fail to consistently adhere to sound fiduciary principles.

(iii) Substantive violations exist and may remain uncorrected from previous examinations.

(iv) May fail to correct violations in a timely manner.

(C) Financial condition.

(i) The overall financial condition of the permit holder is deficient or deteriorating in relation to the risks imposed by its size and the nature and complexity of its activities.

(ii) Demonstrates insufficient financial resources available for the purpose of fulfilling the permit holder's responsibilities and obligations over the life of the prepaid funeral contracts under its control, including those currently outstanding and those reasonably anticipated to exist in the future. The permit holder's financial condition needs to be improved.

APPENDIX B
§25.14 OF THE ADMINISTRATIVE CODE
UNIFORM RISK RATINGS

(5) Rating "5" (Critically Deficient Overall Condition). Permit holders assigned a uniform risk rating of 5 exhibit performance or conditions which are critically deficient in numerous major respects. Permit holders in this group are of the greatest supervisory concern and as such, require ongoing supervisory attention.

(A) Management.

(i) Problems and risks are inadequately identified, measured, monitored, or controlled and now threaten the continued viability of the permit holder or the ability to perform as contracted. Incompetent or neglectful administration and inadequate resources may have contributed to existing problems. Management has not demonstrated the ability to promptly and successfully address existing and potential problems and risks.

(ii) Management practices and procedures are critically deficient relative to the size of the permit holder and the nature and complexity of its activities, and may evidence a flagrant disregard for the interests of contract purchasers and beneficiaries.

(iii) May demonstrate an unwillingness or inability to take all necessary steps to comply with applicable laws and regulations.

(B) Compliance.

(i) The level of compliance problems is critically deficient. Contract administration may be critically deficient or incompetent and there is a flagrant disregard for the terms of the governing instruments, and interests of contract beneficiaries.

(ii) May frequently engage in transactions that compromise its duties and sound fiduciary principles.

(iii) Numerous substantive violations exist and may be flagrant or repeated.

(iv) Fails to correct violations in a timely manner.

(C) Financial condition.

(i) The overall financial condition of the permit holder is critically deficient in relation to the risks imposed by its size and the nature and complexity of its activities.

(ii) Demonstrates insufficient financial resources available for the purpose of fulfilling the permit holder's responsibilities and obligations over the life of the prepaid funeral contracts under its control, including those currently outstanding and those reasonably anticipated to exist in the future. The continued viability of the permit holder is threatened.

Source: The provisions of this §25.14 adopted to be effective March 11, 2010, 35 TexReg 1953.

Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705
512-475-1300 /877-276-5554
www.dob.texas.gov

PREPAID FUNERAL CONTRACT - TRUST FUNDED
RECORDS NEEDED FOR EXAMINATION

Permit Holder: _____

Permit #: _____ Date/Time of Arrival: _____

Contact Person: _____ Fax # / Email: _____

EIC: _____ Examiner's Phone #: _____

_____ Examiner's Email: _____

For the Examination Perod: _____ to _____

Please make available copies or originals of the following documents for the on-site examination. The documents can be in electronic or physical form.

1. Management's responses to the most recent full scope and limited scope (if applicable) examination report(s) from the Department of Banking and support for all necessary corrective action taken. 3
2. Have available for review all new contracts written since the last examination. If more than 90 new contracts, contact the examiner before the examination about selecting a random sample for compliance review. 8
3. Have available for review the matured and canceled contract files since the last examination. If fewer than 90 files, please pull all files. If more than 90 files, contact the examiner before the examination about selecting a random sample for compliance review. 9
4. If available, a listing of all death maturity and cancellation withdrawals showing the contract number, purchaser's name, withdrawal date, and the amount withdrawn broken down by principal and earnings. 9
5. The portion of the contract register reflecting all new contracts written during the examination period. 10
6. The portion of the control ledger reflecting all depository/trust activity during the examination period. 11
7. All statements and correspondence from the trustee/depository received during the examination period. 12
8. If the Permit is held by a corporation, all minutes of each meeting of the corporation's Board of Directors held since the last Department of Banking examination. If an ownership change has occurred, all corporate records reflecting the change, including stock issuance. 14
9. The most current consolidated balance sheet, income statement, financial records, and/or federal tax return with balance sheet to substantiate the permit holder's financial condition. Also, provide an executed Letter of Guarantee form, if applicable. 16
10. Evidence that the individual ledgers were reconciled to the control ledger, at least quarterly, during the examination period. 20

11. The individual ledgers reflecting all purchasers' payment histories for contracts active during the examination period. 21
12. Documentation related to abandoned property review, associated Departmental approval, and documentation of information and funds sent to the State Comptroller. 22
13. Evidence that 1099s, K-1s, or Grantor Letters have been sent to all preneed contract purchasers, or evidence that an election has been made by the permit holder to pay the taxes from the trust earnings under Qualified Funeral Trust provisions of the Taxpayer Relief Act of 1997 including a copy of the 1041 Qualified Funeral Trust tax return. 23
14. Preneed payment logs, receipt books and other documentation related to the receipt and deposit of customer's payments since the last examination. 24
15. Prepaid Funeral Informational Brochure and sales literature of the permit holder, if any, which promote the sale of prepaid funerals with a reference or link to the "Texas Prepaid Funeral Contract" website at www.prepaidfunerals.texas.gov. 25
16. The permit holder's disaster recovery plan and documentation of the permit holder's offsite data storage related to prepaid funeral contracts and the results of any independent testing of this plan, if applicable.
17. Credit balance report or any instances of customer overpayments or other instances where more funds were collected for a contract than was required.

If any changes were made since the previous examination, make available copies or originals of the following documents. The documents can be in electronic or physical form.

18. If the preneed funds are held in a formal trust, the investment plan governing the investments of the preneed trust, as well as the trustee fee schedule. 18
19. If funds are held in a formal trust in a fiduciary capacity, the executed trust agreement and any subsequent addenda approved by the Department. 18
20. The General Price Lists, Casket, Urn, and Outer Burial Container Price Lists for each funeral provider location for which the permit had an active contract during the examination period. 19
21. All Administrative Orders and/or Conversion Orders in effect during the examination period including the Final Post-Enhancement Summary, if applicable.
22. Any Department approved record-keeping exceptions in effect during the examination period.
23. Third party recordkeeping agreement and business continuity plan in the event of recordkeeper resigning from duties or termination of agreement.

Any questions regarding the requested documents should be directed to the examiner at the email address or telephone number shown on Page 1.

Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705
512-475-1300 /877-276-5554
www.dob.texas.gov

PREPAID FUNERAL CONTRACT - INSURANCE FUNDED
RECORDS NEEDED FOR EXAMINATION

Permit Holder: _____

Permit #: _____ Date/Time of Arrival: _____

Contact Person: _____ Fax # / Email: _____

EIC: _____ Examiner's Phone #: _____

_____ Examiner's Email: _____

For the Examination Perod: _____ to _____

Please make available copies or originals of the following documents for the on-site examination. The documents can be in electronic or physical form.

1. Management's response to the most recent full scope and limited scope (if applicable) examination report(s) from the Department of Banking and support for all necessary corrective action taken. 3
2. A report detailing new business issued within the examination period by policy type as required by TAC §25.10(e)(1). This report must balance to reconciliation report. 8
3. Have available for review all new contracts written since the last examination. If 90 new contracts or fewer, pull all files. If more than 90 new contracts, contact the examiner before the examination about selecting a random sample for compliance review. 8
4. Reports detailing out-of-force and non-forfeiture policies within the examination period by policy type as required by TAC §25.10(e)(2) these reports must balance to the reconciliation report. 9
5. Have available for review all out-of-force policy/contract files since the last examination. If 90 out-of-force files or fewer, pull all files. If more than 90 files, contact the examiner before the examination about selecting a random sample for compliance review. 9
6. An in-force policy report for the reporting period by policy type. Consult with the examiner regarding the necessity to print the entire report or tail pages by policy type. 10
7. A reconciliation report as required by that shows the activity related to each policy that was identified in the new issue report and the out-of-force and non-forfeiture policy reports. The report must at a minimum, be balanced as of June 30 and December 31 to the corresponding reports. The reconciliation report should include documentation to support any other changes or adjustments to contract/policy count and/or death benefit reported. 11
8. A list of funeral home providers that are known to the permit holder to have ceased business since the last examination, including a listing of all outstanding policies with each closed funeral provider, whether or not a successor funeral provider has been located, and any agreements with successor funeral homes. 13
9. If the Permit is held by a corporation, all minutes of each meeting of the corporation's Board of

Directors held since the last examination. If an ownership change has occurred, all corporate records reflecting the change, including stock issuance. 14

10. If the permit holder is an insurance company or an entity that controls or is controlled by an insurance company, the most current consolidated financial statement or the most recent statement filed with the insurance regulatory agency of the insurance company's state of domicile. Also, provide an executed Letter of Guarantee form, if applicable. 16
11. The permit holder's disaster recovery plan and documentation of the permit holder's offsite data storage related to prepaid funeral contracts and the results of any independent testing of this plan. 21
12. A suspense report of all premiums being held on paid-up policies and premium paying policies where the premiums in suspense are equal to or greater than the modal premium amount. 23
13. A list of funeral home providers for all outstanding contracts. 24
14. Copies of Prepaid Funeral Information Brochure, sales literature, written advertising and website pages of the permit holder which promote the sale of prepaid funerals with a reference or link to the "Texas Prepaid Funeral Contract" in accordance with TFC §154.133. 25, 26
15. A list of selling Texas provider funeral homes detailing whether the funeral home has a website, if the website promotes the sale of prepaid funerals, the website address and notation identifying if the website includes a reference or link to the "Texas Prepaid Funeral Contract" website. 25, 26
16. A list of Texas Department of Insurance licensed insurance agents currently selling for the permit holder, including the seven-digit agent ID number. 28
17. The General Price Lists, Casket, Urn, and Outer-Burial Container Price Lists or alternative documentation as allowed under the Administrative Code, Title 7, §25.10(c)(7)(b) for each funeral provider listed on any outstanding prepaid contract that has an issue date since the last examination.

<u>If any changes were made since the previous examination</u>, make available copies or originals of the following documents. The documents can be in electronic or physical form.

18. Any Trust Conversion Orders issued by the Department to the permit holder since the last examination. 17
19. Texas Department of Insurance approval letters and a sample copy of policy forms for each policy currently being issued to fund prepaid funeral contracts in the Texas preneed market. 18, 19
20. A copy of the examination report(s) from the applicable domicile state insurance regulator where the depository is located including management's response(s) to the report(s). 20
21. Third party recordkeeping agreements and business continuity plan should the recordkeeper resign. 22
22. Copy(ies) of all irrevocable waiver or assignment form(s) used over the examination period. 27
23. Any Department approved recordkeeping exceptions in effect during the examination period.
24. A legend of internal policy codes that appear on requested reports. This legend should include the code and the definition of the policies/contracts indicated by that code.
25. If irrevocably assigned policies are held in a trust, a copy of the governing trust agreement.
26. All Texas Department of Insurance approved Reinsurance, Co-Insurance, and Assumption Agreements entered into since the last examination.
27. Written procedures regarding the handling of abandoned property, and documentation of information and funds sent to the State Comptroller, if applicable.

Any questions regarding the requested documents should be directed to the examiner at the email address or telephone number shown on Page 1.

_____
Permit Number

TEXAS DEPARTMENT OF BANKING

PREPAID FUNERAL CONTRACT – TRUST FUNDED MANAGEMENT QUESTIONNAIRE

Revised 01/16

SOLE PROPRIETORSHIP, PARTNERSHIP, OR LLC

Business Name: _____

Trade Name: _____
(must match filed assumed name certificate)

OR

CORPORATION

Corporation Name: _____

Trade Name: _____
(must match filed assumed name certificate)

Charter Number: _____ Date Filed: _____

OWNERSHIP INFORMATION

Shareholder/Owner/Partner: _____ % ownership _____

Shareholder/Owner/Partner: _____ % ownership _____

Shareholder/Owner/Partner: _____ % ownership _____

Shareholder/Owner/Partner: _____ % ownership _____

Current Corporate Officers (as most recently elected by the Board of Directors)

President: _____

Vice President: _____

Secretary: _____

Treasurer: _____

Has there been more than a 25% change of ownership or control of the business since the previous examination? Permit holders must notify the Department within 7 days of a voluntary transfer of ownership and within one business day of an involuntary transfer of ownership.

☐ Yes ☐ No

Has there been more than a 51% change of ownership of the business since the previous exam?

☐ Yes ☐ No

If yes, please describe the change in ownership that occurred below:

_____

MANAGEMENT CONTACT INFORMATION

Contact Person _____

Contact Person's Email Address: _____

Current Mailing Address: _____

_____ _____ _____
City State Zip

Current Records Location Address: _____

_____ _____ _____
City State Zip

Current Contact Phone: _____ Contact Fax: _____

DESIGNATED AGENTS APPROVED BY THE DOB

NAME	TITLE	DOB APPROVAL DATE

Permit Number

DEPOSITORY(IES) APPROVED BY THE DOB

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

Questions:

Has the permit holder written any preneed funeral contracts since the previous examination?
☐ Yes ☐ No

Since the previous examination, has there been any change in the ACH information you provided to the Department related to the account you would like to have your renewal fee and assessment drawn from?
☐ Yes ☐ No

If so, please provide the Department with the updated ACH form. DO NOT give this information to the examiner. The examiner will NOT be able to update the database.

Have you changed your approved preneed funeral contract since the previous exam? ☐ Yes ☐ No

If yes, did you destroy the previous blank contract forms? ☐ Yes ☐ No

Does the permit holder currently sell any insurance funded preneed funeral contracts? ☐ Yes ☐ No

If yes, please show each insurance company below or on a separate attachment:

_____

_____

_____

_____

Is the permit holder the contracted funeral provider for any outstanding insurance funded preneed funeral contracts? ☐ Yes ☐ No

If yes, please show each insurance company, number of contracts, and death benefit below or on a separate attachment:

Insurance Company	Number of Contracts	Total Death Benefit ($)

Has the permit holder received any written complaints since the prior examination? ☐ Yes ☐ No
If yes, please provide copies of the complaint(s) received and management's written response to the examiner.

Has there been any fraud or embezzlement regarding the PFC operations? ☐ Yes ☐ No
If yes, provide documentation to the examiner detailing the event and the action taken.

Since the previous examination, has the permit holder been a defendant in any lawsuit? ☐ Yes ☐ No
If yes, please provide a summary of the lawsuit(s) and the current status(es) to the examiner.

If the preneed funds are held in a formal trust, have you changed your Trust Agreement since the previous examination?

☐ Yes ☐ No

If yes, please provide a copy to the examiner.

Does management allow agents, outside funeral homes, or outside funeral providers that are not employed by or owned by the permit holder to sell trust or insurance-funded preneed funeral contracts under the permit?

☒ Yes ☐ No

If yes, please provide a list of the agents or funeral homes to the examiner.

Does the permit holder use the services of an outside third-party recordkeeping service? ☐ Yes ☐ No

If so, please provide a copy of the permit holder's business continuity plan should the recordkeeping agreement be dissolved, or should the recordkeeper choose not to continue their duties on the permit holder's behalf.

Has the permit holder written any preneed funeral contracts for people residing out of state **and/or** for delivery out of state?

☐ Yes ☐ No

Does the permit holder have debit cards or checks for the restricted preneed accounts? ☐ Yes ☐ No

Has the permit holder included a link or a reference to the "Texas Prepaid Funeral Contract" website in its sales literature or websites that promote the sale of trust and/or insurance prepaid funerals and informed its provider funeral homes of this requirement in accordance with Section 154.133 of the Texas Finance Code?

☐ Yes ☐ No ☐ N/A

I attest that the preneed funeral brochure is being distributed as required in the process of each trust and/or insurance-funded preneed sale by Section 154.131(a) of the Texas Finance Code. ☐ Yes ☐ No

_____ _____
DESIGNATED AGENT'S SIGNATURE DATE

_____ _____
NAME OF DESIGNATED AGENT PERMIT NUMBER

Permit Number

TEXAS DEPARTMENT OF BANKING

PREPAID FUNERAL CONTRACT – TRUST FUNDED
BOARD OF DIRECTORS INFORMATION

Corporation Name: _____

BOARD CHAIR:

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

BOARD MEMBERS:

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

Attach additional copies of this page if necessary.

