



Institute
and Faculty
of Actuaries

Thematic Review Report

Funeral plan trusts

by David Gordon

Contents

Foreword	1
Introduction	2
Executive summary	3
Report structure	4
How funeral plans operate	5
How actuaries advise	6
Advice to burial societies	15
Other observations	16
Findings and recommendations	18
Appendix 1 – Scope and approach	20
Appendix 2 – Current legal and regulatory requirements	22
Appendix 3 – References	23
Appendix 4 – Abbreviations	25

Foreword

Neil Buckley, Lay Chair of the IFoA Regulation Board



I welcome the publication of the Actuarial Monitoring Scheme's (AMS) fourth report, *Funeral plan trusts: a thematic review report on the advice of actuaries*. This continues the regulatory work of the Institute and Faculty of Actuaries (IFoA) in independently reviewing key areas of work in which actuaries have significant involvement and influence.

I would like to thank all those IFoA members and organisations that took part.

Around 1.5 million UK consumers have purchased a pre-paid funeral plan and are therefore relying on funeral plan trusts to meet the cost of their funerals. Although only a very small number of actuaries are involved in providing advice in this area, the size of the market demonstrates there is a significant public interest in actuarial advice being appropriate and of a consistently high standard. Furthermore, the impending move to **Financial Conduct Authority (FCA) regulation**¹ in July 2022 will place additional focus on the work of actuaries in the pre-paid funeral plans sector. The Regulatory Board was pleased to receive this helpful and informative report and welcome that, in general, actuarial work was of high quality. We will consider carefully the review findings and recommendations and, where necessary, make changes to IFoA standards and guidance. We will also discuss the findings and recommendations with our co-regulators and other stakeholders, who may be better-placed to take appropriate action.

Neil Buckley

Lay Chair of the IFoA Regulation Board



1 | FCA confirms plans to protect new funeral plan customers from July 2022 (2021)

Introduction

David Gordon, IFoA Senior Review Actuary



I am delighted to launch this fourth AMS report and the first thematic review in our series 'Actuaries as Experts'. This series of reviews looks at the work of actuaries in narrower fields of expertise. Funeral plan trust advice was chosen as the first in this series as regulations are changing and there is significant interest in the operation of the pre-paid funeral sector.

I would like to thank those actuaries from nine organisations of all sizes who agreed to take part in this review, which included scrutiny of advice and in-depth conversations with the actuaries involved. This has provided a detailed snapshot of

the actuarial work being carried out in the run-up to regulation by the FCA.

Our key findings and recommendations are set out in the Executive Summary. The report also contains a high-level summary of the advice we reviewed and case studies showcasing examples of good practice. Although the subject of this review is the funeral plan trust sector, our findings that actuaries are not always clear in communicating assumptions and results, and the underlying risks, may be relevant to other areas of actuarial work.

I look forward to discussing this report, its findings and its recommendations with regulators and stakeholders with an interest in funeral plan trusts.

David A Gordon
Senior Review Actuary



Executive summary

These headline findings and recommendations aim to help improve the quality of advice given by actuaries in relation to funeral plan trusts:

Overall standard of advice

The overall standard of the examples we reviewed was high. The advice consistently showed good compliance with the relevant standards and guidance.

Explaining the features of the funeral plan

We found that actuaries do not always explain clearly the key features of funeral plans and how they are reflected in the valuation. This leads to a risk of misunderstanding among trustees, providers and any other readers. In addition, it was not always clear from reports how funeral payments are derived and how they will increase each year.

Explaining and justifying assumptions

We found that actuaries do not always explain clearly why they have chosen particular assumptions and how these may have changed since the previous funeral plan trust valuation. This is consistent with our earlier **Pensions thematic review**.² Specific examples include:

- Not making clear whether future funeral cost increases are linked to a specific measure of future inflation or if they are simply making an assumption
- When setting the assumption for taxation on investment returns, not making clear if actuaries are relying on the judgment of others, have taken instruction, or are setting the assumption themselves
- For larger funeral plan trusts, insufficient quantitative analysis in the setting and justification of the discount rate.

The review findings indicate that additional guidance in this area might help actuaries and we encourage relevant regulators to consider whether that is appropriate.

