

Implementation

The following outlines staff implementation of the board's directives.

1. PRE ONSITE VISIT

- Within six months of a seller's 5 year anniversary of the prior financial examination, the exam committee and the staff shall determine if the seller is subject to a Level 1, 2 or 3 examination.
- Financial supervisor shall assign exams to an examiner via email, pursuant to section 436.470.3.
- The examiner shall review the seller's prior annual reports for consistency in assigning consecutive contract numbers, and for gaps in the contract numbers reported. Inconsistencies shall be noted in the first notification letter with a request for an explanation during the onsite visit.
- A notification letter will be prepared to advise the seller whether the examination is a Level 1, 2, or 3 exam, with explanations of the sampling sizes of contracts and financial transactions for seller's level of examination. The letter will also identify which months are being used for the financial transaction review.
- From the active contract list to be supplied by the seller, the examiner shall identify one set of sampling of contracts for the names, addresses, signatures and arrangement descriptions review. For Level 1 examinations, the sampling shall be 10% of the preneed contracts, but a minimum of 10 contracts. For Level 2 examinations, the sampling shall be 25% of the preneed contracts, but a minimum of 25 contracts. For Level 3 examinations, all preneed contracts shall be reviewed.
- From the seller's active serviced/canceled contract list, the examiner shall identify the set of sampling of contracts for performance payment review. For Level 1 examinations, the sampling shall be 10% of the serviced preneed contracts. For Level 2 examinations, the sampling shall be 25% of the serviced contracts. For Level 3 examinations, all serviced/canceled preneed contracts shall be reviewed.
- If the seller is scheduled for a Level 1 exam, the examiner shall identify 12 calendar months that will be used for the financial transaction review. If the seller is scheduled for a Level 2 exam, the examiner will identify 30 calendar months that will be used for the financial transaction review. The examiner may, but is not required to, designate each August as months for financial transaction review. Level 3 exams require all open calendar months to be reviewed. Financial transaction reviews for Level 1 and 2 exams are to be part of the pre-onsite review if the seller responds with the necessary records and reports in a timely fashion. The financial transaction review for Level 3 exams are conducted at the seller's offices.
- Examination notification letters shall request the following: i) a copy of all preneed contract forms used since the previous exam; ii) a current list of active preneed contracts; iii) a list of contracts that have been serviced since the seller's prior examinations; iv) a list of contracts that have canceled since the seller's prior examinations; v) a list of funding agents utilized since the seller's prior exam; vi) agreements with those funding agents; vi) seller records or reports for consumer funds received during the months identified by the letter for the financial transaction review; vii) seller records or reports for consumer funds transmitted to funding agents during the months identified by the letter for the financial transaction review; viii) funding agent monthly reports for the financial transaction review; and ix) confirmation whether any income has been distributed from a preneed trust pursuant to Section 436.031.3, and all supporting documentation created for each such distribution.
- The Notification letter will request items i) through iv) within 30 days of the letter date and all other items within sixty (60) days of letter date. Examination information is received in office

and scanned for use by the examiners. Thirty day extensions will be granted when a reasonable basis for additional time is given by the seller.

- Examiner shall scan information and documents received from the seller into a working electronic file, including contract forms, sampling contracts noted with exceptions, seller's financial transaction records and reports, and the funding agent records/reports.
- For trust funded preneed contract forms, the examiner shall confirm that the contract form complies with subsections 4, 7, 8, 9, 10, 13, and 15 of §436.425. (The examiner will not apply subsection 15 to non-guaranteed preneed contracts.);
- For joint account funded preneed contract forms, the examiner shall confirm that the contract form complies with subsections 4, 7, 8, 9, 10, 13, and 15 of §436.425. (The examiner will not apply subsection 15 to non-guaranteed preneed contracts.);
- For insurance funded preneed contracts, the examiner shall confirm that the contract form complies with subsections 4, 5, 6, 7, 8, 9, 11, 13, and 15 of §436.425;
- Upon receipt of seller's active preneed contract list and the serviced/canceled preneed contract list, the examiner shall determine the appropriate sampling number of active contracts and serviced contracts, and then identify those contracts from each list that are to be provided during the onsite visit for review. A second notification letter will be sent out to the seller ten business days prior to the scheduled onsite visit that notifies the seller of the preneed contract files to be provided for review.
- Upon receipt from seller of Notification letter request items v through ix, the examiner shall attempt to reconcile seller's receipt of consumer funds to their deposit with the funding agents. The examiner shall confirm the proper amounts were deposited with the funding agent within the time requirements imposed by Chapter 436.
- If seller's Section 436.031.3 response includes statutory income documents, the examiner will attempt to reconcile such distributions. Examiner shall confirm that income distributions were limited to contracts sold prior to August 28, 2009, and were otherwise adequately documented to show the trust market value equaled or exceeded the contracts' aggregate deposit balance, and that the trust had adequate income to fund the distribution. If seller's documentation is sufficient, examiner shall note the issue for discussion during the onsite visit.
- Upon completion of the preliminary analysis, examiner contacts seller to schedule the onsite visit.

2. ONSITE VISIT

- Examiner meets with person in charge or their representative to determine location of requested sampling preneed contract files and related information, as well as the assigned work area. (See Preliminary Interview steps below.)

Preliminary Interview - The examiner may ask, at a minimum, the following questions in order to obtain sufficient information about the seller's practices.

1. Where are the requested sampling contract files located?
2. Where are the consumer payment receipt reports and records?
3. Where are the seller records that reflect submission of consumer funds to funding agents?
4. Where are the preneed funding agent transaction reports?