NOTE: The Department may require that the members of your Board of Directors Acknowledge that they have reviewed the forthcoming Report of Examination (ROE), and participated in formulating a corrective action plan by signing a form that may be attached to the ROE. Depending on the overall uniform risk rating, the certificate holder may be instructed to forward the completed acknowledgment form to the Department and retain a copy for review at the next Departmental examination.

_____
Permit Number

TEXAS DEPARTMENT OF BANKING

PREPAID FUNERAL CONTRACT – INSURANCE FUNDED MANAGEMENT QUESTIONNAIRE

Revised 01/16

SOLE PROPRIETORSHIP, PARTNERSHIP, OR LLC

Business Name: _____

Trade Name: _____
(must match filed assumed name certificate)

OR

CORPORATION

Corporation Name: _____

Trade Name: _____
(must match filed assumed name certificate)

Charter Number: _____ Date Filed: _____

OWNERSHIP INFORMATION

Shareholder/Owner/Partner: _____ % ownership _____

Shareholder/Owner/Partner: _____ % ownership _____

Shareholder/Owner/Partner: _____ % ownership _____

Shareholder/Owner/Partner: _____ % ownership _____

Current Corporate Officers (as most recently elected by the Board of Directors)

President: _____

Vice President: _____

Secretary: _____

Treasurer: _____

Has there been more than a 25% change of ownership or control of the business since the previous examination? Permit holders must notify the Department within 7 days of a voluntary transfer of ownership and within one business day of an involuntary transfer of ownership.

☐ Yes ☐ No

Has there been more than a 51% change of ownership of the business since the previous exam?

☐ Yes ☐ No

If yes, please describe the change in ownership that occurred below:

_____

MANAGEMENT CONTACT INFORMATION

Contact Person _____

Contact Person's Email Address: _____

Current Mailing Address: _____

_____ _____ _____
City State Zip

Current Records Location Address: _____

_____ _____ _____
City State Zip

Current Contact Phone: _____ Contact Fax: _____

DESIGNATED AGENTS APPROVED BY THE DOB

NAME	TITLE	DOB APPROVAL DATE

_____
Permit Number

INSURANCE POLICY(IES) APPROVED FOR USE IN PRENEED MARKET

TDI APPROVAL DATE	POLICY FORM NUMBER	TDI APPROVAL DATE	POLICY FORM NUMBER
TDI APPROVAL DATE	POLICY FORM NUMBER	TDI APPROVAL DATE	POLICY FORM NUMBER
TDI APPROVAL DATE	POLICY FORM NUMBER	TDI APPROVAL DATE	POLICY FORM NUMBER
TDI APPROVAL DATE	POLICY FORM NUMBER	TDI APPROVAL DATE	POLICY FORM NUMBER
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TDI APPROVAL DATE	POLICY FORM NUMBER	TDI APPROVAL DATE	POLICY FORM NUMBER
TDI APPROVAL DATE	POLICY FORM NUMBER	TDI APPROVAL DATE	POLICY FORM NUMBER

DEPOSITORY(IES) APPROVED BY THE DOB

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

DEPOSITORY NAME DOB APPROVAL DATE

ADDRESS CITY STATE ZIP

CONTACT PERSON CONTACT PHONE NUMBER

Questions:

Has the permit holder written any preneed funeral contracts since the previous examination?
☐ Yes ☐ No

Since the previous examination, has there been any change in the ACH information you provided to the Department related to the account you would like to have your renewal fee and assessment drawn from?
☐ Yes ☐ No

If so, please provide the Department with the updated ACH form. DO NOT give this information to the examiner. The examiner will NOT be able to update the database.

Have you changed your approved preneed funeral contract since the previous exam? ☐ Yes ☐ No

If yes, did you destroy the previous blank contract forms? ☐ Yes ☐ No

Has the permit holder received any written complaints since the previous examination? ☐ Yes ☐ No

If yes, please provide copies of the complaint(s) received and management's written response to the examiner.

Has there been any fraud or embezzlement regarding the PFC operations? ☐ Yes ☐ No

If yes, provide documentation to the examiner detailing the event and the action taken.

Since the previous examination, has the permit holder been a defendant in any lawsuit? ☐ Yes ☐ No

If yes, please provide a summary of the lawsuit(s) and the current status(es) to the examiner.

Does management allow agents, outside funeral homes, or outside funeral providers that are not employed by or owned by the permit holder to sell preneed funeral contracts under this permit? ☐ Yes ☐ No

If yes, please provide a list of the agents or funeral homes to the examiner.

Does the permit holder use the services of an outside third-party recordkeeping service? ☐ Yes ☐ No

If so, please provide a copy of the contract and/or service agreement between the Permit Holder and the third-party recordkeeping service.

Does the insurance company, the permit holder, or any other assignee have any loans or other encumbrances against policies funding Texas preneed funeral contracts? ☐ Yes ☐ No

If yes, provide details and documentation to the examiner.

Have any policies "aged matured" (i.e. reached the maturity age on the policy's data face sheet)?
☐ Yes ☐ No

If yes, please attach a listing of these policies and their disposition. Also, if applicable, provide a copy of the TDI approved age extension rider.

Does the permit holder or insurance company allow transfers of policy ownership to any party other than the funeral home provider (e.g. a trust) named in the contract? ☐ Yes ☐ No

If yes, to whom and under what circumstances? Please provide details and documentation to the examiner.

If the permit holder allows assignments of ownership to a party other than the funeral home, explain how this assignment complies with the domicile state's insurance regulation regarding "insurable interest."
☐ NA

Has the permit holder disclosed all known closed funeral provider locations and outstanding contracts/ policies? ☐ Yes ☐ No ☐ N/A

Has the permit holder written any preneed funeral contracts for people residing out of state **and/or** for delivery out of state? ☐ Yes ☐ No

Has the permit holder included a link or a reference to the "Texas Prepaid Funeral Contract" website sales literature on websites that promote the sale of prepaid funerals? ☐ Yes ☐ No ☐ N/A

Do all selling Texas provider locations that have a website which promotes the sale of preneed funerals contain the required link to the "Texas Prepaid Funeral Contract" website? ☐ Yes ☐ No ☐ N/A

Does the permit holder either directly or through the seller's designated agent provide an informational brochure to each potential purchaser of a prepaid funeral benefits contract in accordance with Section 154.131 of the Finance Code? ☐ Yes ☐ No ☐ N/A

_____ _____
DESIGNATED AGENT'S SIGNATURE DATE

_____ _____
NAME OF DESIGNATED AGENT PERMIT NUMBER

Permit Number

TEXAS DEPARTMENT OF BANKING

PREPAID FUNERAL CONTRACT
INSURANCE FUNDED MANAGEMENT INFORMATION

Corporation Name: _____

BOARD CHAIR:

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

BOARD MEMBERS:

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

NAME | MAILING ADDRESS | TERM

CITY | STATE | ZIP

Attach additional copies of this page if necessary.

NOTE: The Department may require that the members of your Board of Directors Acknowledge that they have reviewed the forthcoming Report of Examination (ROE), and participated in formulating a corrective action plan by signing a form that may be attached to the ROE. Depending on the overall uniform risk rating, the certificate holder may be instructed to forward the completed acknowledgment form to the Department and retain a copy for review at the next Departmental examination.

Date: _____

Texas Department of Banking
Special Audits Division
2601 North Lamar Boulevard
Austin, Texas 78705

Dear Sirs:

This is to confirm our understanding that you will be examining the books and records of _____, at the location of _____, for the period _____ through _____, as authorized by Section 154.53 of the Texas Finance Code (Finance Code), for the sale of prepaid funeral services or merchandise. In connection with your examination we confirm, to the best of our knowledge and belief, the following representations made to you during the examination:

We have made available to you:

1. All financial records and data relating to our prepaid funeral operations, including but not limited to current financial statements, control ledgers, contract registers, cash receipt records, deposit records, preneed fund reconciliations, subsidiary ledgers, and bank or trustee statements. We have not knowingly withheld from you any financial records or related data that would be relevant to the purpose of your examination;

2. All purchasers' contracts and file information relating to the prearranged sale of funeral services and merchandise;

3. All minutes of our stockholders and/or directors, or summaries of recent meetings held which minutes have not yet been prepared; and

4. Copies of supporting information relating to fund claims on contract maturity and contract cancellations, including but not limited to copies of letters requesting cancellations, death certificates, withdrawal forms, preneed to at-need reconciliations, documentation to substantiate balance owing, and copies of prearranged and at-need funeral contracts relating to the deceased.

5. The following if any have been properly disclosed to the examiner:

    a. Guarantees whether written or oral under which we are contingently liable.

    b. Events that have occurred subsequent to the date of the close of the examination that would have a material effect on the future viability of the Permit Holder.

6. There have been no:

    a. Frauds involving any member of management or any employee who has a significant role in the internal control structure of our prepaid funeral operations or in our business operations related to prepaid funeral operations;

b. Communications from regulatory agencies concerning noncompliance with laws and regulations, operational deficiencies, or any other negative significant matters concerning the permit holder. Furthermore, any action or documentation which could have resulted in a civil/criminal penalty or fine has been disclosed to the Department of Banking; or

c. Violations or possible violations of laws or regulations, the effect of which would be significant to the permit holder's continued existence as a permit holder under the Finance Code; or

d. Changes in the ownership of the common stock of the corporation and any pledging of stock except those changes, if any, which have been reported.

7. There are no:

   a. Unasserted claims or assessments that our lawyer has advised us are probable; or

   b. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

8. We have complied with all aspects of contractual agreements that would have a material effect on its financial statements in the event of noncompliance.

9. We understand that we are responsible for creating and implementing a corrective action plan for each noncompliance identified in your report.

Sincerely,

_____ _____

DESIGNATED AGENT'S SIGNATURE Date

_____

Name of the Designated Agent

_____

Permit Number

Date: _____

Texas Department of Banking
Special Audits Division
2601 North Lamar Boulevard
Austin, Texas 78705

Dear Sirs:

This is to confirm our understanding that you will be examining the books and records of _____, at the location of _____, for the period _____ through _____, as authorized by Section 154.53 of the Texas Finance Code (Finance Code), for the sale of prepaid funeral services or merchandise. In connection with your examination we confirm, to the best of our knowledge and belief, the following representations made to you during the examination:

We have made available to you:

1. All financial records and data relating to our prepaid funeral operations, including but not limited to current financial statements, all required policy reports, and policy reconciliations. We have not knowingly withheld from you any financial records or related data that would be relevant to the purpose of your examination;

2. All purchasers' contracts and file information relating to the prearranged sale of funeral services and merchandise;

3. All minutes of our stockholders and/or directors, or summaries of recent meetings held which minutes have not yet been prepared; and

4. Copies of supporting information relating to fund claims on contract maturity and contract cancellations, including but not limited to copies of letters requesting cancellations, death certificates, preneed to at-need reconciliation forms, documentation to substantiate death benefit, and copies of prearranged and at-need funeral contracts relating to the deceased.

5. The following if any have been properly disclosed to the examiner:

    a. Guarantees whether written or oral under which we are contingently liable.

    b. Events that have occurred subsequent to the date of the close of the examination that would have a material effect on the future viability of the Permit Holder.

6. There have been no:

    a. Frauds involving any member of management or any employee who has a significant role in the internal control structure of our prepaid funeral operations or in our business operations related to prepaid funeral operations;

b. Communications from regulatory agencies concerning noncompliance with laws and regulations, operational deficiencies, or any other negative significant matters concerning the permit holder. Furthermore, any action or documentation which could have resulted in a civil/criminal penalty or fine has been disclosed to the Department of Banking; or

c. Violations or possible violations of laws or regulations, the effect of which would be significant to the permit holder's continued existence as a permit holder under the Finance Code; or

d. Changes in the ownership of the common stock of the corporation and any pledging of stock except those changes, if any, which have been reported.

7. There are no:

   a. Unasserted claims or assessments that our lawyer has advised us are probable; or

   b. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

8. We have complied with all aspects of contractual agreements that would have a material effect on its financial statements in the event of noncompliance.

9. We understand that we are responsible for creating and implementing a corrective action plan for each noncompliance identified in your report.

Sincerely,

_____ _____

DESIGNATED AGENT'S SIGNATURE Date

_____

Name of the Designated Agent

_____

Permit Number

ANNUAL REPORT OF 2016 PREPAID FUNERAL BENEFIT CONTRACT ACTIVITY (TRUST-FUNDED)

FILING INSTRUCTIONS

Who Must File an Annual Report? All permit holders with outstanding prepaid funeral contracts must complete and file the Annual Report. It is extremely important that you submit accurate and complete information.

Your completed Annual Report is required in our office by March 1, 2017.

Completing the Annual Report.

- Pages 1 and 2 of the Annual Report are to be completed by the permit holder.
- The final page of the permit holder's control ledger as of December 31, 2016 must be submitted with the Annual Report. **The ledger must balance to page 2 and page 3 of the Annual Report form.** If the data does not balance, an explanation or reconciliation of the variance must be submitted with the filing.
- Page 3 of the Annual Report is to be completed and signed by the trustee for each depository holding prepaid funeral funds.
- Page 4 of the Annual Report must be signed by a person authorized to sign for the permit holder.

Filing the Annual Report.

Mail, Fax, **or** E-mail the completed annual report to:

Texas Department of Banking
ATTN: Special Audits Division
2601 North Lamar Blvd.
Austin, Texas 78705-4294
Facsimile Number: (512) 475-1313
Electronic Mail: pfcpcc@dob.texas.gov

Please call a Special Audits Representative at (512) 475-1285 or (512) 475-1287 with any questions concerning the completion of this form.

You should maintain a copy of this completed form in your files for your next Departmental examination.

TEXAS DEPARTMENT OF BANKING
ANNUAL REPORT OF 2016 ACTIVITY FOR
TRUST-FUNDED PERMIT NO. _____

(Pursuant to the provisions of Chapter 154 of the Texas Finance Code and the rules and regulations of the Texas Department of Banking)

Name of Firm or Corporation _____

"Doing Business As" Name: _____

Domicile Address:

_____
Street Address

_____
City, State, Zip

Mailing Address:

_____
Street Address

_____
City, State, Zip

Telephone and Fax Numbers: _____
Telephone Number

_____
Fax Number

Contact Person: _____

E-mail Address: _____

Permit No. _____

RECAPITULATION OF 2016 PREPAID FUNERAL BENEFIT CONTRACT ACTIVITY

INSTRUCTIONS FOR COMPLETING PAGE 2. Keep the principal separate from the interest and place the information on the proper lines. This report should reflect all contracts. (The ending totals MUST balance to your control ledger as of 12/31/16.)

Section (a) The beginning amounts are the year-end totals as of December 31, 2015. Use your Annual Report from the previous year to get these amounts.
Section (b) Any adjustments made during 2016. Additions should be listed as positive amounts and reductions as bracketed amounts. All adjustments must be explained on a separate page.
Section (c) This will be the total number of new contracts sold in 2016 and the amount of all payments received and required to be deposited into your prepaid trust, including any funds received on new and old accounts and all interest earned during 2016.
Section (d) This will be any contract that may have been previously withdrawn and is being reinstated.
Section (e) This will be the total number of contracts matured, canceled, or escheated that have been withdrawn during 2016 and any other withdrawals approved by the Department.
Section (f) The ending amounts are your grand total from prepaid activity in 2016. This line must include all outstanding contracts. Totals in (f) must balance with your enclosed December 31, 2016 control ledger and the "Total on Deposit Book (Cost) Value" on the trustee statement(s). **If the three do not agree, an explanation of the difference must be attached.**

(a) BEGINNING TOTALS	Total Number of Contracts as of 12/31/15	Principal Deposits Required as of 12/31/15	Interest Earned as of 12/31/15	**Total Principal and Interest as of 12/31/15**
	_____	$_____	$_____	**$_____(+)**
(b) ADJUSTMENTS	_____	$_____	$_____	**$_____(+/-)**
(c) DEPOSITS	Total Number of Contracts Sold for 2016	Principal Deposits Required 2016	Interest Earned for 2016	**Total Principal and Interest Deposited for 2016**
	_____	$_____	$_____	**$_____(+)**
(d) REINSTATEMENTS	_____	$_____	$_____	**$_____(+)**
(e) WITHDRAWALS	Total Number of Contracts Withdrawn 2016	Principal Amount Withdrawn 2016	Interest Withdrawn for 2016	**Total Principal and Interest Withdrawn for 2016**
Maturity/Cancellations	_____	$_____	$_____	**$_____(-)**
Abandoned Property	_____	$_____	$_____	**$_____(-)**
Other (DOB Approved)	_____	$_____	$_____	**$_____(-)**
Federal Income Taxes			$_____	**$_____(-)**
Depository/Trustee Fees			$_____	**$_____(-)**
Annual Assessments			$_____	**$_____(-)**
Other (provide support)	_____	$_____	$_____	**$_____(-)**
(f) TOTALS	Total Number of Contracts as of 12/31/16	Amount of Principal Required as of 12/31/16	Amount of Interest Required as of 12/31/16	**Grand Total Principal and Interest Required as of 12/31/16**
	_____	$_____	$_____	**$_____(=)**

(The final page of your control ledger as of 12/31/16 must be attached.)

