



Institute  
and Faculty  
of Actuaries

# Summary of consultation responses

Proposals for a revised APS Z1

by the Regulatory Board

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# Foreword

Neil Buckley, Chair of Regulatory Board



I am pleased to introduce this summary of the feedback received in response to the Institute and Faculty of Actuaries (IFoA) consultation paper on proposals for a revised Actuarial Profession Standard (APS) Z1, issued by the Regulatory Board.

My sincere thanks to all who took time to provide responses to the consultation.

Our proposals aimed to bring APS Z1 in line with the new regulatory framework for the UK pre-paid funeral plan market introduced by the Financial Conduct Authority (FCA) on 29 July

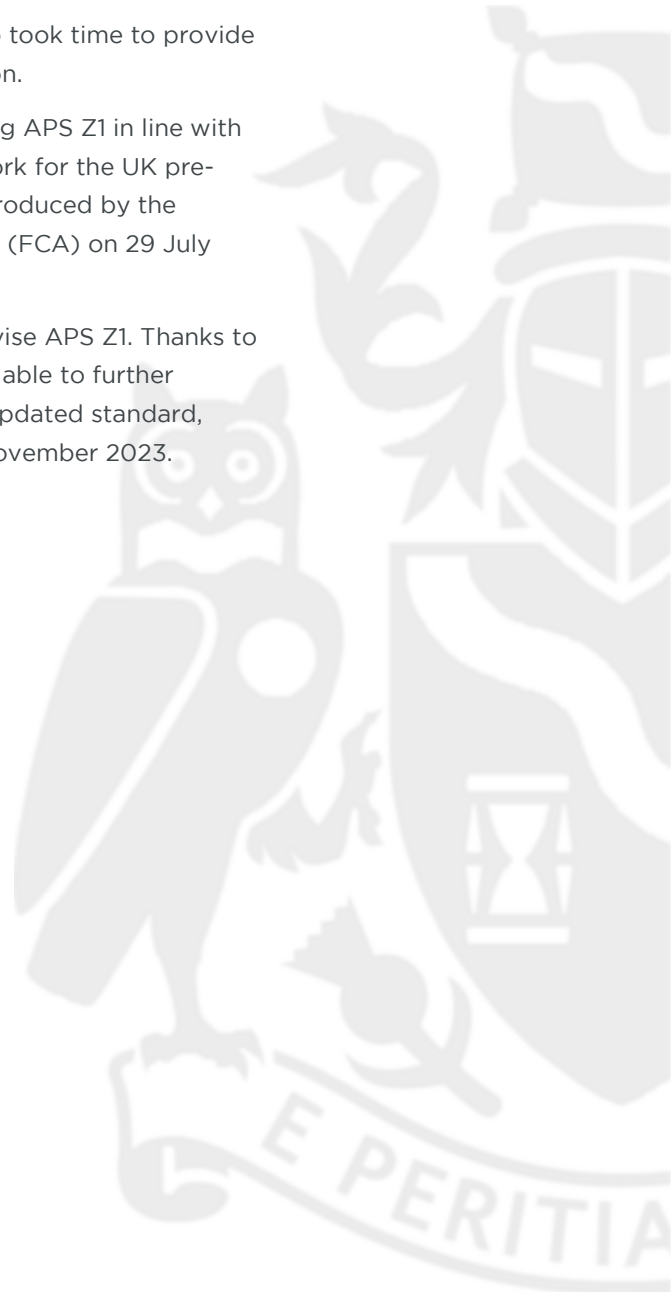
2022.

The responses received, indicated overall support for the need to revise APS Z1. Thanks to insights provided by respondents to this consultation, we have been able to further enhance the proposed revisions to APS Z1, ahead of publishing the updated standard, which is appended to this report and will come into effect from 19 November 2023.

A handwritten signature in black ink that reads "Neil Buckley". The signature is written in a cursive style and is positioned above a horizontal line that tapers to the right.

**Neil Buckley**

Chair of Regulatory Board



# 1. Overview

- 1.1 We consulted on proposals for a revised APS Z1, which sets out the ethical requirements that apply, in addition to the Actuaries' Code, for IFoA members working for UK Trust-based Pre-Paid Funeral Plans. The full proposals can be found on our website<sup>1</sup>.
- 1.2 The aim of the proposals was to bring APS Z1 up to date with a new regulatory framework for the pre-paid funeral plan market, introduced by the Financial Conduct Authority (FCA) on 29 July 2022.
- 1.3 This document explains the outcome of the consultation and sets out our response to the feedback received.
- 1.4 We are grateful for all the responses to the consultation and we have carefully considered all the feedback.

