

### ***Contract Performance***

If a prepaid funeral contract seller or funeral provider defaults on the contract, the applicable Prepaid Funeral Guaranty Fund (Guaranty Fund) guarantees the obligations of the seller and provider. The Department may seek another seller to fulfill the statutory permit requirements or another funeral provider to perform the funeral services in the prepaid funeral contract at no additional costs to you. Funds from the Guaranty Funds are available to accomplish this. The Insurance-Funded and Trust-Funded Guaranty Funds are overseen and administered by the Department.

### ***Contract Execution***

A prepaid funeral benefits contract serves as a written directive for the method of disposition if you are both the purchaser and beneficiary under the contract. The method of disposition cannot be changed at death unless you have executed a new written directive subsequent to the purchase of the prepaid funeral benefits contract.

Texas law requires sellers of prepaid funeral contracts to hold a permit issued by the Texas Department of Banking. Do not contract with any seller who does not hold a valid permit. To view a list of sellers that have permits or for additional information regarding prepaid funeral contracts, go to the website located at:

[www.prepaidfunerals.texas.gov](http://www.prepaidfunerals.texas.gov) or contact the Texas Department of Banking at:

2601 N Lamar Blvd  
Austin, Texas 78705  
1.877.276.5554  
[www.dob.texas.gov](http://www.dob.texas.gov)



Be sure to tell your family about any plans you make and let them know where the documents are located.

## **Information About Prepaid Funeral Planning**

The contract you are considering purchasing is commonly called a prepaid funeral contract. The prepaid funeral contract will impose conditions on you (the buyer), the seller or permit holder, and the funeral provider. Texas law grants you certain rights, protections, and options.

Read this informational brochure carefully. It can help you understand prepaid funeral contract funding options.



This informational brochure is provided by

**THE TEXAS DEPARTMENT OF BANKING**

*In Texas, a prepaid funeral contract can be funded by a trust or by insurance. A seller may offer one or both funding types.*

In a **trust-funded** prepaid funeral contract, payments are placed in an approved interest bearing restricted bank account or formal trust account to pay for the future costs of the selected funeral goods and services. Payments on the contract are made to the seller.

In most trust-funded contracts, the seller and the funeral provider are the same entity.

In an **insurance-funded** prepaid funeral contract, payments are used to purchase an insurance policy or annuity to pay for the future cost of the selected funeral goods and services. The Texas Department of Insurance has approved many kinds of insurance policies and annuities to fund prepaid funeral contracts. An application for insurance must be completed at the same time as the prepaid funeral contract. Payments on the insurance policy or annuity funding the contract are made to the insurance company.

### *Questions and Answers on Other Differences in the Funding Options*

*Do I get a refund if I cancel a prepaid funeral contract?*

**Trust-Funded:** Yes. In most cases, you will get 90% of your payments plus one-half of all interest earnings for contracts purchased after September 1, 2001.

**Insurance-Funded:** Yes. You must cancel both the prepaid funeral contract and the insurance policy or annuity that funds it. You then receive the cash surrender value of the policy or annuity. The cash surrender value varies, but is most often less than your total payments.

*Can a prepaid funeral contract be transferred to another funeral provider? Will the prices that were frozen or guaranteed still be honored?*

**Trust-Funded:** The contract is not transferrable. While you may assign your trust account cancellation value to a different funeral provider, the new funeral provider is not obligated to honor the prepaid funeral contract

prices agreed to by the original funeral provider.

**Insurance-Funded:** Policy proceeds may be reassigned to a different funeral provider, but the new funeral provider is not obligated to honor the prepaid funeral contract prices agreed to by the original funeral provider.

*Can the payments total more than the price of the prepaid funeral contract?*

**Trust-Funded:** In most cases no. If the prepaid funeral contract is financed over time, the seller may charge interest. However, most sellers do not charge interest.

**Insurance-Funded:** Yes they can, depending upon factors like your age and health when the contract is purchased, date of death, and the type of policy issued. The insurance policy or annuity that funds the prepaid funeral contract dictates the payments to be made. The seller can calculate the total payments to be made.