TRUSTEE/DEPOSITORY STATEMENT

Annual Report of Prepaid Trust Funds as of December 31, 2016

TO BE COMPLETED BY AN OFFICER OF THE FINANCIAL INSTITUTION

Submit this page to your depository for completion. If more than one depository is used, this page may be duplicated. **NOTE: An officer of the financial institution must sign at the bottom of this statement.**

Name & Address of Financial Institution: _____

_____

_____

Account Name: _____

Individual(s) name(s) shown on the
Signature card of the restricted account(s): _____

_____

_____

STATEMENT OF BALANCES AS OF DECEMBER 31, 2016. If an itemized listing of accounts is attached, a grand total must be indicated below.

Type of Accounts	Account Numbers	**Total on Deposit – Book (Cost)Value**
_____	_____	$_____
_____	_____	$_____
_____	_____	$_____
_____	_____	$_____

Grand Total $_____

If a separate page is necessary to list all accounts, the financial institution must sign each page.

I have verified that the above account(s) is/are styled as preneed funeral funds or prepaid funeral funds and has/have the proper withdrawal restrictions for prepaid funeral benefits funds. I hereby certify that the foregoing statement is true and correct to the best of my knowledge and belief and has been prepared by a representative of my institution.

SIGNED: _____

(Officer of Financial Institution) Date

PRINT NAME/TITLE: _____

TELEPHONE NUMBER: _____

Please call a Special Audits Representative at (512) 475-1285 or (512) 475-1287 with any questions concerning completion of this form.

Permit No.: _____

ANNUAL REPORT ACKNOWLEDGEMENT

I sign the foregoing Annual Report as _____ of the permit holder, having full
Title or Capacity
Authority to sign such Annual Report in said capacity. I affirm I have read the Annual Report and the attached exhibits, and all information contained therein is true and correct and no material fact has been omitted.

By: _____
Name of Permit Holder

_____
Printed Name of Authorized Representative

_____
Signature of Authorized Representative

_____
Title

_____
Date

ANNUAL REPORT OF 2016 PREPAID FUNERAL BENEFIT CONTRACT ACTIVITY (INSURANCE-FUNDED)

FILING INSTRUCTIONS

Who Must File an Annual Report? All permit holders with outstanding prepaid funeral contracts must complete and file the Annual Report. It is extremely important that you submit accurate and complete information.

Your completed Annual Report is required in our office by March 1, 2017.

Completing the Annual Report:

- Pages 1-3 and 5 of the Annual Report are to be completed by the permit holder.
- The final page of the permit holder's December 31, 2016 in-force policy run which totals the dollar amount of insurance in-force and number of contracts outstanding must be submitted with the Annual Report. **The in-force policy run must balance to pages 3 and 4 of the Annual Report form.** If the data does not balance, an explanation or reconciliation of the variance must be submitted with the filing.
- Page 4 of the Annual Report is to be completed and signed by the insurance company(s) responsible for the policies funding the outstanding prepaid funeral benefit contracts sold by the permit holder. **The information submitted by the insurance company(s) must balance to the totals on Page 3 of the Annual Report.** If the data does not balance, an explanation or reconciliation of the variance must be submitted with the filing.
- Page 6 of the Annual Report must be signed by a person authorized to sign for the permit holder.

Filing the Annual Report:

Mail, Fax, **or** E-mail the completed annual report to:

Texas Department of Banking
ATTN: Special Audits Division
2601 North Lamar Blvd.
Austin, Texas 78705-4294
Facsimile Number: (512) 475-1313
Electronic Mail: pfcpcc@dob.texas.gov

Please call a Special Audits Representative at (512) 475-1285 or (512) 475-1287 with any questions concerning the completion of this form.

You should maintain a copy of this completed form in your files for your next Departmental examination.

TEXAS DEPARTMENT OF BANKING
ANNUAL REPORT OF 2016 ACTIVITY FOR
INSURANCE-FUNDED PERMIT NO. _____

(Pursuant to the provisions of Chapter 154 of the Texas Finance Code and the rules and regulations of the Texas Department of Banking)

Name of Firm or Corporation _____

"Doing Business As" Name: _____

Domicile Address:

_____
Street Address

_____
City, State, Zip

Mailing Address:

_____
Street Address

_____
City, State, Zip

Telephone and Fax Numbers: _____
Telephone Number

_____
Fax Number

Contact Person: _____

E-mail Address: _____

Permit No. _____

RECAPITULATION OF 2016 PREPAID FUNERAL BENEFIT CONTRACT ACTIVITY

Section (a) These amounts are the year-end totals as of December 31, 2015. Use your Annual Report from the previous year to get these amounts. If the Report was corrected by the examiner at your last examination, use the adjusted totals.
Section (b) This will be the total number of contracts added in 2016 and the amount of premiums received that were required to be deposited with the insurance company funding preneed contracts **or death benefit increases**, including all funds received on new and old contracts during 2016
Section (c) This will be the total number of contracts and associated dollar volume that have been reduced/deleted during 2016.
Section (d) Any adjustments made during 2016. Additions should be listed as positive amounts and reductions as bracketed amounts. All adjustments must be explained on a separate page.
Section (e) These amounts are your in-force totals from prepaid activity. This is your total year-end balance and must tie to your enclosed December 31, 2016 in-force policy run and the Insurance Company's Statement (page 4), "Grand total of insurance contracts/policies and dollars in-force to fund contracted prepaid funeral benefits as of December 31, 2016." **If the three documents do not agree, an explanation or reconciliation of the variance must be attached.**

***INDICATE WHETHER YOU ARE REPORTING OUTSTANDING ☐ CONTRACTS OR ☐ POLICIES**

		Total Number of Contracts/Policies	**In-force Dollar Volume Of Active Preneed Contracts**	
(a)	**Beginning Balances as of 12/31/15:**			
	Whole Life	_____	$_____	
	Annuities	_____	$_____	
	Increasing Death Benefit – Whole Life	_____	$_____	
	Other _____	_____	$_____	
	TOTAL BEGINNING BALANCE, 12/31/15:	_____	**$_____**	**(+)**
(b)	**Additions 1/1/16 – 12/31/16**			
	New Issues, Changes to Existing Policies, and Policy Deposits:			
	Whole Life	_____	$_____	
	Annuities	_____	$_____	
	Increasing Death Benefit – Whole Life	_____	$_____	
	Other _____	_____	$_____	
	*Increases to Increasing Death policies should be included, if applicable			
	Growth – Dividends and Interest:			
	Whole Life		$_____	
	Annuities		$_____	
	Increasing Death Benefit – Whole Life		$_____	
	Other _____		$_____	
	Reinstatements:			
	Whole Life	_____	$_____	
	Annuities	_____	$_____	
	Increasing Death Benefit – Whole Life	_____	$_____	
	Other _____	_____	$_____	

Permit No. _____

	Total Number of Contracts/Policies*	In-force Dollar Volume of Active Preneed Contracts	
Conversions: (Principal and Interest Received)			
Whole Life	_____	$_____	
Annuities	_____	$_____	
Increasing Death Benefit – Whole Life	_____	$_____	
Other _____	_____	$_____	
TOTAL ADDITIONS	_____	$_____	**(+)**
(c) Reductions 1/1/16 – 12/31/16:			
Deaths:			
Whole Life	_____	$_____	
Annuities	_____	$_____	
Increasing Death Benefit – Whole Life	_____	$_____	
Other _____	_____	$_____	
Cancellations/Lapses/Cash Surrenders/Voids/RPUs/ETIs			
Whole Life	_____	$_____	
Annuities	_____	$_____	
Increasing Death Benefit – Whole Life	_____	$_____	
Other _____	_____	$_____	
TOTAL REDUCTIONS	_____	$_____	(-)
(d) Other Adjustments/Changes (Increases/Decreases)			
Whole Life	_____	$_____	
Annuities	_____	$_____	
Increasing Death Benefit – Whole Life	_____	$_____	
Other _____	_____	$_____	
TOTAL OTHER ADJUSTMENTS/CHANGES	_____	$_____	(+/-)
(e) Ending Balances as of 12/31/16			
Whole Life	_____	$_____	
Annuities	_____	$_____	
Increasing Death Benefit – Whole Life	_____	$_____	
Other _____	_____	$_____	
TOTAL ENDING BALANCE AT 12/31/16	_____	$_____	(=)

The final page of your in-force policy run as of 12/31/16 must be attached.

INSURANCE COMPANY'S STATEMENT

Annual Report of Insured Accounts as of December 31, 2016

TO BE COMPLETED BY AN OFFICER OF THE INSURANCE COMPANY FUNDING PREPAID FUNERAL BENEFIT CONTRACTS

Submit this page to your insurance company for completion. If more than one insurance company is used, this page may be duplicated. **NOTE: An officer of the insurance company must sign at the bottom of the statement(s). Return the completed insurance statement(s) with your form.**

Name & Address of Insurance Company: _____

_____

_____

Permit Holder's Name: _____ _____

Permit Holder's approved agent(s) on the depository's records as authorized to request documents and file for withdrawals on behalf of permit holder:

_____ _____

_____ _____

_____ _____

STATEMENT OF CONDITION:

Total number of insurance contracts/policies as of December 31, 2016 _____

Grand total of insurance dollars in-force to fund contracted Prepaid funeral benefits as of December 31, 2016 (should tie to total ending balance on page 3) _____

I hereby certify that the foregoing statement is true and correct to the best of my knowledge and belief and has been prepared by a representative of my institution.

SIGNED: _____

(Officer of Insurance Company) Date

PRINT NAME/TITLE: _____

TELEPHONE NUMBER: _____

Please call a Special Audits Representative at (512) 475-1285 or (512) 475-1287 with any questions concerning completion of this form.

Permit No. _____

Prepaid Funeral Contract (PFC) Assessment on Insurance Funded Contracts

The total number of PFC contracts issued from January 1, 2016 to December 31, 2016: _____

Assessments (x) $1.00*

Total Amount Due $_____

*Section 154.3525 of the Texas Finance Code was added by H.B. 3762 and became effective September 1, 2009. This new section states the Department shall assess and collect from a seller not more than $1 for each insurance-funded contract sold during each calendar year and shall deposit the assessments in the insurance-funded contract account within the fund. Furthermore, the Department shall stop assessing the amounts required by Subsection (a) when the amount in the insurance-funded contract account reaches $1 million.

Please…

- Write permit number on check
- Make the check payable to: PFC Insurance Guaranty Fund

Permit No.: _____

ANNUAL REPORT ACKNOWLEDGEMENT

I sign the foregoing Annual Report as _____ of the permit holder, having full
Title or Capacity
Authority to sign such Annual Report in said capacity. I affirm I have read the Annual Report and the attached exhibits, and all information contained therein is true and correct and no material fact has been omitted.

By: _____
Name of Permit Holder

_____
Printed Name of Authorized Representative

_____
Signature of Authorized Representative

_____
Title

_____
Date

2017 PREPAID FUNERAL BENEFITS CONTRACT PERMIT RENEWAL APPLICATION (TRUST FUNDED)

FILING INSTRUCTIONS

Who Must File a Renewal Application? A permit renewal application must be filed if the permit holder: (1) wishes to continue selling prepaid funeral contracts; (2) had outstanding prepaid funeral contracts as of December 31, 2016; or (3) wants to preserve the permit for possible future prepaid funeral contract sales.

Your Renewal Application is required in our office by May 1, 2017 to facilitate the processing of the application and issuance of a new permit by the June 1, 2017 expiration date of your current permit.

Completing the Renewal Application:

- Pages 1-3 of the Renewal Application are to be completed by the permit holder.
- Page 4 of the Renewal Application is to be signed by an officer of the permit holder.
- The additional documents or exhibits required to be filed with the Renewal Application include:
  - Exhibit "A" – If applicable, an assumed name certificate that has been filed with the Secretary of State and/or County Clerk. Please refer to the Assumed Name Certificate instructions enclosed for more information. *Note: These certificates expire 10 years after the date of original filing.*
  - Exhibit "B" – If you wish to continue selling PFCs, you must provide financial statements of the permit holder including a balance sheet and income statement dated not later than the last day of the permit holder's fiscal year that ended in the immediately preceding calendar year (but not older than 12/31/16). *Blank financial statement forms are available on the Department's website if you do not have a financial statement format.* **The financial statements are confidential and will not be subject to Open Records Act requests. Submission of financial statements is required to determine the permit holder's financial fitness and viability under Chapter 154 of the Texas Finance Code, Section 154.103(b).**
    - Permit holders may submit a 2016 tax return **<u>with a balance sheet</u>** in lieu of the financial statements, or 2015 financials with proof of tax extension. Permit holders whose financial capacity is derived from a parent or holding company may submit the financial statements of the parent or holding company along with an organizational chart. To allow the Department to consider the financial capacity of a parent or holding company, a Letter of Guarantee (LOG) is required to be executed and filed with the Department. If not previously provided to the Department, please attach a copy of the LOG and the parent or holding company's financial statements.
    - The Department reserves the right to request additional financial information if the balance sheet and income statement submitted do not clearly establish the financial capability to discharge the permit holder's responsibilities.
  - Exhibit "C" – For corporations, LLCs, and partnerships, proof of "active" account status with the Texas Comptroller of Public Accounts is required.

Please mail, fax, or e-mail the completed Renewal Application and required Exhibits to:

Texas Department of Banking
ATTN: Special Audits Division
2601 North Lamar Blvd.
Austin, Texas 78705-4294
Fax Number: (512) 475-1288
Electronic Mail: pfcpcc@dob.texas.gov

TEXAS DEPARTMENT OF BANKING
2017 PREPAID FUNERAL BENEFIT CONTRACT RENEWAL APPLICATION
TRUST-FUNDED PERMIT NO. _____

(Pursuant to the provisions of Chapter 154 of the Texas Finance Code and the rules and regulations of the Texas Department of Banking.)