## 2. Consultation process

- 2.1 The consultation was published on 6 February 2023 and closed on 8 May 2023.
- 2.2 Respondents were invited to comment on the proposed revisions to APS Z1 by completing one of two questionnaires: the questionnaire for individuals, delivered online through MS Forms; and the questionnaire for organisations, delivered through an MS Word form.
- 2.3 We promoted the consultation to all members and other interested parties through a variety of communication channels. In addition, we directly contacted all members known to be active in this area of actuarial work. This was done both through the associated Members Interest Group, and writing directly to contacts developed in our recent thematic review on UK funeral plans<sup>2</sup>. There is therefore a reasonable expectation that all members working in this area were aware of the consultation.

## 3. Consultation results

- 3.1 5 responses were received in total: 1 response was received to the questionnaire for individuals; 3 responses were received to the questionnaire for organisations; 1 organisation responded by email. In addition, the Financial Reporting Council provided a private response.

- 3.2 The responses received represent a significant proportion of members working in this area, as well as covering the largest funeral plans advised by actuaries in the UK.
- 3.3 Full information about the respondents and their responses are included in the following appendices:

- **Appendix 1:** List of respondents
- **Appendix 2:** Summary of responses
- **Appendix 3:** Respondents' comments
- **Appendix 4:** Updated APS Z1

### Summary

- 3.4 All respondents acknowledged the need to revise APS Z1. Respondents provided several insightful suggestions regarding specific aspects of the draft revised APS issued for consultation.
- 3.5 In particular, the following suggestions were considered by the Board:

- whether the standard was sufficiently broad in its terms, that is, should it be extended to cover all Funeral Plan work carried out by members, and not restricted to Trust-based work; and should the provisions relating to valuations be more broadly defined to cover valuations carried out for a Trust, beyond the prescribed Solvency Assessment Report;
- whether some specific direction was required regarding the approval of remediation plans;
- whether the standard was sufficiently clear with regard to a member's responsibility to ensure access to the information necessary to fulfil their duties, particularly where there is a change of actuary advising the Provider or Trustee.

## 4. Conclusions

- 4.1 The Regulatory Board considered the comments received and determined that a revised APS Z1 should be brought into force, incorporating specific appropriate drafting feedback provided by respondents to this consultation.
- 4.2 The revised APS Z1 issued for consultation has been updated to incorporate feedback received during this consultation. Following publication of this feedback report, the updated APS, included at Appendix 4, will come into force on 19 November 2023.

<sup>1</sup> [Consultation proposals webpage](#)

<sup>2</sup> [Thematic Review Report: Funeral plans, March 2022](#)

# Appendix 1 – List of respondents

Below are the names of organisations and individuals who responded to the consultation who agreed for their names to be disclosed as part of the consultation process.

## **Organisations**

- Barnett Waddingham
- OAC PLC
- PricewaterhouseCoopers LLP
- WBR Group

## **Individuals**

- Tim Bateman

## Appendix 2 – Summary of responses

The following charts show the number of respondents who chose the indicated option. Individual responses and organisational responses have been combined. In addition to the four responses indicated in the table, please note that an additional organisational response was received by email. That organisation indicated that they had no additional comments on the proposals and is therefore assumed to assent to the proposed changes.

	Yes	No	Not sure
<b>Question 1</b> Do you agree with the proposal to withdraw the current version of APS Z1 and replace it with the revised version 2.0?	4	0	0
<b>Question 2</b> Overall, do you think that the requirements contained in the revised APS Z1 are relevant and appropriate?	3	1	0
<b>Question 3</b> Overall, do you think that Members' obligations under the revised APS Z1 are clearly set out?	2	0	2
<b>Question 4</b> Do you think the key terms within the revised APS Z1 are sufficiently well defined?	3	0	1
<b>Question 6</b> Do you think it would be helpful to have any further guidance and/or training opportunities in relation to the new requirements (other than the planned updated guides to accompany APS Z1)?	0	2	2
<b>Question 7</b> Do you anticipate there will be any practical or resource implications caused by the introduction of these proposals?	0	4	0

## Appendix 3 – Respondents’ comments

**Question 1** - Do you agree with the proposal to withdraw the current version of APS Z1 and replace it with the revised version 2.0?

We are pleased that the Institute and Faculty of Actuaries (IFoA) has issued exposure draft updates to the Actuarial Profession Standard (APS) Z1: Duties and Responsibilities of Members Undertaking Work in Relation to UK Trust-Based Pre-Paid Funeral plans, to reflect the FCA regulation of pre-paid funeral plans since 29 July 2022. We agree with the removal of the requirements that are now set out in the FCA regulation, such as the requirement for the actuary to be a Fellow of the IFoA. We agree with removing the reference to Members presenting reports directly to trustees for trust-based plans.

