

- A description of the ability of the purchaser or the beneficiary to cancel a revocable funeral service contract and the effect of cancelling such contract;
- For irrevocable contracts (contracts that cannot be cancelled) the contract must explain how it can be transferred to a different funeral home;
- A provision explaining that if the particular merchandise provided for in the contract is not available at the time of death, the funeral service establishment will furnish merchandise similar in style and at least equal in quality of material and workmanship to the merchandise provided for in the contract; and
- The signature of the purchaser or authorized representative and the licensed funeral director of the funeral service establishment.

What Should I Do with Payments I Receive for a Prepaid Funeral Service Contract that are NOT Intended as Premium Payments for the Purchase of a Life Insurance Policy?

Within fifteen (15) days of receiving payment from a consumer for a prepaid funeral contract, you must deposit the money in an escrow account and appoint an authorized escrow agent.

- Within ten (10) days of receiving the funds, the escrow agent must notify the consumer, in writing, that it received the money.
- For more details about the requirements of setting up an escrow account and appointing an appropriate escrow agent, you should familiarize yourself with Connecticut General Statutes Sections 42-202 and 42-203.

What Are My Record-Keeping Obligations if I Offer Prepaid Funeral Service Contracts?

- All Prepaid Funeral Service Contracts must be kept for six (6) years after completion of the contracted services.
- You must maintain a list of all escrow accounts associated with each Prepaid Funeral Service Contract. This list must include:
 - name and address of the escrow agent;
 - amount of funds deposited with the agent; and
 - name and address of the purchaser of the Funeral Service Contract.

What Should I Do if My Business is Changing Ownership or Closing?

If ownership of the funeral home is to change (i.e. more than 50% ownership is transferred to someone else) or the funeral home is to close, you must inform each purchaser of a Prepaid Funeral Service Contract within 10 days of the transfer/closing.

What Laws Govern Prepaid Funeral Service Contracts Offered in Connecticut?

- Connecticut General Statutes Section 42-200 et seq.
- The Federal Trade Commission's Funeral Rule, which can be found on the FTC's website: www.ftc.gov/bcp/rulemaking/funeral/index.shtm
- Additional information on Prepaid Funeral Service Contracts is available on the Department of Consumer Protection website at www.ct.gov/dcp.



You may also contact the Department of Consumer Protection at 860-713-6100 for further information.

www.ct.gov/dcp

Department of
CONSUMER PROTECTION

FACT SHEET

Prepaid Funeral Service Contracts

Frequently Asked Questions for Funeral Homes



STATE OF CONNECTICUT

Department of Consumer Protection

What is a Prepaid Funeral Contract?

- A "Prepaid" Funeral Service Contract (sometimes referred to as a "pre-need" funeral service contract) is a type of funeral service contract where the customer provides advance (i.e. before there is a death) funding for funeral services that you will provide at some point in the future.
- Prepaid Funeral Service Contracts are regulated by the Department of Consumer Protection ("Department") under Connecticut General Statutes Section 42-200, et seq. (commonly referred to as the "Pre-need Law").
- Public Act 2012-36 allows for the funding of a funeral service contract through assignment of the death benefit under an individual or group life insurance policy regulated by the Connecticut Insurance Department. You can check the company and agent licensing status on the Insurance Department website at www.ct.gov/cid or by phone at 1-800-203-3447.
- Funeral services can include cremations as well as services, personal property or merchandise related to funerals and burials.

If You Offer a Prepaid Funeral Service Contract:

- You must deposit 100% of the money you receive under the Prepaid Funeral Service Contract in escrow with an authorized Escrow Agent or the purchaser may make payments to an insurer to fund the contract with a life insurance policy.
- The Escrow Agent must invest the escrow funds in one or more of the specific types of investments authorized under the Pre-need Law. The funeral director cannot be the beneficiary of any of these investments. In addition, the customer's deposit cannot be used to pay a premium or commission; rather the entire deposit must benefit the consumer.
- The contract must be transferable to another funeral home with no more than a 5% penalty, unless the contract is funded by a life insurance policy, in which case no penalty may be taken.

- The value of the escrow fund cannot be diminished by a surrender penalty if it is cancelled. In the event a Prepaid Funeral Service Contract is cancelled, the contract purchaser is entitled to receive a refund of all money paid under the contract together with all accrued income less costs actually and reasonably incurred by the funeral home in performing the contract. If the Prepaid Funeral Service Contract is funded with a life insurance policy, cancellation of the Prepaid Funeral Service Contract does not cancel the life insurance policy. The life insurance policy may only be cancelled under the policy language of the life insurance policy. If the life insurance policy is cancelled, the cash surrender value of the life insurance policy will be returned.

Who Can Offer a Prepaid Funeral Service Contract?

- Only a licensed funeral director or a licensed embalmer can arrange, promote or sell a Funeral Service Contract. Anyone else offering a Funeral Service Contract may be found in violation of the law which carries a Class A misdemeanor penalty.

What Must be Included in a Funeral Service Contract?

Connecticut General Statutes Section 42-200 et seq. requires that Funeral Service Contracts be in writing and include the following:

- The name, address, telephone number and Social Security number of the beneficiary and the purchaser;
- The name, address, telephone number and license number of the funeral director for the funeral service establishment providing the goods or services;
- A list of the selected goods or services, if any;

- The amount of funds paid or to be paid by the purchaser for such contract, the method of payment and a description of how such funds will be invested and how such investments are limited to those authorized pursuant to Connecticut General Statutes Section 42-202(c). If the Funeral Service Contract is funded by a life insurance policy this contract provision does not apply;
- A description of any price guarantees (i.e. guarantees that the price will not change) by the funeral service establishment. If there are no price guarantees (i.e. the price may increase at a later date), there must be a specific statement in the contract to this effect;
- The name and address of the escrow agent designated to hold the prepaid funeral services funds. If the Funeral Service Contract is funded by a life insurance policy this contract provision does not apply:
 - o The escrow agent CANNOT be the funeral director or embalmer.
- A written representation, in clear and conspicuous type, that the purchaser should receive a notice from the escrow agent acknowledging receipt of the initial deposit not later than twenty-five days after receipt of such deposit by a licensed funeral director. If the Funeral Service Contract is funded by a life insurance policy this contract provision does not apply;
- A description of any fees to be paid from the escrow account to the escrow agent or any third party provider. If the Funeral Service Contract is funded by a life insurance policy this contract provision does not apply;
- Whether the contract is revocable (it can be cancelled) or irrevocable (it cannot be cancelled);