1. Name of Firm or Corporation: _____

   "Doing Business As" Name: _____

2. Location:
   (a) Domicile Address: _____

   County _____ Phone _____

   (b) Mailing Address: _____

   County _____ Phone _____

   (c) Records / Exam Location: Company Name _____

   Address _____

   County _____ Phone _____

3. Contact Person: _____

   E-mail _____ Phone _____

4. Customer Service Numbers: Fax _____ Phone _____

5. Business Operated As (Check one and complete the appropriate section)

   ☐ Sole Proprietorship Owner's Name _____ Date Purchased _____

   ☐ Partnership Owner's Names _____ Date Purchased _____

   Owner's Names _____ Date Purchased _____

   ☐ Corporation/Association Charter Number _____Date Filed _____

For corporations/associations, name and percentage of majority stockholder(s), (i.e., own 25% or more of outstanding stock)

Name: _____ Percentage Owned _____ Name: _____ Percentage Owned _____

Name: _____ Percentage Owned _____ Name: _____ Percentage Owned _____

If the Association/Corporation is owned or controlled by any other entity or firm, please explain below:

_____

6. Current Officers:

	NAME	DATE APPOINTED TO OFFICE
President:	_____	_____
Vice President:	_____	_____
Secretary:	_____	_____
Treasurer:	_____	_____

7. Has 25 percent or more of the stock or other ownership or membership interest of the permit holder changed since January 1, 2016? ☐ Yes ☐ No

If yes, was the Department notified of the ownership change? ☐ Yes ☐ No

Explain the change in ownership, if applicable:

_____

8. Is the permit holder still actively selling new contracts under this permit? ☐ Yes ☐ No

9. Have all written consumer complaints filed against anyone associated with the permit holder, if any, been resolved? ☐ Yes ☐ No ☐ NA

If no, explain: _____

10. Have all violations cited at the last examination of the permit holder been corrected? ☐ Yes ☐ No

If no, explain: _____

11. Has there been any fraud detected involving any employee of the permit holder in the prepaid funeral contract operations since January 1, 2016? ☐ Yes ☐ No

If yes, explain: _____

12. Has the permit holder been subject to any enforcement actions by a licensed authority in Texas or any other state since January 1, 2016? ☐ Yes ☐ No

If yes, explain: _____

13. Has the permit holder had any permit/license suspended, revoked, or renewal refused in Texas or any other state since January 1, 2016? ☐ Yes ☐ No

If yes, explain: _____

Permit No. _____

14. Has there been any litigation involving the permit holder initiated since January 1, 2016? ☐ Yes ☐ No

    If yes, explain: _____

15. Does the permit holder currently sell any insurance funded preneed funeral contracts? ☐ Yes ☐ No

    If yes, please list each insurance company below or on a separate sheet.

    _____

16. Does the permit holder, or *affiliate* organization of the permit holder maintain another Prepaid Funeral Benefits permit(s) to sell trust and/or insurance prepaid funeral contracts or maintain a certificate of authority to operate a perpetual care cemetery in Texas?

    ☐ Yes ☐ No

    If yes, explain:_____

17. If preneed funds are held in a formal trust, have you changed your Trust Agreement in the past twelve months? ☐ Yes ☐ No ☐ NA

    If yes, the new investment plan must be attached.

18. Select the applicable option:

    ☐ Financial statements are included with this renewal application.

    ☐ Financial statements are not included with this renewal application. I understand that my permit will be issued restricted from new trust-funded prepaid funeral contract sales.

For third-party permit holders only (where you do not control/own the funeral providers):

19. Attach a listing of funeral home providers that are known to the permit holder that ceased business since January 1, 2016.

Permit No.: _____

PERMIT RENEWAL APPLICATION ACKNOWLEDGEMENT

I sign the foregoing Permit Renewal Application as a principal officer of the permit holder, having full authority to sign such Permit Renewal Application in said capacity. I affirm I have read the Permit Renewal Application and the attached exhibits, and all information contained therein is true and correct and no material fact has been omitted. I affirm that the permit holder is familiar with and will abide by the provisions of Chapter 154 of the Texas Finance Code.

By: _____
Name of Permit Holder

_____
Signature of Officer

_____
Title

_____
Date

ASSUMED NAME CERTIFICATES

Section 36.02(7) of the Texas Business and Commerce Code (Commerce Code) defines "assumed name" as:

(a) in the case of an individual, a name that does not include the surname of the individual;

(b) in the case of a partnership, a name that does not include the surname or other legal name of each joint venturer or general partner;

(c) in the case of an individual or a partnership, a name, including a surname, that suggests the existence of additional owners by including words such as "Company," "& Company," "& Son," "& Sons," "& Associates," "Brothers," and the like, but not words that merely describe the business or professional service being conducted or rendered;

(d) in the case of a limited partnership, any name other than the name stated in its certificate of limited partnership;

(e) in the case of a company, any name used by the company;

(f) in the case of a corporation, any name other than the name stated in its articles of incorporation or association or comparable document.

1. A sole proprietorship or partnership business that is not incorporated, but is using an assumed name, must file an assumed name certificate with the county in which they are located.

2. A corporation, limited partnership, or limited liability company doing business under an assumed name must file an assumed name certificate with the Secretary of State, in addition to their county clerk, in accordance with Section 36.11 of the Commerce Code.

3. For purposes of filing with the Secretary of State, the corporation should submit an originally executed assumed name certificate accompanied by the filing fee to:

Secretary of State
Statutory Filings Division
Corporation Section
P.O. Box 13697
Austin, Texas 78711-3697
(512) 463-5555
www.sos.texas.gov

2017 PREPAID FUNERAL BENEFITS CONTRACT PERMIT RENEWAL APPLICATION (INSURANCE FUNDED)

FILING INSTRUCTIONS

Who Must File a Renewal Application? A permit renewal application must be filed if the permit holder: (1) wishes to continue selling prepaid funeral contracts; (2) had outstanding prepaid funeral contracts as of December 31, 2016; or (3) wants to preserve the permit for possible future prepaid funeral contract sales.
Your Renewal Application is required in our office by May 1, 2017 to facilitate the processing of the application and issuance of a new permit by the June 1, 2017 expiration date of your current permit.

Completing the Renewal Application:

- Pages 1-3 of the Renewal Application are to be completed by the permit holder.
- Page 4 of the Renewal Application is to be signed by an officer of the permit holder.
- The additional documents or exhibits required to be filed with the Renewal Application include:
  - Exhibit "A" – If applicable, an assumed name certificate that has been filed with the Secretary of State and/or County Clerk. Please refer to the Assumed Name Certificate instructions enclosed for more information. *Note: These certificates expire 10 years after the date of original filing.*
  - Exhibit "B" – If you wish to continue selling PFCs, you must provide financial statements of the permit holder including a balance sheet and income statement dated not later than the last day of the permit holder's fiscal year that ended in the immediately preceding calendar year (but not older than 12/31/16). *Blank financial statement forms are available on the Department's website if you do not have a financial statement format.* **The financial statements are confidential and will not be subject to Open Records Act requests. Submission of financial statements is required to determine the permit holder's financial fitness and viability under Chapter 154 of the Texas Finance Code, Section 154.103(b).**
    - Permit holders may submit a 2016 tax return **<u>with a balance sheet</u>** in lieu of the financial statements. Permit holders whose financial capacity is derived from a parent or holding company may submit the financial statements of the parent or holding company along with an organizational chart. To allow the Department to consider the financial capacity of a parent or holding company, a Letter of Guarantee (LOG) is required to be executed and filed with the Department. If not previously provided to the Department, please attach a copy of the LOG and the parent or holding company's financial statements.
    - The Department reserves the right to request additional financial information if the balance sheet and income statement submitted do not clearly establish the financial capability to discharge the permit holder's responsibilities.
  - Exhibit "C" – For corporations, LLCs, and partnerships, proof of "active" account status with the Texas Comptroller of Public Accounts is required.

Please **either** mail, fax, or e-mail the completed Renewal Application and required Exhibits to:

Texas Department of Banking
ATTN: Special Audits Division
2601 North Lamar Blvd.
Austin, Texas 78705-4294
Fax Number: (512) 475-1313
Electronic Mail: pfcpcc@dob.texas.gov

TEXAS DEPARTMENT OF BANKING

2017 PREPAID FUNERAL BENEFIT CONTRACT RENEWAL APPLICATION

INSURANCE-FUNDED PERMIT NO. _____

(Pursuant to the provisions of Chapter 154 of the Texas Finance Code and the rules and regulations of the Texas Department of Banking.)

1. Name of Firm or Corporation: _____

   "Doing Business As" Name: _____

2. Location:

   (a) Domicile Address: _____

   County _____ Phone _____

   (b) Mailing Address: _____

   County _____ Phone _____

   (c) Records / Exam Location: Company Name _____

   Address _____

   County _____ Phone _____

3. Contact Person: _____

   E-mail _____ Phone _____

4. Customer Service Numbers: Fax _____ Phone _____

5. *Association/Corporation Charter Number: _____ Date Filed: _____

   Name and percentage of majority stockholder(s), (i.e., own 25% or more of outstanding stock)

   Name: _____ Percentage Owned: _____

   Name: _____ Percentage Owned: _____

   Name: _____ Percentage Owned: _____

   Name: _____ Percentage Owned: _____

   *If the Association/Corporation is owned or controlled by any other entity or firm, please explain below:

   _____

Permit No.: _____

6. Current Officers:

	NAME	DATE APPOINTED TO OFFICE
President:	_____	_____
Vice President:	_____	_____
Secretary:	_____	_____
Treasurer:	_____	_____

7. Has 25 percent or more of the stock or other ownership or membership interest of the permit holder changed since January 1, 2016? ☐ Yes ☐ No

If yes, was the Department notified of the ownership change? ☐ Yes ☐ No

Explain the change in ownership, if applicable:

_____

8. Is the permit holder still actively selling new contracts under this permit? ☐ Yes ☐ No

9. Have all written consumer complaints filed against anyone associated with the permit holder, if any, been resolved? ☐ Yes ☐ No ☐ NA

If no, explain: _____

10. Have all violations cited at the last examination of the permit holder been corrected? ☐ Yes ☐ No

If no, explain: _____

11. Has there been any fraud detected involving any employee of the permit holder in the prepaid funeral contract operations since January 1, 2016? ☐ Yes ☐ No

If yes, explain: _____

12. Has the permit holder been subject to any enforcement actions by a licensed authority in Texas or any other state since January 1, 2016? ☐ Yes ☐ No

If yes, explain: _____

13. Has the permit holder had any permit/license suspended, revoked, or renewal refused in Texas or any other state since January 1, 2016? ☐ Yes ☐ No

If yes, explain: _____

14. Has there been any litigation involving the permit holder initiated since January 1, 2016?
☐ Yes ☐ No

If yes, explain: _____

15. Attach a listing of all funeral home providers with outstanding prepaid funeral contracts and the number of outstanding contracts under this permit. Indicate if you own or control any of these locations.

16. If different from the permit holder, give the name and complete mailing address of each insurance company who holds outstanding insurance policies that have been issued to fund prepaid funeral contracts under the permit. Attach a separate sheet, if necessary.

Insurance Company: _____

Insurance Company: _____

(a) Is there any ownership or affiliation of any type between the permit holder and insurance company(ies)? ☐ Yes ☐ No

If yes, explain: _____

17. Does the permit holder, or *affiliate* organization of the permit holder maintain another Prepaid Funeral Benefits permit(s) to sell trust and/or insurance prepaid funeral contracts, or maintain a certificate of authority to operate a perpetual care cemetery in Texas?
☐ Yes ☐ No

If yes, explain:_____

18. Are all insurance sales agents properly licensed to sell insurance policies and annuities by the Texas Department of Insurance? ☐ Yes ☐ No ☐ N/A

If no, explain: _____

19. Select the applicable option:

☐ Financial statements are included with this renewal application.

☐ Financial statements are not included with this renewal application. I understand that my permit will be issued restricted from new insurance-funded prepaid funeral contract sales.

20. Attach a listing of the name and seven-digit agent ID number issued by the Texas Department of Insurance to all insurance sales agents selling under this permit.

21. Attach a listing of funeral home providers that are known to the permit holder that ceased business or ceased operations since January 1, 2016.

Permit No.: _____

PERMIT RENEWAL APPLICATION ACKNOWLEDGEMENT

I sign the foregoing Permit Renewal Application as a principal officer of the permit holder, having full authority to sign such Permit Renewal Application in said capacity. I affirm I have read the Permit Renewal Application and the attached exhibits, and all information contained therein is true and correct and no material fact has been omitted. I affirm that the permit holder is familiar with and will abide by the provisions of Chapter 154 of the Texas Finance Code.

By: _____
Name of Permit Holder

_____
Signature of Officer

_____
Title

_____
Date

ASSUMED NAME CERTIFICATES

Section 36.02(7) of the Texas Business and Commerce Code (Commerce Code) defines "assumed name" as:

(a) in the case of an individual, a name that does not include the surname of the individual;

(b) in the case of a partnership, a name that does not include the surname or other legal name of each joint venturer or general partner;

(c) in the case of an individual or a partnership, a name, including a surname, that suggests the existence of additional owners by including words such as "Company," "& Company," "& Son," "& Sons," "& Associates," "Brothers," and the like, but not words that merely describe the business or professional service being conducted or rendered;

(d) in the case of a limited partnership, any name other than the name stated in its certificate of limited partnership;

(e) in the case of a company, any name used by the company;

(f) in the case of a corporation, any name other than the name stated in its articles of incorporation or association or comparable document.

1. A sole proprietorship or partnership business that is not incorporated, but is using an assumed name, must file an assumed name certificate with the county in which they are located.

2. A corporation, limited partnership, or limited liability company doing business under an assumed name must file an assumed name certificate with the Secretary of State, in addition to their county clerk, in accordance with Section 36.11 of the Commerce Code.

3. For purposes of filing with the Secretary of State, the corporation should submit an originally executed assumed name certificate accompanied by the filing fee to:

Secretary of State
Statutory Filings Division
Corporation Section
P.O. Box 13697
Austin, Texas 78711-3697
(512) 463-5555
www.sos.texas.gov

Appendix G
Sample Excel Reconciliation Form – Trust Funded

Summary of Trust Activity

Revised 01/16

Performed By:

Permit Holder:
Permit Number:
For the Period: to

Recapitulation of Trust		Contracts	Principal	Earnings	Total
Balance at last exam:	01/00/00				$0.00
Adjustments to last exam:		0	$0.00	$0.00	$0.00
Adjusted Balance as of last exam:		0	$0.00	$0.00	$0.00
New Contracts Sold and Issued		0			$0.00
Earnings since last examination				$0.00	$0.00
Principal Deposits on all contracts			$0.00		$0.00
Reductions of Accumulated Trust					
Contracts Matured/Cancelled		0	$0.00	$0.00	$0.00
Contracts Escheat to State		0	$0.00	$0.00	$0.00
Identify each reduction:					$0.00
Taxes				$0.00	$0.00
Trustee fees or Bank Charges				$0.00	$0.00
Examination Fee				$0.00	$0.00
Guaranty Fund Assessment				$0.00	$0.00
Other		0	$0.00		$0.00
Other				$0.00	$0.00
Net TOTAL of trust at this examination date:	01/00/00	0	$0.00	$0.00	$0.00

Tie to Withdrawal Summary (Section 9) _____

Tie to the Individual Ledgers (Section 20) _____

Depository(ies):	Acct Number(s)	Balance(s)

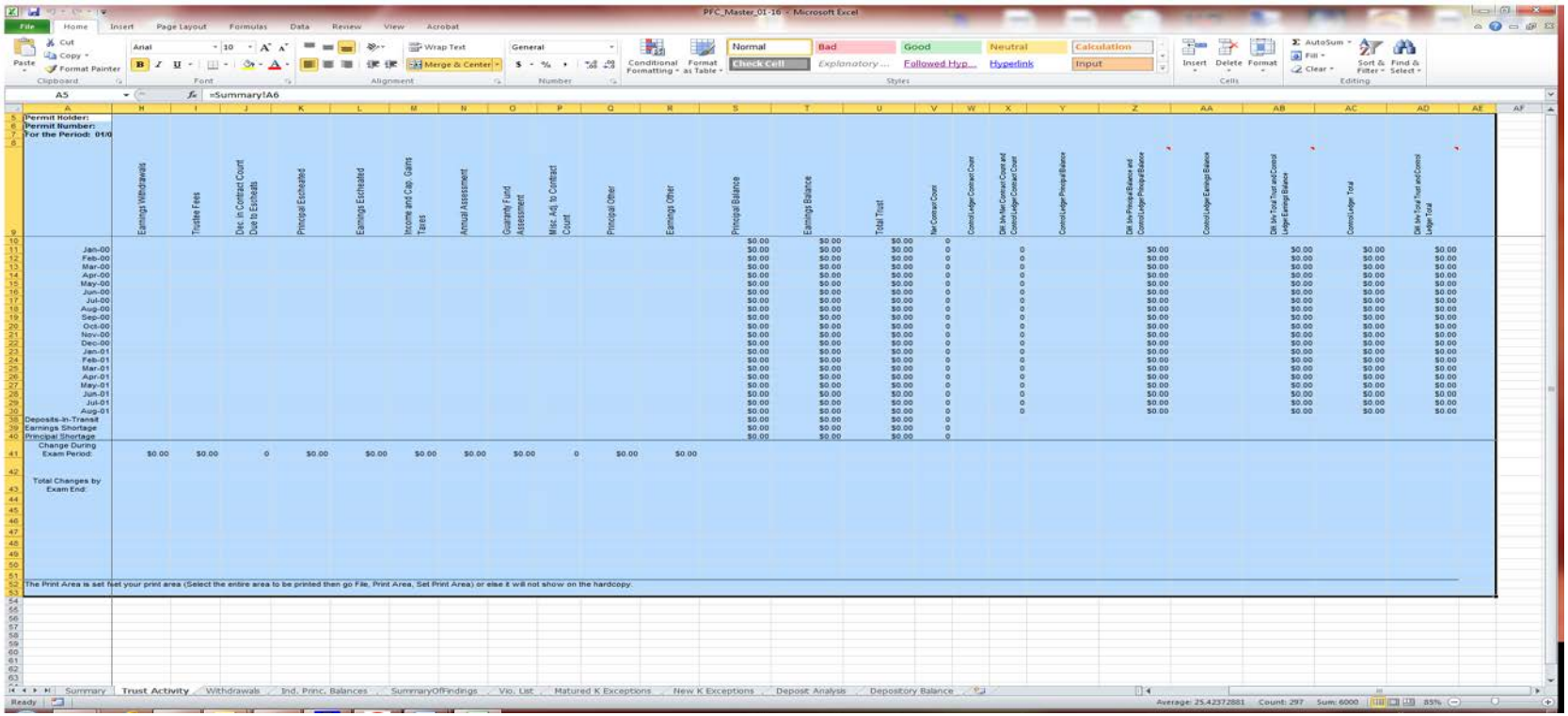
Tie to the Control Ledger (Section 11) _____