The existing version of APS Z1 is now out of date following the change in regulations surrounding funeral plans

**Question 2** - Overall, do you think that the requirements contained in the revised APS Z1 are relevant and appropriate?

We feel it is necessary for the IFoA to expand the standard to cover insurance-based pre-paid funeral plans. The benefit to the customer is the provision of a funeral and not a pre-determined value, and so the standards should be consistent across all pre-paid funeral plans, and not just apply to trust-based ones.

**Question 3** - Overall, do you think that Members’ obligations under the revised APS Z1 are clearly set out?

Reference to the Members’ obligations when asked to provide approval for remediation plans would be helpful.

It is not clear what the Members’ obligation is should they find or have grounds to believe that there are issues either with the plan data or the accounting or other financial information. To whom should the Member speak up?

**Question 4** - Do you think the key terms within the revised APS Z1 are sufficiently well defined?

The definition for Valuation should remove “on behalf of the Trustees”. The provider could ask for a valuation on a basis other than best estimate outside of the formal SAR.

**Question 5** - Do you have any other comments on the requirements and provisions of the revised APS Z1?

It is noted that the effective date is yet to be decided. Consistency with the FRC proposed effective date for TAS 400 of July 2023 would be helpful, and we would be happy with this timescale. Section 1.2 (obligations) should be clarified to say “Once a Member has accepted an instruction to prepare . . .” rather than “Once instructed to prepare . . .” This is consistent with the wording in Section 1.1.

In the definition of Valuation on the last page I’d amend to An actuarial valuation undertaken on behalf of the Funeral Plan Provider and/or the Trustees to determine, calculate and verify the assets and liabilities of the Funeral Plan Trust.

Item 1.2.4 places an obligation on an actuary should they “consider that the systems of control in place to protect the Planholders’ interests may not be adequate”. We do not believe that analysing the systems of controls in place to protect Planholders’ interests is necessarily an actuary’s area of expertise, and we therefore believe that this item is better covered within the “speaking up” requirements of the actuaries’ code. Many of the requirements within the APS refer to the “Governing Documents”. We believe it would be helpful to have an explicit APS item requiring the actuary to obtain the Governing Documents in the first instance, to allow them to comply with the other relevant APS items. We believe this should be specific to who the actuary is advising – the required Governing Documents for an actuary advising only trustees may be different to an actuary advising a funeral plan provider.

**Question 6** - Do you think it would be helpful to have any further guidance and/or training opportunities in relation to the new requirements (other than the planned updated guides to accompany APS Z1)?

We at OAC PLC feel well placed to adapt to updated guidance, and our funeral plan valuations comply with the new FCA regulation that has been in place since 29 July 2022. We would be happy to facilitate any training if the IFoA would find this helpful.

**Question 8** - If you wish to provide any other feedback not already covered then please do so here.

OAC PLC is an actuarial consultancy and provides actuarial services to pre-paid funeral plans, insurers, and other entities. We at OAC PLC have been proactively engaging with practitioners in a collaborative group setting and are well set up to continue as standards and best practices develop.

...we have no specific comments on the proposed changes to APS Z1.



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## APS Z1: DUTIES AND RESPONSIBILITIES OF MEMBERS UNDERTAKING WORK IN RELATION TO UK FUNERAL PLANS

**Version:** 2.0 effective from 19 November 2023

**Purpose:** This APS sets out requirements for Members carrying out the following work in respect of Funeral Plans and associated Funeral Plan Trusts:

- **Solvency Assessment Reports**
- **Valuations**
- **approval of Withdrawal of Surpluses**
- **approval of Remediation Plans**
- **Certification of Sufficiency of Transfer Arrangements**

### 1. Obligations

- 1.1 Before accepting an instruction to carry out work in respect of a **Funeral Plan**, a **Member** must obtain assurance that the **Funeral Plan Provider** and/or the **Trustees**, as appropriate, will:
- 1.1.1 provide the **Member** with all information relating to the **Funeral Plan** as may be required to enable the **Member** to fulfil their duties, including the **Governing Documents** (in the case of a **Funeral Plan Trust**), any previous **Valuations**, and any prior **Solvency Assessment Reports**;
  - 1.1.2 provide the **Member** as soon as practicable, with notice of any replacement to, alteration of, or addition to, the **Governing Documents**;
  - 1.1.3 whenever practicable, discuss with the **Member** any proposed replacement to, alteration of, or addition to the **Governing Documents** in advance of the proposal taking effect;
  - 1.1.4 provide the **Member** with sufficient membership, asset and other data as is necessary to enable them to fulfil their duties;
  - 1.1.5 provide the **Member** with guidance and decisions on the interpretation and/or meaning of any of the provisions of the **Governing Documents**, where such guidance and decisions are reasonably needed by the **Member** to enable them to fulfil their duties;
  - 1.1.6 highlight to the **Member** any information contained within the **Governing Documents** which may assist the **Member** in understanding the nature of the **Funeral Plan Provider's** contractual obligations;
  - 1.1.7 allow the **Member** to make any reasonable request for information from any actuary previously involved in carrying out work in respect of the **Funeral Plan** where the **Member** deems this necessary to fulfil their duties; and
  - 1.1.8 allow the **Member** to present a report directly to the **Auditors**, should the **Member** consider that there is a compelling reason to do so.