Using consistent language for funeral plan trust valuations

Actuaries use inconsistent terminology in funeral plan trust valuations. When actuarial reports are made publicly available as a result of FCA regulation, there is a risk that inconsistent terminology will lead to confusion and misunderstandings among readers. This could be mitigated if actuaries used consistent terminology for key terms so that different valuation measures can be compared.

Conflicts of interest

A number of actuaries who currently provide valuations for trustees are expecting to be engaged to prepare the newly required **Solvency Assessment Reports (SARs)**³ for providers. Although actuaries did not express any concerns about this, there is a risk of potential conflicts of interest in providing such similar types of report to both parties. It may therefore be appropriate for existing guidance in this area to be updated.

Standards and guidance for burial society work

The review found that actuaries carrying out work for burial societies often follow **Actuarial Profession Standard (APS) Z1**⁴ and **Technical Actuarial Standard (TAS) 400**⁵ voluntarily, in addition to the mandatory requirements of the **Actuaries' Code (the Code)**⁶ and **TAS 100**.⁷

To extend this further, it may be appropriate to encourage voluntary compliance with APS Z1 and TAS 400 to assist actuaries with this type of work.

Key recommendations

Actuaries must, of course, follow the Code and all relevant standards when advising on funeral plan trusts. We recommend that actuaries refine their valuation reports to address our findings, including improving how funeral plan benefits are described and how assumptions are explained and justified.

We recommend that the IFoA and other regulators consider what actions to take to help address these findings, for example amending actuarial standards and guidance.

2 | Pensions: actuarial factors used to calculate benefits in UK pension schemes (2020)

3 | FCA Handbook FPCOB 3.2 Trusts: solvency assessment, remediation and other requirements

4 | APS Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans

5 | TAS 400: Funeral plan trusts

6 | The Actuaries' Code is the ethical code of conduct to which all members of the IFoA must adhere

7 | TAS 100: Principles for technical actuarial work

Report structure

How this report should be read

We have set out in this report the detailed results of our thematic review. The Executive Summary sets out our key findings and recommendations; a full list can be found on **page 18**.



Findings

The main output of this review is a series of findings based on the examples of actuarial work submitted and on conversations with the actuaries who prepared the work. Each of the findings is based on what we observed across a number of the examples reviewed, or heard during several conversations.



Recommendations

We have also made recommendations that call on actuaries, regulators and other stakeholders to consider whether to take steps in light of one or more of the findings.



Good practice examples

During the course of this review we observed instances of what may be considered good practice. Each good practice example is based on one or more of the examples of advice we reviewed. Note that the appropriate wording will depend on the specific context so the same wording may not be appropriate in all scenarios. There will be other ways of conveying a particular point.

References and abbreviations

Referenced documents or webpages are indicated by footnotes on the relevant page. A full list of documents is set out in **Appendix 3**. Although abbreviations are defined when they first appear in this report, a full list is set out in **Appendix 4**.

8 | Standard Setting at the IFoA (2020)

9 | APS X2: Review of Actuarial Work

Status of report

This report has been prepared by the IFoA Review Team and is issued by the Regulatory Board of the IFoA. Its purpose is to report on findings of the thematic review on the advice of actuaries to funeral plan trusts.

This report imposes no obligation upon members over and above those embodied in the Code or the **IFoA Standards Framework**,⁸ which includes compliance with the TASs set by the FRC. It is intended to be helpful to the IFoA and other regulators when considering developments in regulation. It is also intended to assist funeral plan trust actuaries in their work.

This report does not constitute legal advice. While care has been taken to ensure that it is accurate, up to date and useful, the IFoA does not accept any legal liability in relation to its content.

Review of this report

The report has been subject to review by a member of the IFoA Funeral Plans Member Interest Group who did not otherwise take part in the review.

This is considered by the author to meet the Work Review requirements of **APS X2**.⁹

We wish to thank the reviewer for their comments, although the contents of this report, in particular the findings and recommendations, remain the responsibility of the IFoA Review Team.

Conflicts of interest

We are not aware of any conflicts of interest arising from the contents of this report in relation to the IFoA Review Team that carried out the work or the Regulatory Board that has endorsed the findings.