Subtotal:	$0.00
Earnings Shortage:	$0.00
Principal Shortage:	$0.00
Deposits In Transit:	$0.00
Total:	$0.00
Difference:	$0.00

Ties to the bank statement(s) (Section 12) _____

Appendix G

Sample Excel Reconciliation Form – Trust Funded



Permit Holder:
Permit Number:
For the Period: 01/0

	Earnings Withdrawals	Trustee Fees	Dec. in Contract Count Due to Escheats	Principal Escheated	Earnings Escheated	Income and Cap. Gains Taxes	Annual Assessment	Guaranty Fund Assessment	Misc. Adj. to Contract Count	Principal Other	Earnings Other	Principal Balance	Earnings Balance	Total Trust	Ner Contract Count	Control Ledger Contract Count	Dif. b/w Ner Contract Count and Control Ledger Contract Count	Control Ledger Principal Balance	Dif. b/w Principal Balance and Control Ledger Principal Balance	Control Ledger Earnings Balance	Dif. b/w Total Trust and Control Ledger Earnings Balance	Control Ledger Total	Dif. b/w Total Trust and Control Ledger Total
Jan-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Feb-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Mar-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Apr-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
May-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Jun-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Jul-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Aug-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Sep-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Oct-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Nov-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Dec-00												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Jan-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Feb-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Mar-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Apr-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
May-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Jun-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Jul-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Aug-01												$0.00	$0.00	$0.00	0		0		$0.00		$0.00	$0.00	$0.00
Deposits-In-Transit												$0.00	$0.00	$0.00	0								
Earnings Shortage												$0.00	$0.00	$0.00	0								
Principal Shortage												$0.00	$0.00	$0.00	0								
Change During Exam Period:	$0.00	$0.00	0	$0.00	$0.00	$0.00	$0.00	$0.00	0	$0.00	$0.00												
Total Changes by Exam End:																							

The Print Area is set fset your print area (Select the entire area to be printed then go File, Print Area, Set Print Area) or else it will not show on the hardcopy.

Appendix G

Sample Excel Reconciliation Form – Insurance Funded

DEPOSITORY ACTIVITY RECAP

Revised 01/16

12-

Permit Holder:

Permit Number:

Recapitulation of Trust	Whole Life Contract Count	Whole Life	Annuities Contract Count	Death Benefit	Inc Death Benefit - Whole Life Contract Count	Death Benefit	Other Contract Count	Death Benefit	Total Contract Count	Death Benefit
01/00/1900	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
New Issues, Changes, Deposits	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Reinstatements	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Growth		$0.00		$0.00		$0.00		$0.00		$0.00
Conversions	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Total New Additions	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Death Maturities	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Cancellation, Lapses, Surrenders	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Total Reductions	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Adjustments between periods	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Adjustments to last exam #'s	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00
01/00/1900	0	$0.00	0	$0.00	0	$0.00	0	$0.00	0	$0.00

Depository(ies):	Balance(s)
Total Depository Balance(s):	$0.00
DIFFERENCE:	$0.00

Tie to in-force policy report (Section 10)

Tie to in-force policy rec. (Section 11)

Appendix G

Sample Excel Reconciliation Form – Insurance Funded

Performed by:

Permit Holder:
Permit Number:
For the Period: to

	Whole Life		Annuities		Inc Death Benefit - Whole Life		Total	
	Contract Count	Death Benefit	Contract Count	Death Benefit	Contract Count	Death Benefit	Contract Count	Death Benefit
Bal Fwd / Last Exam: 01/00/1900	0	$0.00	0	$0.00	0	$0.00	0	$0.00
New Issues, Changes, Deposits	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Reinstatements	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Conversions	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Death Maturities	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Cancels, Lapses, Surrenders	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Adjustments (+/-)	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Growth	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Quarter Ending: 03/1900	0	$0.00	0	$0.00	0	$0.00	0	$0.00
New Issues, Changes, Deposits	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Reinstatements	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Conversions	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Death Maturities	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Cancels, Lapses, Surrenders	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Adjustments (+/-)	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Growth	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Quarter Ending: 06/1900	0	$0.00	0	$0.00	0	$0.00	0	$0.00

Recap

New Issues, Changes, Deposits	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Reinstatements	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Conversions	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Death Maturities	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Cancels, Lapses, Surrenders	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Adjustments (+/-)	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Growth	0	$0.00	0	$0.00	0	$0.00	0	$0.00
Adjustment to last exam #'s	0	$0.00	0	$0.00	0	$0.00	0	$0.00
GRAND TOTALS	0	$0.00	0	$0.00	0	$0.00	0	$0.00

Appendix H
Individual Ledger Summary – Trust Funded

Prepaid Funeral Benefits Historical Contract Register

Contract Number	Date of Purchase	Purchaser	Beneficiary	Amount of Contract	Final Disposition	Date of Withdrawal	Total $ Withdrawn

Appendix I
Control Ledger Sample – Trust Funded

Prepaid Funeral Benefits Control Ledger

Date	Description of Transaction	Running # of Contracts	Amount of Transaction	Retainage Withheld	Principal Deposits	Principal Withdrawn	Total Principal	Interest Deposits	Interest Withdrawn	Total Interest	Total Trust	(**)
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	
							0.00			0.00	0.00	

** This control ledger should be balanced against the bank/trustee statements and the individual ledgers at least quarterly. Note the initials who reconciled the ledger and the date.

Appendix J
Historical Register Sample – Trust Funded

Prepaid Funeral Benefits Historical Contract Register

Contract Number	Date of Purchase	Purchaser	Beneficiary	Amount of Contract	Final Disposition	Date of Withdrawal	Total $ Withdrawn

Appendix K
Sample PFC Contract Forms

Trust Funded Prepaid Funeral Benefits Contract

Contract No._____

Purchaser:_____ Provider:_____

Contract Beneficiary:_____ Seller: _____

Statement of Funeral Goods and Services Selected

(A) GUARANTEED SERVICES & MERCHANDISE:
The Total Contract Price below includes the goods and services to be delivered at the time of the Contract Beneficiary's death. You are not purchasing goods and services where price is left blank. You can purchase the goods and services left blank at the time of the funeral service. Certain purchases can be required by law or by a cemetery or crematory. This contract allows You to pay in advance and **freeze the costs of the Guaranteed Services and Merchandise selected below.**

BASIC SERVICES OF FUNERAL DIRECTOR AND STAFF, AND OVERHEAD $_____

EMBALMING: (explanation below)
Embalming services.....$_____
If You selected a funeral that may require embalming, such as a funeral with viewing, You may have to pay for embalming. You do not have to pay for embalming You did not approve if You selected arrangements such as a direct cremation or immediate burial. If we charged for embalming, we will explain why below.
(describe):_____

OTHER PREPARATION OF THE BODY:
Bathing body.....$_____
Cosmetic/Beautician.....$_____
Dressing/Casketing.....$_____
Refrigeration fee (# days_____).....$_____
Other_____$_____

USE OF FACILITIES AND STAFF:
Rosary or prayer service.....$_____
Viewing/Visitation (# days_____).....$_____
Funeral ceremony at funeral home.....$_____
Funeral ceremony at other facility.....$_____
Memorial service at funeral home.....$_____
Memorial service at other facility.....$_____
Use of equipment and staff for graveside service.....$_____
Other.....$_____

TRANSPORTATION SERVICES:
Transfer of remains to funeral home (_____ mile radius).....$_____
Hearse (funeral coach).....$_____
Funeral Sedan.....$_____
Limousine (#_____).....$_____
Pallbearer car.....$_____
Clergy car.....$_____
Flower car.....$_____
Other.....$_____

OTHER SERVICES:
Forwarding of remains to another funeral home (describe) _____$_____
Receiving remains from another funeral home (describe)_____$_____
Other_____$_____
Immediate Burial (Basic Charge).....$_____
Direct Cremation (Basic Charge).....$_____

Disposition: ☐ **Burial** ☐ **Cremation** ☐ **Other**

GOODS:
Casket.....$_____
☐ Wood Type:_____
☐ Steel: ☐ 16 ga ☐ 18 ga ☐ 20 ga ☐ ___ ga ☐ Stainless
☐ Bronze: ☐ 32 oz ☐ 48 oz. ☐ Copper: ☐ 32 oz ☐ 48 oz.
☐ Other: _____
☐ Seal ☐ Nonseal ☐ Gasketed ☐ Nongasketed ☐ N/A
Interior Lining: ☐ Crepe ☐ Velvet ☐ Satin ☐ Other_____
Shell: ☐ Square ☐ Round Exterior color: (opt)_____

Outer burial container (see explanation on page 2) $_____
☐ Liner ☐ Vault ☐ Box ☐ Other (*describe*):
_____
☐ Concrete ☐ Wood Type: _____
☐ Steel: ☐ 7 ga ☐ 10 ga ☐ 12 ga ☐ 14 ga ☐ Stainless
☐ Bronze _____ oz. ☐ Copper _____ oz.
☐ Other:_____
☐ Seal ☐ Nonseal ☐ N/A

Alternative Container: (describe)_____$_____

Urn: (Name and Primary Construction)
_____ $_____

Shipping Container: (describe)_____$_____

Clothing: (describe) _____$_____

Stationery/Cards: (describe)
_____(#_____) $_____

Memorial Book:_____(#_____) $_____

Acknowledgement cards: (describe)
_____(#_____) $_____

Other _____ $_____
Other _____ $_____

(A) TOTAL COST OF GUARANTEED ITEMS:	$

Page 1 of 5 DOB Trust Form 10/6/11

Contract No._____

(B) NON-GUARANTEED CASH ADVANCE ITEMS:
The items and amounts listed below are specified as *Non-Guaranteed*. You understand that these amounts are ***ESTIMATES*** only and are not frozen in cost. This section is to help You set aside funds for non-guaranteed items. At the time of death, these funds may be used for any cash advance items. **You are not prefunding any items below where price is left blank.**
Initial here to confirm You have read this: _____

We charge You for our services in obtaining the items with the boxes marked:

- ☐ Cemetery Opening & Closing Fee.....$_____
- ☐ Cemetery Set-Up *(tent-chairs-carpet)* .....$_____
- ☐ Crematory Fees.....$_____
- ☐ Clergy Honorarium.....$_____
- ☐ Death Certificates.....$_____
- ☐ Flowers.....$_____
- ☐ Obituary Notices .....$_____
- ☐ Organist/Pianist.....$_____
- ☐ Outside Facility Rental.....$_____
- ☐ Police Escort.....$_____
- ☐ Transportation.....$_____
- ☐ Vocalist.....$_____
- ☐ Other.....$_____
- ☐ Other.....$_____
- ☐ Other.....$_____
- ☐ Other.....$_____

(B) TOTAL CASH ADVANCE ITEMS:	**$**

Subtotal (**A from page 1 + B**):..... $_____

(Less): Discounts/Adjustments:_____ $_____

TOTAL CONTRACT PRICE:	$

Explanation of Certain Charges
Charges are only for those items that You selected or that are required. If we are required by law or by a cemetery or crematory to use any items, we will explain the reasons in writing below.
Reason for Outer Burial Container or Other: (describe):_____

Payment Terms

We must deposit your money in a Banking Department approved financial institution within 30 days of receipt. However, We can keep 50% of each payment You make up to 10% of the Total Contract Price for our selling expenses. How You will pay for this contract is shown below:

Cash Contract ____ Retail Installment Contract ____ (check one)

CREDITOR-SELLER

ANNUAL PERCENTAGE RATE (The cost of your credit at a yearly rate)	FINANCE CHARGE (The dollar amount the credit will cost You)	AMOUNT FINANCED (The amount of credit provided to You or on your behalf)	TOTAL OF PAYMENTS (The amount You will have paid after You have made all payments as scheduled)	TOTAL SALE PRICE (The total cost of your purchase on credit including your down payment of $_____)
0%	**$0.00**	$	$	$

Your payment schedule is:

Number of payments	Amount of payments	When payments are due

PREPAYMENT: If You pay off early, You will not have to pay a penalty.
ADDITIONAL INFORMATION: See your contract documents for information about nonpayment, default, the right to accelerate, and the requirement for payment in full before delivery of contracted goods and services by the Seller.

ITEMIZATION OF AMOUNT FINANCED OF $_____. The full Amount Financed shall be credited to your account with Seller.

Page 2 of 5 DOB Trust Form 10/6/11

Appendix K
Sample PFC Contract Forms

Contract Definitions

Contract Beneficiary - The person for whom this contract is purchased.

Responsible Person - The person who is legally responsible for the disposition of the Contract Beneficiary's remains. (Section 711.002 of the Texas Health and Safety Code defines who has the right to control the disposition of the remains.)

Provider- The person that signs this contract and agrees to deliver the funeral goods and services selected. The Seller and Provider may be the same company. (Section 154.161 of the Texas Finance Code defines the responsibilities of the Provider.)

Purchaser ("You") - The person who is contracting to buy the funeral goods and services. This person may also be the Contract Beneficiary. If You are also the Contract Beneficiary, then after your death "You" means the Responsible Person.

Seller ("We" or "Us") - The company that holds a Texas permit to sell prepaid funeral benefit contracts and signs this contract.

General Provisions

Guaranteed Services and Merchandise (A): As long as You follow the terms and conditions of this contract, and after the death of the Contract Beneficiary, the Provider must deliver all items selected on page 1 of the contract at no additional cost to You. The Provider will receive the money deposited for these items and the proportionate part of the income on deposit to deliver these items. The Provider is not required to refund You any of the proportionate part of the income under the contract on deposit to deliver these items.

Non-Guaranteed Cash Advance Items (B): The prices for these items are estimates only and final costs will be based on the existing prices at the time the items are delivered by the Provider. After the death of the Contract Beneficiary, the Provider pays for these items on Your behalf to third parties. The Provider shall apply the funds and the proportionate part of the income on deposit for these items to the current purchase price for the items. The Provider may collect more money from You if the amounts paid-in and the proportionate part of the income on deposit **is less** than the current purchase price to deliver these items. The Provider shall refund You or Your estate if the amounts paid-in and the proportionate part of the income on deposit **is greater** than the current purchase price to deliver these items.

The Responsible Person may add, surrender, cancel, or modify **any** non-guaranteed cash advance item included under this contract at the time of the funeral. If there is a credit value, it may be:

(1) refunded to You or Your estate; or,
(2) used to pay for additional funeral merchandise or services.