1.2 Once instructed to carry out work in respect of a **Funeral Plan**, the **Member** must:

- 1.2.1 inform the **Funeral Plan Provider** and/or the **Trustees**, as appropriate of their understanding of the **Planholder's** contractual entitlements and of the need for the cost of providing the contracted funerals to be taken into account in a **Solvency Assessment Report** and/or **Valuation**, having regard to any relevant representations which have been made to the **Planholder** and which are set out in the available **Governing Documents**;
- 1.2.2 on becoming aware that a significant change is likely to take place or has, in fact, taken place in the **Funeral Plan's** operations, practices or other circumstances, take reasonable steps to encourage the **Funeral Plan Provider** and/or the **Trustees**, as appropriate, to take appropriate account of any implications for the provision of the contracted funerals to the **Planholder**;
- 1.2.3 on becoming aware of any other issue which may reasonably be expected to impact upon the provision of the contracted funerals to the **Planholder**, inform the **Funeral Plan Provider** and/or the **Trustees**, as appropriate; and
- 1.2.4 notify the **Funeral Plan Provider** and/or the **Trustees**, as appropriate, should the **Member** consider that the systems of control in place to protect the **Planholder's** interests may not be adequate;
- 1.2.5 in respect of any of the following instructions:
  - i) to approve a **Remediation Plan**,
  - ii) to approve the **Withdrawal of Surpluses**,
  - iii) to provide **Certification of Sufficiency of Transfer Arrangements**,obtain the most recent **Solvency Assessment Report**, including assumptions and methodology, insofar as it was not produced by the **Member**.
- 1.2.6 consider any potential conflicts of interest which may arise in their work in relation to the **Funeral Plan Provider**, the **Trustees**, and **Planholder**, and where appropriate document how this has been managed.

## 2. Interpretation and application

- 2.1 A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary and Capacity for Membership Schemes**.
- 2.2 This **APS** uses the word "must" to mean a specific mandatory requirement. It uses the word "should" to indicate that, while the presumption is that **Members** will comply with the provision in question, there may be some circumstances in which **Members** are able to justify non-compliance.
- 2.3 In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the **Actuaries' Code** prevails.

### 3. Definitions

Term	Definition
APS	Actuarial Profession Standard.
Auditors	The auditors of the Funeral Plan Provider and the auditors of the Funeral Plan Trust.
Certification of Sufficiency of Transfer Arrangements	The certification by a Member of the sufficiency of arrangements relating to the transfer by a Funeral Plan Provider of all or part of its business to another Funeral Plan Provider as required by FPCOB 3.1.9R
Funeral Plan	An arrangement established by a Funeral Plan Provider to support the sale of contracts of the type defined in article 59(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
Funeral Plan Provider	The entity which undertakes to provide, or secure that another person provides, a funeral in the United Kingdom for the Planholder on their death.
Funeral Plan Trust	A trust established as part of a Trust-Based Pre-Paid Funeral Plan to hold money paid by Planholders to the Funeral Plan Provider for the purpose of providing funerals.
Governing Documents	The documents governing a Trust-Based Pre-Paid Funeral Plan which include the following non-exhaustive list of documents: the current trust deed and any previous amendments of the Funeral Plan Trust, the current and historical marketing literature, contracts or terms and conditions between the Funeral Plan Provider and the funeral director, the funeral director and the Trustees and the Funeral Plan Provider and the Planholder.
Member	A member of the Institute and Faculty of Actuaries.
Planholder	The person with whom the Funeral Plan Provider has contracted under the funeral plan contract.
Remediation Plan	A remediation plan produced by a Funeral Plan Provider in accordance with FPCOB 3.2.6R
Trust-Based Pre-Paid Funeral Plan	An arrangement established by a Funeral Plan Provider and backed by a trust to support the sale of contracts of the type defined in article 59(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
Trustees	Those persons charged with the control of the Funeral Plan Trust.
Solvency Assessment Report	A report produced by a Member in accordance with FPCOB 3.2R.
Valuation	An actuarial valuation undertaken to determine, calculate and verify the assets and liabilities of the Funeral Plan.
Withdrawal of Surpluses	The withdrawal of surpluses from a Funeral Plan Trust by a Funeral Plan Provider in accordance with FPCOB 3.2.12R



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