



INSURANCE COMMISSIONER STATE OF OKLAHOMA

Before You Enter Into A Prepaid Funeral Contract... FAQ's

Prepaid Funeral Benefit Regulation

- The Oklahoma Insurance Department (OID) issues prepaid funeral benefit permits to funeral providers (including chapels, crematoriums and mortuaries). This permit allows the provider to, in exchange for payment, prearrange funeral services.
- Prepaid funeral benefit permits are renewed annually.
- Prepaid funeral benefit permit holders report annually all trust transactions and insurance assignments to the OID.
- The prepaid funeral benefit permit holder must be authorized by the OID to accept trust; contract holder may call OID to verify.
- The permit holder must have an existing trust agreement with an approved depository; contract holder is entitled to know where funds are being held.
- The permit holder must have an approved bond or letter of credit issued in the amount of 15% of the overall trust on file with the OID.

General Information and Terminology

- A prearrangement is any arrangement planned and paid for (via trust or insurance assignment) prior to the death of the buyer. Arrangements made and paid for upon death are considered at need arrangements.
- A prepaid funeral contract is the contractual agreement between the contract holder and the permit holder. This contract outlines the selected merchandise, services and costs of the funeral service. A prepaid funeral contract is not an insurance policy.
- Funeral providers offer two types of prepaid funeral contracts:
 - Guaranteed Contract: The guaranteed contract allows the contract holder to select and pay for merchandise and services at the current cost. Payment for a guaranteed contract is invested in an interest bearing trust or an insurance policy that has growth. The accrued interest or growth is retained by the permit holder to offset the cost of inflation. Upon death, the contract holder is not responsible for the increased cost of merchandise and services detailed in the contract. Merchandise and services provided by other vendors (obituaries, flowers, death certificates) are referenced as cash advanced items and are not included in the guaranteed price of the funeral service.
 - Non-Specified Contract: The provisions of the non-specified contract do not guarantee the cost of the selected merchandise and services. Funds placed in trust will accrue interest and the accumulated balance will be applied towards the cost of the selected funeral merchandise and services. Unused funds will be refunded to the designated beneficiary or personal representative of the contract holder. Payment made via an insurance contract will be applied towards the cost of the selected funeral merchandise and services. Unused funds will be refunded to the designated beneficiary or personal representative of the contract holder.
- Permit holders fund the prepaid funeral contract through the assignment of either a trust or an insurance product (insurance policy or an annuity). An assignment is a transfer of rights; the assignment does not change ownership and beneficiary designations. An assignment of either funds placed in trust or an insurance policy guarantees the funeral service provider payment for services rendered; the assignment does not allow the provider to change provisions of the policy. The funeral provider should never be named as the owner, absolute assignee or beneficiary.

- Revocable assignments may be changed by the contract holder upon notification to the trust holder or the insurance carrier.
- Irrevocable assignments may not be changed without a release from the designated permit holder. Upon release of an irrevocable insurance product, the contract holder may change the assignment designation to a new permit holder, elect to not assign the policy or surrender the policy (varies by insurance carrier). Release of an irrevocable trust allows the contract holder to transfer the trust to a new funeral home; however the trust cannot be surrendered.
- Persons requiring assistance from state agencies may place up to \$10,000.00 in an irrevocable trust or insurance policy. Revocable contract holders are limited to \$1,500.00 for funeral expenses.

Prepaid Funeral Contracts Funded by Insurance

- You may fund a prepaid funeral contract by assigning an existing or newly applied for insurance product (policy or annuity).
- If funding the prepaid funeral contract with a newly applied for insurance product, the insurer is required to provide the applicant an insurance policy or insurance certificate (for group plans). The policy/certificate will be sent directly to either the funeral home or to the insured. The funeral home should not have a policy/certificate “on hand” as a replacement.
- You may fund a non-specified funeral contract with an existing insurance product; however, guaranteed funeral contracts require you to obtain a new insurance product issued in the face amount of the prepaid funeral contract.
- Non-specified contracts entitle the funeral home to collect the cost of the service, including cash advanced items, only. The designated beneficiary should collect the remainder of the death benefit.
- Payment funding the insurance product, as well as all installment payments, should be made payable to the insurance carrier, not the agent, funeral provider or employee of the funeral provider. You should never make cash payments.
- The insurance product should detail a free look or right to cancel provision. Review the policy information carefully and if you are not satisfied with the terms, you have the right to cancel the policy in exchange for a full refund as long as the cancellation occurs during the time frame outlined in the free look or right to cancel provision.
- The contract holder does not have to accept the terms of the policy in order to keep the prepaid funeral contract; they may elect to fund the contract with other means.
- The insurance application should be taken by a licensed and appointed producer; contract holder may confirm these details with the OID.
- You have the right to call the insurance carrier and verify coverage.

Prepaid Funeral Contracts Funded by Trust

- If issued a guaranteed contract, the funeral provider retains all growth of trust; however, the contract holder is not expected to contribute additional funds, except for cash advance items, towards the cost of the service.
- Buyers of a non-specified contract may receive or request a yearly accounting of the trust.
- Prospective contract holders are **ENCOURAGED** to contact the OID prior to entering into a contract funded by trust.

Other Agencies Participating in Regulation of the Death Care Industry

- Oklahoma Funeral Board – (405) 522-1790; regulates the licensing, education and compliancy of funeral establishments, funeral directors, morticians and embalmers. The board offers a funeral establishment license verification system on their website; located at www.okfuneral.com.
- Oklahoma Funeral Directors Association (405) 843-0730; trade association, source of information relating to funeral practices, customary charges or provider recommendations.