Taxes: You or your estate may incur a tax liability for earnings earned on deposits made under this contract. But these earnings are never paid to You. (See Internal Revenue Ruling ("IRS") 87-127 and IRS Code Section 685)

No Warranty: The Seller and Provider make no express or implied warranties of merchantability or fitness for particular purpose for goods purchased under this contract. The only warranties are those expressed or written by the manufacturer. Specific brand name goods will be delivered only where so noted. Further, no representation is made that the specific items selected for the Cash Advance Items will be available at the time of death.

Change of Address: All parties must notify each other in writing of any address change.

Successor Provider: You cannot change the Provider, even if You move away, unless We and the Provider agree in writing.

Loan: You cannot take out a loan against the money deposited for this contract.

Cancellation: You cannot make a partial cancellation of this contract. This means You cannot change the funeral goods and services selected during the duration of this contract, unless a new contract is executed. You may change other contract terms only by written agreement signed by all parties. (For example, changing payment terms.)

Entire Agreement: This contract constitutes the entire agreement among the parties. This contract binds the parties or any other successor who assumes their rights and obligations under this contract.

Changing Contract Beneficiary: You may change the Contract Beneficiary of this contract at any time before your death. You must notify Us and the Provider to this change in writing.

Contract Cancellation

You may choose to give up your right to cancel this contract. You do this by signing a separate Waiver of Right to Cancel. **If you sign a separate Waiver of Right to Cancel, You will not be able to cancel your contract or receive a refund.**

If You cancel this contract WITHIN A YEAR of signing it and your payments are current, We are required to refund the greater of:

(1) 90% of the actual amount of money You paid, or
(2) the amount of money We have deposited into the approved financial institution for your contract. Read the Payment Terms section of this contract for the amount of money that will be deposited for You.

If You cancel this contract AFTER THE FIRST YEAR, You will receive the amount of your money deposited, less the amount We can keep, PLUS one-half of the net income earned on it.

If You wish to cancel this contract, the request must be made in writing on forms prescribed by the Banking Department. You must receive your cancellation refund within 30 days of your written notice.

If We request that You cancel this contract, You will receive a refund of all money paid and the net income earned.

Contract Default

If You are more than 30 days late making a scheduled payment, this contract may be considered void and We may:

(1) cancel this contract and refund the cancellation benefit as described above to You; or,
(2) apply the money deposited to a new funeral arrangement.

If the Contract Beneficiary dies and You have NOT paid this contract in full, then the Provider is not required to deliver the funeral goods and services selected; unless,

(1) You have complied with your obligations by making all required payments under the contract; and,
(2) You pay any remaining balance due on this contract before the funeral service, or, the Provider agrees in writing to another payment arrangement.

If the Provider goes out of business before the death of the Contract Beneficiary or is otherwise unable to honor the contract terms; then,

(1) You and the Seller may agree to use a Successor Provider who will honor the contract terms;
(2) You can make a claim to the Prepaid Trust-Funded Guaranty Fund. This Fund guarantees contract performance; or,
(3) You can cancel the contract and receive a refund based on the cancellation benefit.

The Prepaid Trust-Funded Guaranty Fund covers this contract.

Changes to Disposition at the Time of Death

If You are the Purchaser and the Contract Beneficiary, You are the only person who can change the method of Your disposition selected in this contract. A disposition change can only be made by You signing a written document with new instructions **AFTER** the date of this contract.

If You are the Purchaser but NOT the Contract Beneficiary, You can change the method of disposition unless the Contract Beneficiary has signed written instructions regarding his/her disposition.

Changes to the Guaranteed Services and Merchandise at the Time of Death

Related to contracts not fully funded: If payments are due at the time of death, this contract **is not** fully funded and the final funeral service could be different from the funeral You planned.

Related to fully funded contracts: If no further payments are due at the time of death on the Guaranteed Services and Merchandise, this contract is fully funded. However, the Responsible Person may decide to change Your selections up to 10% of the Guaranteed Services and Merchandise. The Provider must give a credit if the changes result in decreased costs, but is not required to refund any money.

In addition, the Responsible Person and the Provider can agree to changes in excess of 10% of the Guaranteed Services and Merchandise selected. If the Responsible Person and the Provider agree to make changes in excess of 10%, the Provider must give credit for any changes that decrease costs and if applicable, issue a refund to Your estate. The Responsible Person must pay the Provider for any changes that result in increased costs.

You can prevent all changes to the Guaranteed Services and Merchandise that You have selected under a fully funded contract by signing the box below.

I am the Purchaser and the Contract Beneficiary. I **do not** want the Responsible Person to make any changes to the ***Guaranteed Services and Merchandise*** selected on page 1 of my fully paid contract.
Sign here to confirm this is your choice.

Required Signatures and Notices

Do not sign this contract before You have: (1) read it, (2) had an opportunity to ask questions and review the preneed informational website at www.prepaidfunerals.texas.gov, (3) received a copy of the Provider's General Price List, (4) received a copy of the Seller's Information Preneed Brochure (for contracts sold after June 1, 2010), and (5) been offered the Provider's Casket Price List and Outer Burial Container Price List before discussing or being shown these goods. You are to receive a copy of this signed contract. Keep this contract to protect your legal rights.

If You sign this contract at a place other than the Seller/Provider's place of business, You may cancel this contract at any time prior to midnight of the third business day after the date of this contract. See the Notice of Cancellation form provided to You for an explanation of this right. You do not have this right if the contract is signed at the Seller/Provider's place of business.

You certify by signing this contract that the Social Security Number listed below is the correct number issued to You. You also certify that You are not subject to any backup withholding or any other order that requires special reporting to the IRS. You will receive a copy of this contract and the Seller/Provider will retain the original contract. If a Seller's Representative signature is required, You will receive a copy of the dual signature contract within 30 days of final acceptance and execution.

Signed this _____day of_____ ,20____ at: ☐ Seller's / Provider's Location or, ☐ _____(Place)

Purchaser's Signature	**Provider's** Signature
Purchaser's Social Security Number	**Provider's** Printed Name Phone Number
Purchaser's Printed Name Phone Number	**Provider's** Address
Purchaser's Address	City State Zip
City State Zip	**Seller's** Signature **Seller's** Printed Name
Contract Beneficiary's Printed Name Date of Birth	**Seller's** Address Phone Number
Contract Beneficiary's Address	City State Zip
City State Zip	Date and Signature of Seller's Representative ***(if required)***

Inquiries should be directed as below. All complaints must be in writing.

Concerning the Prepaid Contract:
Texas Department of Banking
2601 N. Lamar, Austin, Texas 78705
1-877-276-5554 (toll free)
www.dob.texas.gov

Concerning the Funeral Service or Funeral Director:
Texas Funeral Service Commission
P.O. Box 12217, Austin, Texas 78711
1-888-667-4881 (toll free)
www.tfsc.texas.gov

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Appendix K
Sample PFC Contract Forms

Insurance Funded Prepaid Funeral Benefits Contract

Contract No._____

Purchaser:_____ Provider:_____

Contract Beneficiary:_____ Seller: (preprinted name / permit number)

Statement of Funeral Goods and Services Selected

(A) GUARANTEED SERVICES & MERCHANDISE:
The Total Contract Price below includes the goods and services to be delivered at the time of the Contract Beneficiary's death. You are not purchasing goods and services where price is left blank. You can purchase the goods and services left blank at the time of the funeral service. Certain purchases can be required by law or by a cemetery or crematory. This contract allows You to pay in advance and **freeze the costs of the Guaranteed Services and Merchandise selected below.**

BASIC SERVICES OF FUNERAL DIRECTOR AND STAFF, AND OVERHEAD $_____

EMBALMING: (explanation below)
Embalming services.....$_____
If You selected a funeral that may require embalming, such as a funeral with viewing, You may have to pay for embalming. You do not have to pay for embalming You did not approve if You selected arrangements such as a direct cremation or immediate burial. If we charged for embalming, we will explain why below.
(describe):_____

OTHER PREPARATION OF THE BODY:
Bathing body.....$_____
Cosmetic/Beautician.....$_____
Dressing/Casketing.....$_____
Refrigeration fee (# days_____).....$_____
Other_____$_____

USE OF FACILITIES AND STAFF:
Rosary or prayer service.....$_____
Viewing/Visitation (# days_____).....$_____
Funeral ceremony at funeral home.....$_____
Funeral ceremony at other facility.....$_____
Memorial service at funeral home.....$_____
Memorial service at other facility.....$_____
Use of equipment and staff for graveside service.....$_____
Other.....$_____

TRANSPORTATION SERVICES:
Transfer of remains to funeral home (_____ mile radius).....$_____
Hearse (funeral coach).....$_____
Funeral Sedan.....$_____
Limousine (#_____).....$_____
Pallbearer car.....$_____
Clergy car.....$_____
Flower car.....$_____
Other.....$_____

OTHER SERVICES:
Forwarding of remains to another funeral home (describe)_____$_____
Receiving remains from another funeral home (describe)_____$_____
Other_____$_____
Immediate Burial (Basic Charge).....$_____
Direct Cremation (Basic Charge).....$_____

Disposition: ☐ Burial ☐ Cremation ☐ Other

GOODS:
Casket.....$_____
☐ Wood Type:_____
☐ Steel: ☐ 16 ga ☐ 18 ga ☐ 20 ga ☐ ___ ga ☐ Stainless
☐ Bronze: ☐ 32 oz ☐ 48 oz. ☐ Copper: ☐ 32 oz ☐ 48 oz.
☐ Other:_____
☐ Seal ☐ Nonseal ☐ Gasketed ☐ Nongasketed ☐ N/A
Interior Lining: ☐ Crepe ☐ Velvet ☐ Satin ☐ Other_____
Shell: ☐ Square ☐ Round Exterior color: (opt)

Outer burial container (see explanation on page 2) $_____
☐ Liner ☐ Vault ☐ Box ☐ Other (*describe*):
_____
☐ Concrete ☐ Wood Type:_____
☐ Steel: ☐ 7 ga ☐ 10 ga ☐ 12 ga ☐ 14 ga ☐ Stainless
☐ Bronze _____ oz. ☐ Copper _____ oz.
☐ Other:_____
☐ Seal ☐ Nonseal ☐ N/A

Alternative Container: (describe)_____$_____

Urn: (Name and Primary Construction)
_____ $_____

Shipping Container: (describe)_____$_____

Clothing: (describe)_____$_____

Stationery/Cards: (describe)
_____(#_____) $_____

Memorial Book:_____(#_____) $_____

Acknowledgement cards: (describe)
_____(#_____) $_____

Other_____ $_____
Other_____ $_____

(A) TOTAL COST OF GUARANTEED ITEMS: $

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Contract No._____

(B) NON-GUARANTEED CASH ADVANCE ITEMS:
The items and amounts listed below are specified as *Non-Guaranteed*. You understand that these amounts are ***ESTIMATES*** only and are not frozen in cost. This section allows You to set aside funds for non-guaranteed items. At the time of death, these funds may be used for any cash advance items. **You are not prefunding any items below where price is left blank.**
Initial here to confirm You have read this: ☐

We charge You for our services in obtaining the items with the boxes marked:

- ☐ Cemetery Opening & Closing Fee.....$_____
- ☐ Cemetery Set-Up *(tent-chairs-carpet)* .....$_____
- ☐ Crematory Fees.....$_____
- ☐ Clergy Honorarium.....$_____
- ☐ Death Certificates .....$_____
- ☐ Flowers.....$_____
- ☐ Obituary Notices .....$_____
- ☐ Organist/Pianist .....$_____
- ☐ Outside Facility Rental.....$_____
- ☐ Police Escort.....$_____
- ☐ Transportation .....$_____
- ☐ Vocalist.....$_____
- ☐ Other.....$_____
- ☐ Other.....$_____
- ☐ Other.....$_____
- ☐ Other .....$_____

(B) TOTAL CASH ADVANCE ITEMS:	$

Subtotal (**A from page 1 + B**):..... $_____

(Less): Discounts/Adjustments:_____$_____

TOTAL CONTRACT PRICE:	$

Explanation of Certain Charges
Charges are only for those items that You selected or that are required. If we are required by law or by a cemetery or crematory to use any items, we will explain the reasons in writing below.
Reason for Outer Burial Container or Other: (describe):_____

Payment Terms

An Insurance Policy funds this contract. The Contract Beneficiary must apply for insurance coverage. Your payment made today is the first Premium for the Insurance Policy. The Insurance Company will either issue your Insurance Policy or deny insurance coverage within 30 days, after You sign this contract. If coverage is denied, You will receive a 100% refund from the Insurance Company.

The Premiums You pay on the Insurance Policy(s) may not equal the Total Contract Price. You could pay more or less, depending on several factors (for example: your age, health and type of Insurance Policy purchased). Based on the anticipated premium indicated on the insurance application(s), the maximum amount of Premiums You could pay over the term of the Insurance Policy(s) for this contract is $.
Initial here to confirm You have read this: ☐

This is your estimated premium payment information:

Payment Mode: ☐ Single ☐ Monthly ☐ Quarterly ☐ Semi-Annual ☐ Annual
Payment Plan (Years to Pay) Amount of Premium Payment Submitted with this Contract: $_____
Amount of Each Remaining Premium Payment: $

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Appendix K
Sample PFC Contract Forms

Contract Definitions

Contract Beneficiary - The person for whom this contract is purchased.

Responsible Person - The person who is legally responsible for the disposition of the Contract Beneficiary's remains. (Section 711.002 of the Texas Health and Safety Code defines who has the right to control the disposition of the remains.)

Provider- The person that signs this contract and agrees to deliver the funeral goods and services selected. The Seller and Provider may be the same company. (Section 154.161 of the Texas Finance Code defines the responsibilities of the Provider.)

Purchaser ("You") - The person who is contracting to buy the funeral goods and services and is the owner of the Insurance Policy. If You are also the Contract Beneficiary, then after your death "You" means the Responsible Person.

Seller ("We" or "Us") - The company that holds a Texas permit to sell prepaid funeral benefit contracts and signs this contract.

Insurance Company - The insurance company that will issue the Insurance Policy to fund this contract. The Texas Department of Insurance (TDI) has licensed this company to sell insurance policies in Texas.

Premiums – Payments You make on the Insurance Policy issued to fund this contract.

Insurance Policy – An annuity contract or insurance policy or certificate covering the life of the Contract Beneficiary funded by the Premiums. TDI has approved the insurance policy issued to fund this contract.

General Provisions

Guaranteed Services and Merchandise (A): As long as You follow the terms and conditions of this contract and the related Insurance Policy, and after the death of the Contract Beneficiary, the Provider must deliver all items selected on page 1 of the contract at no additional cost to You. The Provider will receive and apply the proportionate Insurance Policy proceeds to deliver these items. The Provider is not required to refund You any of the proportionate part of the Insurance Policy proceeds in excess of the current purchase price to deliver these items.

Non-Guaranteed Cash Advance Items (B): The prices for these items are estimates only and final costs will be based on the existing prices at the time the items are delivered by the Provider. After the death of the Contract Beneficiary, the Provider pays for these items on Your behalf to third parties. The Provider shall apply the proportionate part of the Insurance Policy proceeds for these items to the current purchase price for the items. The Provider may collect more money from You if the proportionate part of the Insurance Policy proceeds **is less** than the current purchase price to deliver these items. The Provider shall refund You or Your estate if the proportionate part of the Insurance Policy proceeds **is greater** than the current purchase price to deliver these items.

The Responsible Person may add, surrender, cancel, or modify **any** non-guaranteed cash advance item included under this contract at the time of the funeral. If there is a credit value, it may be:

(1) refunded to You or Your estate; or,
(2) used to pay for additional funeral merchandise or services.

Taxes: You or your estate may incur a tax liability for the Insurance Policy benefits if they are paid directly to You.

No Warranty: The Seller and Provider make no express or implied warranties of merchantability or fitness for particular purpose for goods purchased under this contract. The only warranties are those expressed or written by the manufacturer. Specific brand name goods will be delivered only where so noted. Further, no representation is made that the specific items selected for the Cash Advance Items will be available at the time of death.

Change of Address: All parties must notify each other in writing of any address change.

Entire Agreement: This contract constitutes the entire agreement among the parties. This contract binds the parties or any other successor who assumes their rights and obligations under this contract.

(continued on next page)

SAMPLE

Successor Provider: You may choose a different Provider to perform the Contract Beneficiary's funeral service but may lose your guaranteed pricing. You, the new Provider and We must agree in writing to follow the original terms and conditions of this contract. The original Provider will be released from all contract responsibility.

Cancellation: You cannot make a partial cancellation of this contract. This means You cannot change the funeral goods and services selected during the duration of this contract, unless a new contract is executed. You may change other contract terms only by written agreement signed by all parties.

Refer to your Insurance Policy for complete details of the policy provisions.

Contract / Policy Default

If You are more than 30 days past due on a Premium, this contract may be void. We and the Provider may not be required to deliver the funeral goods and services selected.

At the death of the Contract Beneficiary, the Provider **MUST** deliver the Guaranteed Services and Merchandise selected on page 1 of this contract ***with no additional cost to You***, IF:

- Your contract is funded by a **full benefit** Insurance Policy OR a **limited benefit** Insurance Policy whose limited death benefit period has expired, and:
  (1) Your Premium payments are current;
  (2) You repay any outstanding Insurance Policy loans; and
  (3) You have complied with the Insurance Policy provisions.

- Your contract is funded by an **annuity** Insurance Policy OR a **limited benefit** Insurance Policy and the limited death benefit period has NOT expired, **AND**:
  (1) Your Premium payments are current;
  (2) You repay any outstanding Insurance Policy loans;
  (3) You have complied with the Insurance Policy provisions; and,
  (4) You pay the remaining balance due on the Insurance Policy funding this contract before the funeral service, or, the Provider agrees to another payment arrangement.

At the death of the Contract Beneficiary, the Provider **IS NOT** required to deliver the Guaranteed Services and Merchandise selected on page 1 of this contract, IF:

- Your contract is funded by an **annuity** Insurance Policy OR a **limited benefit** Insurance Policy whose limited death benefit period has NOT expired and You do NOT agree to pay the remaining balance due on the Insurance Policy funding this contract.

If the Provider goes out of business before the death of the Contract Beneficiary or is otherwise unable to honor the contract terms; then,
(1) You and the Seller may agree to use a Successor Provider who will honor the contract terms;
(2) You can cancel the contract and funding Insurance Policy and receive the cash surrender value;
(3) You can make a claim to the Prepaid Insurance-Funded Guaranty Fund. This Fund guarantees contract performance; or,
(4) At death, the Insurance Company will pay the death benefit to the Insurance Policy beneficiary or assignee.

The Prepaid Insurance-Funded Guaranty Fund covers this contract.

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Appendix K
Sample PFC Contract Forms

Contract / Policy Cancellation or Assignment

If You cancel the Insurance Policy during the "free look" period, You will receive a 100% refund. Refer to the Insurance Policy for the length of the free look period.

If you cancel the Insurance Policy after the "free look" period has expired, the surrender value will be paid in accordance with the Insurance Policy's provisions and may be significantly less than the Premiums that You have paid.
Initial here to confirm You have read this: _____

Your contract price guarantees are voided, IF: (1) You cancel the Insurance Policy; (2) You have an outstanding loan against the Insurance Policy; or (3) the Insurance Policy pays a death benefit that is less than the full face amount. You can pay the balance due to get the price guarantees, if payments are current.

If You wish to cancel this contract, the request must be made in writing on forms prescribed by the Banking Department. **If You cancel this contract, it does not automatically cancel your Insurance Policy**. The Insurance Policy remains in effect. But, if You cancel both this contract and the Insurance Policy by written notice, You will receive the cash surrender value, if any.

If We request that You cancel this contract, You will receive a full refund.

You may choose to give up your right to cancel this contract. You do this by signing a separate Waiver of Right to Cancel. If you sign a separate Waiver of Right to Cancel, You will not be able to cancel your contract or receive a refund.

You can choose to irrevocably assign your rights under the Insurance Policy, including Your right to cancel the Insurance Policy. You do this by signing a separate form provided by the Insurance Company.

Changes to Disposition at the Time of Death

If You are the Purchaser and the Contract Beneficiary, You are the only person who can change the method of Your disposition selected in this contract. A disposition change can only be made by You signing a written document with new instructions **AFTER** the date of this contract.

If You are the Purchaser but NOT the Contract Beneficiary, You can change the method of disposition unless the Contract Beneficiary has signed written instructions regarding his/her disposition.

Changes to the Guaranteed Services and Merchandise at the Time of Death

Related to contracts not fully funded: If payments are due at the time of death, this contract **is not** fully funded and the final funeral service could be different from the funeral You planned.

Related to fully funded contracts: If no further payments are due at the time of death on the Guaranteed Services and Merchandise, this contract is fully funded. However, the Responsible Person may decide to change Your selections up to 10% of the Guaranteed Services and Merchandise. The Provider must give a credit if the changes result in decreased costs, but is not required to refund any money.

In addition, the Responsible Person and the Provider can agree to changes in excess of 10% of the Guaranteed Services and Merchandise selected. If the Responsible Person and the Provider agree to make changes in excess of 10%, the Provider must give credit for any changes that decrease costs and if applicable, issue a refund to Your estate. The Responsible Person must pay the Provider for any changes that result in increased costs.

You can prevent all changes to the Guaranteed Services and Merchandise that You have selected under a fully funded contract by signing the box below.

I am the Purchaser and the Contract Beneficiary. I **do not** want the Responsible Person to make any changes to the ***Guaranteed Services and Merchandise*** selected on page 1 of my fully funded contract.
Sign here to confirm this is your choice. _____

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Appendix K
Sample PFC Contract Forms

Required Signatures and Notices

Do not sign this contract before You have: (1) read it, (2) had an opportunity to ask questions and review the preneed informational website at www.prepaidfunerals.texas.gov, (3) received a copy of the Provider's General Price List, (4) received a copy of the Seller's Information Preneed Brochure (for contracts sold after June 1, 2010), and (5) been offered the Provider's Casket Price List and Outer Burial Container Price List before discussing or being shown these goods. You are to receive a copy of this signed contract. Keep this contract to protect your legal rights.

If You sign this contract at a place other than the Seller/Provider's place of business, You may cancel this contract at any time prior to midnight of the third business day after the date of this contract. See the Notice of Cancellation form provided to You for an explanation of this right. You do not have this right if the contract is signed at the Seller/Provider's place of business.

You certify by signing this contract that the Social Security Number listed below is the correct number issued to You. You also certify that You are not subject to any backup withholding or any other order that requires special reporting to the IRS. You will receive a copy of this contract and the Seller/Provider will retain the original contract. If a Seller's Representative signature is required, You will receive a copy of the dual signature contract within 30 days of final acceptance and execution.

If you request a copy of the Insurance Policy funding this contract, the Seller must send it to You.

Signed this _____day of_____, 20____ at: ☐ Seller's / Provider's Location or, ☐ _____(Place)

Purchaser's Signature

Purchaser's Social Security Number

Purchaser's Printed Name Phone Number

Purchaser's Address

City State Zip

Contract Beneficiary's Printed Name Date of Birth

Contract Beneficiary's Address

City State Zip

Provider's Signature

Provider's Printed Name Phone Number

Provider's Address

City State Zip

Seller's Signature **Seller's** Printed Name

Seller's Address Phone Number

City State Zip

Date and Signature of Seller's Representative ***(if required)***

Inquiries should be directed as below. All complaints must be in writing.

Concerning the Prepaid Contract:
Texas Department of Banking
2601 N. Lamar
Austin, Texas 78705
1-877-276-5554 (toll free)
www.dob.texas.gov

Concerning the Funeral Service or Funeral Director:
Texas Funeral Service Commission
P. O. Box 12217
Austin, Texas 78711
1-888-667-4881 (toll free)
www.tfsc.texas.gov

Concerning the Insurance Policy:
Texas Department of Insurance
P. O. Box 149194
Austin, Texas 78714
1-800-252-3439 (toll free)
www.tdi.texas.gov

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§25.7. Casket and Outer-Burial Containers.

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Casket-A rigid container, including but not limited to casket inserts and rest beds, which is designed for the encasement of human remains and which is usually constructed of wood, metal, fiberglass, plastic, or like material, and ornamented and lined with fabric.

(2) Contract-The prepaid funeral benefits contract.

(3) Outer-burial container-Any container which is designed for placement in the grave around the casket including, but not limited to, containers commonly known as burial vaults, grave boxes, and grave liners. The term "outer-burial container" does not include lawn crypts regulated under the Texas Health and Safety Code, Chapters 711 and 712.

(4) Urn-A temporary or permanent receptacle used for the containment of cremated remains.

(b) Descriptions.

(1) Conformity of descriptions. The prepaid funeral benefits contract must fully describe all services and merchandise purchased, including the casket or urn and any outer-burial container, as required by this section.

(2) Description content.

(A) Caskets. The description of a casket under this section must, at a minimum, include the following specifications:

(i) The type of material that is predominately used in the construction of the merchandise, i.e.:

(I) steel, identified as stainless or by gauge, e.g., 18 gauge;

(II) wood, identified by type, e.g., pecan or cherry;

(III) bronze, described by weight, e.g., 32 oz.;

(IV) copper, described by weight, e.g., 32 oz.; or

(V) other specifically named material, e.g., such as cardboard or corrugated wood;

(ii) The type of sealing feature, e.g., sealer, non-sealer, gasketed, or nongasketed, if specified on the permit holder´s price list; and

(iii) The material lining the interior of the casket, e.g., crepe, velvet, satin, twill, or silk.

(B) Urns. The description of an urn under this section must, at a minimum, include the type of material predominately used in its construction. Bronze urns must be described as sheet bronze or caste bronze, whichever is applicable.

(C) Outer-burial container. The description of an outer-burial container under this section must, at a minimum, include the following specifications:

(i) The type of material that is predominately used in the construction of the merchandise, i.e.:

(I) concrete, specifying type of construction, e.g., liner, box, or vault;

(II) steel, identified as stainless or by gauge, e.g., 12 gauge (or described as galvanized of a particular gauge);

(III) wood;

(IV) bronze or copper, described by weight or gauge, e.g., 32 oz. or 18 gauge;

(V) other specifically named material; and

(ii) The type of sealing feature, e.g., sealer, non-sealer, if specified on the permit holder´s price list.

(D) Caskets, urns, and outer-burial containers. Merchandise that is marketed as being of a particular content or fabrication, e.g., a fiberglass liner, must be described under this section according to the particular content or fabrication referenced in marketing the product.

(E) Optional disclosures. Except for information required under this section, no additional description of caskets, urns, or outer burial containers is required; however, relevant information, e.g., a model number or color, may be added to a description at the election of the permit holder.

(c) Rule application. With respect to contracts entered prior to the effective date of this section or the effective date of any amendment to this section, a permit holder will not violate this section or such amendment if it fails to comply with one or more requirements of this section or an amendment that were not previously required by statute or rule.

Source: The provisions of this §25.7 adopted to be effective March 25, 1997, 22 TexReg 2870; amended to be effective January 7, 2010, 35 TexReg 204.

Waiver of Right to Cancel
(For Prepaid Funeral Benefit Contracts)

Name of Purchaser: _____

Contract Number: _____

Seller: _____

1. I am the purchaser of the Contract listed above. By signing my name below, I am waiving my right to cancel the Contract, as permitted by the Texas Finance Code, Section 154.155.

2. I understand that I will **NOT** be able to cancel the Contract and receive any refund from the Seller in the future **even if I move out of the community in which I currently live or change my mind.**

_____	_____
Signature of Purchaser	Acknowledgement of Seller (Or Seller's Agent)
Date Signed:_____	Date Signed: _____

The Seller is required to deliver a copy of this signed Waiver to the Purchaser.

The Texas Department of Banking regulates the sale of prearranged funeral contracts and has approved the form of this Waiver. You can file a consumer complaint with the Department by calling (877) 276-5554 (a toll free call). The Department's website address is http:\\www.dob.texas.gov. If you have questions or would like additional information on prepaid funeral contracts, visit www.prepaidfunerals.texas.gov.

[Form # 09/10 Waiver]

"Manual" Preneed to At-Need Reconciliation Worksheet
For Contracts Without Non-Guaranteed Cash Advance Items

	Fields to be Input by Preparer		Fields calculated and populated by worksheet			
I. Guaranteed Services and Merchandise	A. Preneed Price	B. At-Need Price	C. Inflation Discount if B>A	D. Item on At-Need not on Preneed	E. Credit for Unused Preneed item	F. Price Adjustment if A>B
Funeral Home Basic Service						
Embalming						
Bathing Body						
Cosmetic /Beautician						
Dressing/Casketing						
Refrigeration						
Other -						
Rosary/prayer service						
Viewing/Visitation (# of days)						
Service at Funeral Home						
Service at other facility						
Memorial Service						
Graveside Service						
Direct Cremation						
Other -						
Transfer remains to F.H.						
Hearse						
Family car						
Limousine(s)						
Pallbearer Car						
Clergy Car						
Flower Car						
Other -						
Casket:						
Outer Burial Container:						
Alternative Container:						
Urn or Cremation Container:						
Other -						
Cemetery Open/Close						
Cemetery Set-Up (tent/chairs)						
Crematory Fees						
Clergy Honorarium						
Police Escorts						
Death Certificates						
Flowers						
Musician						
Obituary Services						
Public Transportation						
Other -						
Other -						
Total						

Purchaser Name: _____

Contract Number: _____

page 1 of 2

"Manual" Preneed to At-Need Reconciliation Worksheet
For Contracts Without Non-Guaranteed Cash Advance Items

II. Preneed To At-Need Contract Reconciliation			
	Preneed	**At-Need**	
1. Section I Guaranteed Contract Totals			
2. Discount Reflected on Preneed Contract			(-)
3. Subtotal from Column C. Inflation Discount			(-)
4. Other Discounts Given on At-Need			(-)
5. Subtotal for Column F. Price Adjustment When At-Need Prices are Less Than Preneed			+
6. Service/Merchandise Upgrade Amount			+
7. Service/Merchandise Downgrade <Credit Due>			-
8. Subtotals			=
9. Amount Owed on Preneed Contract (if Pre-Need Contract Not Paid-In Full)			
10. Amount of Credit To Be Applied to At-Need Contract			
11. Amount Owed by Family or <Refund Due to Family>			

Preparer's Signature: _____

Date: _____

Purchaser Name: _____

Contract Number: _____

Appendix O
Preneed to At-need Reconciliation for PFCs With Non-Guaranteed Items
Trust-Funded and Insurance-Funded

"Manual" Preneed to At-Need Reconciliation Worksheet
For Contracts With Non-Guaranteed Cash Advance Items

	Fields to be Input by Preparer		Fields calculated and populated by worksheet			
I. Guaranteed Services and Merchandise	**A. Preneed Price**	**B. At-Need Price**	**C. Inflation Discount if B>A**	**D. Item on At-Need not on Preneed**	**E. Credit for Unused Preneed item**	**F. Price Adjustment if A>B**
Funeral Home Basic Service						
Embalming						
Bathing Body						
Cosmetic /Beautician						
Dressing/Casketing						
Refrigeration						
Other -						
Rosary/prayer service						
Viewing/Visitation (# of days)						
Service at Funeral Home						
Service at other facility						
Memorial Service						
Graveside Service						
Direct Cremation						
Other -						
Transfer remains to F.H.						
Hearse						
Family car						
Limousine(s)						
Pallbearer Car						
Clergy Car						
Flower Car						
Other -						
Casket:						
Outer Burial Container:						
Alternative Container:						
Urn or Cremation Container:						
Other -						
Section I Subtotal						

II. Non-Guaranteed Services and Merchandise	**A. Preneed Price**	**B. At-Need Price**
Cemetery Open/Close		
Cemetery Set-Up (tent/chairs)		
Crematory Fees		
Clergy Honorarium		
Police Escorts		
Death Certificates		
Flowers		
Musician		
Obituary Services		
Public Transportation		
Other -		
Section II Subtotal		
Sections I and II Total		

Purchaser Name:

Contract Number:

page 1 of 1

"Manual" Preneed to At-Need Reconciliation Worksheet
For Contracts With Non-Guaranteed Cash Advance Items

III. Calculation of Proportionate Amount of Interest to Be Applied Towards Non-Guaranteed Items	
1. Total Preneed Contract Price	
2. Total of Non-Guaranteed Items on Preneed Contract	
3. Percentage of Preneed Contract That Represents Non-Guaranteed Items (Divide 2 by 1)	
4. Total Earnings Attributable to the Withdrawal of Funds on Preneed Contract	
5. Proportionate Amount of Interest to be Applied Towards Non-Guaranteed Items (Multiply 3 and 4)	

IV. Non-Guaranteed Cash Advance Items Calculation	
6. Total of Non-Guaranteed Items on Preneed Contract	
7. Total of Non-Guaranteed Items on At-Need Contract	
8. Proportionate Amount of Interest to be Applied to Non-Guaranteed Items	
9. Additional Amount Due From Family or <Amount Due To Family> Section II - Non-Guaranteed Items (Add 6+8 and Subtract 7)	

V. Preneed and At-Need Contract Reconciliation			
	Preneed	**At-Need**	
10. Section I Guaranteed Contract Totals			
11. Discount Reflected on Preneed Contract			(-)
12. Subtotal from Column C. Inflation Discount			(-)
13. Other Discounts Given On At-Need			(-)
14. Subtotal for Column F. Price Adjustment When At-Need Prices are Less Than Preneed			+
15. Service/Merchandise Upgrade Amount			+
16. Service/Merchandise Downgrade <Credit Due>			-
17. Additional Amount Due From Family or <Amount Due To Family> Section II - Non-Guaranteed Items			+ / -
18. Subtotals			=
19. Amount Owed on Preneed Contract (if Pre-Need Contract Not Paid-In Full)			
20. Amount of Credit To Be Applied to At-Need Contract			
21. Amount Owed by Family or <Refund Due to Family>			

Preparer's Signature: _____

Date: _____

Purchaser Name: _____

Contract Number: _____

SUPERVISORY MEMORANDUM - 1026

November 3, 2009

TO: All Prepaid Funeral Benefits Holders

FROM: Charles G. Cooper, Banking Commissioner

SUBJECT: Prepaid Funeral Contract Modifications at the Time of Death

Background and Purpose

This memorandum sets out the methodology to calculate whether the prepaid funeral contract (PFC) is being modified by more or less than 10% and outlines the disclosures required if the funeral provider chooses not to provide a refund for unused credits for modifications of less than 10%.

In accordance with Section 154.1551(b) of the Texas Finance Code a decedent's representative may modify a paid-in-full PFC up to 10% without the consent of the funeral provider, if the purchaser has not executed the contract provision prohibiting modifications to the PFC. The funeral provider is required to provide a credit for unused or downgraded items, but is not required to provide a refund for modifications less than 10% of the PFC.

Changes to paid-in-full PFCs in excess of 10%, when the purchaser has not executed the contract provision prohibiting modifications, require the funeral provider's concurrence and agreement in writing. In this situation, the funeral provider is required to allow a credit for guaranteed items not used or downgraded and refund any unused credit.

Calculation of a 10% Change

To determine if the decedent's representative is seeking to amend the PFC by more than 10%, add the total preneed price for all guaranteed items being deleted and/or downgraded. Upgrades and additional items selected are **not** used in this calculation.

If the total deletions and downgrades are in excess of 10% of the guaranteed section of the PFC, the funeral provider may either agree to the changes or limit the decedent's representative to changes not exceeding 10% of the guaranteed section of the PFC.

EXAMPLE

PREPAID FUNERAL CONTRACT			**AT-NEED FUNERAL CONTRACT (TODAY'S PRICES)**	
PROFESSIONAL SERVICES	$3,000.00		PROFESSIONAL SERVICES	$4,000.00
20 GA. STEEL CASKET	$2,000.00		20 GA. STEEL CASKET	$2,500.00
CONCRETE VAULT*	$1,000.00		CONCRETE LINER*	$800.00
CLOTHING	$200.00		OBITUARY	$500.00
LIMOUSINE	$500.00		LIMOUSINE	$500.00
TOTAL OF GUARANTEED ITEMS ON PREPAID CONTRACT**	**$6,700.00**		**TOTAL OF ALL CHARGES**	**$8,300.00**
			Less:	
			Inflation Discount	($1,500.00)
			*Additional Credit Due At-Need on OBC Downgrade****	($200.00)
			Prepaid Funeral Contract	($6,700.00)
			CREDIT NOT USED	**($100.00)**

* Today's Price for Vault = $1,200.00

** 10% of Contract Price = $670.00

*** Only $200.00 of the $400 credit is required here on the at-need contract for the outer burial container (OBC); the remaining $200.00 is already included in the $6,700.00 PFC credit.

In this example, the decedent's representative chose not to use the clothing for $200.00 and downgraded the concrete vault to a concrete liner. The downgrade of the OBC using prices at the time of the death results in a credit of $400.00 ($1,200.00 - $800.00). The deletions/downgrades total $600.00 which is less than 10% of the original guaranteed section of the PFC; therefore, the funeral provider must allow the changes. The funeral director is required to give a credit of $600.00 toward other purchases that are selected at the time of need.

The charge for the obituary at the time of need would be offset by the PFC credit leaving an unused credit of $100.00 ($600.00 credit - $500.00 for obituary charge). Statutorily, the funeral provider is not required to refund this amount but the funeral provider must demonstrate that the decedent's representative is aware of the unused credit.

Required Disclosures

Properly completed at-need contracts enable the permit holder to demonstrate to the decedent's family and to the Department that all PFC prices were honored at the time of need, that credit was given for any unused preneed items, and that the family was correctly billed. The funeral provider must accurately complete the balance due section of the at-need contract and have it signed by the family.

For contract modifications that do not exceed 10% of the PFC, the decedent's representative must be given notice when modifications result in unused credits. The disclosure for the unused credit should be clearly and separately identified and the balance due section of the at-need contract. Additionally, the disclosure must include the amount and a notation such as "Unused Preneed Credit". If the proper disclosures are made, no refunds are required.

Appendix Q
Summary of Exam Findings – Trust Funded

Tenative Summary of Examination Findings - Trust Funded

Revised 09/08

Permit Holder: _____ **Permit Number:** _____

For the Period: _____ **Permit Representative:** _____

Date of Exit Conference: _____ **Permit Representative's Title:** _____

Summary of Findings	*Regulation*	*X / R*	*# of Times Cited**
Failure to maintain all required General File documentation	TAC 25.11(b)		
Failure to maintain all required new contract / policy documentation	TAC 25.11(c)(1) & (2)		
Failure to maintain all required death maturity file documentation	TAC 25.11(c)(3)		
Failure to maintain all required cancellation file documentation	TAC 25.11(c)(4)		
Failed to accurately maintain historical contract register including final disposition	TAC 25.11(d)(1)		
Failure to maintain cash receipt records and/or deposit records of payments	TAC 25.11(d)(2) & (3)		
Individual ledgers not maintained and/or reconciled to control ledger principal	TAC 25.11(d)(4)(A-J)		
Control ledger not maintained and/or reconciled to ind. ledgers and trustee quarterly	TAC 25.11(d)(5)(A-G)		
Failure to post receipts and/or file required documents within 30 days of receipt	TAC 25.11(h)		
Renewal fee not paid timely	TAC 25.23(b)(2)		
Prepaid funeral contracts completeness	TAC 25.3		
Contract prices not frozen / apparent contract overcharges	TAC 25.3(d)(1)		
Partial contract cancellations and partial withdrawals of funds	TAC 25.3(d)(6)		
Incomplete required casket and/or outer-burial container descriptions	TAC 25.7(b)		
Annual report required corrections or not filed	TFC 154.052		
Failure to provide required records for examination	TFC 154.053(a) & (c)		
Failure to Timely File the Annual Report	TFC 154.101		
Form of contract / Required Addendum	TFC 154.151		
Cancellation refund not paid within 30 days of date of cancellation notice	TFC 154.155(a) & (b)		
Failure to refund 1/2 earnings on cancellation for contracts executed after 09/01/01	TFC 154.155(d)		
Non-compliant contract modifications at time of death - exceeding 10% of PFC	TFC 154.1551(b)		
Failure to have agents approved and/or notify DOB of removal of agent	TFC 154.160(b)		
Death maturity claims process / death benefits withdrawn	TFC 154.207		
Retention of contract payments (10%) to cover overhead	TFC 154.252		
Failure to deposit contract payments with approved depository within 30 days	TFC 154.253(a)		
Depository account styled in name of funeral provider (permit holder)	TFC 154.253(b)		
Amount payable upon cancellation of trust funded contract	TFC 154.254		
Prudent person rule for investment of trust funds	TFC 154.255		
Permitted investments of trust funds	TFC 154.258		
Withdrawals of earnings to pay fees, taxes, assessments, etc.	TFC 154.261		
Withdrawal of funds upon death of contract beneficiary / shortages	TFC 154.262 & 154.263		
Failure to file abandoned contracts / escheatment of funds with State Comptroller	TFC 154.301(b) & 154.302		
Fiduciary cash overdrafts	TPC 113.052		
Change in Final Disposition on the Atneed Invoice and Attorney's Opinion JC-0279	TFC 154.1551(a)(1)(B)		
Supervisory Memorandum 1018	OFR		
Poor Financial Condition	OFR		
Compliance with agreed order			

X = Violation
R = Repeat Violation
TAC = Texas Administrative Code
TFC = Texas Finance Code
TPC = Texas Property Code
DOB = Department of Banking
OFR = Other Findings and Recommendations

Tentative Rating Assigned [ ]
(subject to review by DOB)

_____
Designated Agent's Signature
(By signing, you acknowledge receipt of these findings.)

_____
Examiner's Signature

* Management is advised that if repeat violation(s) continue to be cited at the next examination, this matter may be referred to the Department's Legal Division with a recommendation that administrative penalties be assessed for a pattern of disregard.

Appendix Q
Summary of Examination Findings – Insurance-Funded

Summary of Examination Findings - Insurance Funded

Revised 05/10

Permit Holder: _____ **Permit Number:** _____

For the Period: _____ **Permit Representative:** _____

Date of Exit Conference: _____ **Permit Representative's Title:** _____

Summary of Findings	*Regulation*	*X / R*	*# of Times Cited*
General file documentation	TAC 25.10(b)		
New issue contract / policy documentation	TAC 25.10(c)(1) & (2)		
Required death maturity file documentation	TAC 25.10(c)(3)		
Required cancellation file documentation	TAC 25.10(c)(4)		
Required lapsed/ETI / RPU file documentation	TAC 25.10(c)(5)		
Maintenance of historical contract register including final disposition	TAC 25.10(d)(1)		
Payment receipt records or evidence of payment activity	TAC 25.10(d)(2)		
Compliant in-force policy run with required columns of Information	TAC 25.10(d)(3)(A-G)		
Quarterly reconciliations of in-force policy activity	TAC 25.10(d)(3)		
Compliant out-of-force reports	TAC 25.10(d)(4)(A-E)		
Posting cash and file required documents within 30 days of receipt	TAC 25.10(i)		
Contract prices not frozen / apparent contract overcharges	TAC 25.3(d)(1)		
Prepaid funeral contracts / insurance funded contracts completeness	TAC 25.3		
Partial policy cancellations and withdrawals / policy loans	TAC 25.3(d)(6)		
Required casket and outer-burial container descriptions	TAC 25.7(b)		
Annual report corrected or if not filed at all	TFC 154.052		
Required records for examination	TFC 154.053(a) & (c)		
Form of contract	TFC 154.151		
Cancellations within 30 days of date of cancellation notice	TFC 154.155(a) & (b)		
Cancellation waivers not signed as statutorily required	TFC 154.156		
Authorized agent, deposit of money	TFC 154.160		
Funding policies must be approved by Texas Dept. of Insurance	TFC 154.201 & 154.2021		
Execution of contract in conjunction with application for Ins. Policy	TFC 154.202		
Remittance of insurance premiums	TFC 154.203		
Cash surrender values due upon contract cancellation	TFC 154.205		
Death maturity claims process / death benefits withdrawn	TFC 154.207		
Opinion 99-35 regarding accepting funds without contract execution	Opn.Number 99-35		
Incomplete merchandise descriptions on at-need invoices			

X = Violation
R = Repeat Violation
TAC = Texas Administrative Code
TFC = Texas Finance Code
TPC = Texas Property Code
DOB = Department of Banking
OM = Other Matters Comment

Tentative Rating Assigned [ ]
(subject to review by DOB)

_____
Designated Agent's Signature
(By signing, you acknowledge receipt of these findings.)

_____
Examiner's Signature

SUPERVISORY MEMORANDUM - 1018

November 1, 2013

TO: Prepaid Funeral Contract ("PFC") and Perpetual Care Cemetery ("PCC) Licensees

FROM: Charles G. Cooper, Banking Commissioner

SUBJECT: Distribution of Prepaid Funeral Contract and Perpetual Care Cemetery Reports of Examination

The purpose of this memorandum is to help ensure that examination findings warranting the Board of Directors (Board) attention are communicated to the individuals who are primarily responsible for overseeing corrective action. In the instances where the licensee is a corporate entity, the responsibility and accountability for oversight of the licensee's operations, including compliance with applicable laws and regulations, ultimately rests with the corporate board of the licensees.

In those situations where the licensee is a corporate entity and the Report of Examination (ROE) reflects an assigned risk rating of 1 or 2, the Department will not require the Board to discuss the ROE in the Board's minutes, unless the ROE requires the licensee to implement a corrective action plan. If the ROE instructs the licensee to implement a corrective action plan, the Board must discuss the ROE and make note of the discussion at its next board meeting and provide that information to the Department at the next examination. Further, in those situations where the licensee is a corporate entity and the ROE involves material criticism and an assigned risk rating of 3 or greater or is a limited scope examination, the Department will request the licensee's primary contact to notify the Board that the Department will require Board members to sign and acknowledge that they have reviewed the ROE and return this acknowledgment with their response to the ROE. For situations involving substantial criticism and an assigned risk rating of 4 or 5, the Department will require the Board to call a special meeting to discuss the ROE and to provide the Department with a Board approved corrective action plan for noted violations and deficiencies. Department staff may attend this Board meeting to convey Department findings.

While examiners of PFC and PCC licensees should continue to discuss their findings during exit meetings with the local designated contacts, the ROE should be addressed to Chairman of the Board of Directors, if applicable, and copied to the designated contact person of the licensee.

_____, 2017

Texas Department of Banking
2601 North Lamar Blvd.
Austin, TX 78705-4294

Commissioner:

We, the undersigned Board of Directors of **[Permit Holder],** acknowledge receipt of the Report of Examination (ROE) as prepared by State Examiners **[Examiner]** dated as of **[Date].**

We have personally considered this ROE and are individually familiar with the violations cited and comments contained therein. All matters of criticism and other unsatisfactory conditions will receive our prompt attention. We further acknowledge that we have participated in formulating corrective actions to remedy deficiencies noted in the ROE and in the preparation of the examination response. We will continue to give these noted matters our earnest and constant attention.

Yours truly,

_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name

[DBA]
[City, State]
PFC-[XXXX]

NOTE: This letter is to be signed by all Directors and forwarded to the Department with the examination response. If for any reason it is impossible to obtain the signature of any of the Directors, specific reasons should be detailed and attached to this certification. Additionally, the Board must discuss the ROE at its next meeting and notate the discussion in the Board's minutes.

_____, 2016

Texas Department of Banking
2601 N. Lamar Blvd.
Austin, TX 78705-4294

Commissioner:

We, the undersigned Board of Directors of **[Permit Holder],** acknowledge receipt of the Report of Examination (ROE) as prepared by State Examiner **[Examiner]** dated as of **[Date].**

We have personally considered this report and are individually familiar with the violations cited and comments contained therein. All matters of criticism and other unsatisfactory conditions will receive our prompt attention. We further acknowledge that we have called a special meeting of the Board of Directors and that we have participated in formulating corrective actions to remedy deficiencies noted in the ROE and in the preparation of the examination response. Enclosed you will find a Board approved corrective plan for the noted violations and deficiencies. We will continue to give these noted matters our earnest and constant attention.

Yours truly,

_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name
_____	_____
Signature	Printed Name

[DBA]
[CITY, STATE]
PFC-[XXXX]

NOTE: This letter is to be signed by all Directors and forwarded to the Department with the examination response. If for any reason, it is impossible to obtain the signature of any of the Directors; specific reasons should be detailed and attached to this certification.