Questions about this report

We welcome questions about this report which should be sent to reviews@actuaries.org.uk or to:

Actuarial Monitoring Scheme
Institute and Faculty of Actuaries
Level 2, Exchange Crescent
7 Conference Square
Edinburgh EH3 8RA

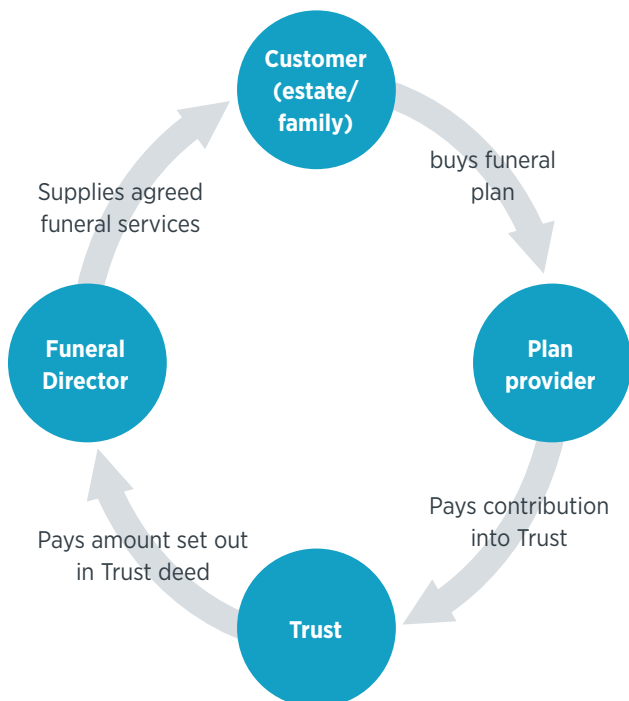
How funeral plans operate

Typical structure of funeral plan trusts

Funeral plans are structured in various ways, including some where there is an insurance element. In this section we set out a structure that is typical of those available on the market, where a trust is in place to hold the assets backing the plans. This type of plan is the principal focus of our review.

The following financial transactions typically take place:

- Customer pays the plan provider a single contribution that guarantees an agreed type of funeral with a specific level of disbursements
- The contribution is then paid into a trust, subject to any day 1 fees and deductions
- The trust deed sets out what the trust is then contractually obliged to pay to a funeral director on the death of the customer
- The funeral director will carry out the agreed funeral, including agreed disbursements.



Alternative design elements that may apply include:

- Instalment payments by the customer (both short and longer term)
- Insured arrangements used instead of trust-based assets (ie whole-life policies)
- Funeral directors acting as the plan provider.

Relevant legal and regulatory requirements

The **Regulated Activities Order (RAO)**¹⁰ requires a triennial valuation of the assets and liabilities of each funeral plan trust. In addition, those providers registered with the **Funeral Planning Authority (FPA)**¹¹ are required to carry out annual valuations.

There are various legal and regulatory requirements that apply to the general operation of funeral plans, with new FCA regulation coming into force in July 2022, including the requirement for annual valuations for all trusts. From an actuarial perspective, there exist specific standards and guidance put in place by the IFoA and the FRC, mainly aimed at actuaries providing advice to funeral plan trusts. APS Z1 and TAS 400 set out ethical and technical requirements for actuarial work in this area that supplement the general provisions of the Code and TAS 100. As well as carrying out valuations, the actuary may provide advice from time to time on other matters, including investment strategy, general operations and funeral plan pricing.

Throughout this report this type of plan is referred to as a 'funeral plan trust' or simply a 'trust'. Unless stated otherwise, our comments on the actuarial work for funeral plan trusts apply equally to arrangements not falling within the RAO. This includes faith-based burial societies where we make specific comments in the section **Advice to burial societies**.

A summary of the relevant legal and regulatory requirements is set out in **Appendix 2**.

¹⁰ | Chapter XIV of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001

¹¹ | FPA Rules 5.3.10.2. (2020)

How actuaries advise

The approach followed for funeral plan trust valuations

In this section we summarise how actuaries typically present their trust valuations, provide high-level comments on the assumptions adopted, and comment on compliance with actuarial standards. We have not attempted a rigorous benchmarking exercise on the assumptions used.

The typical areas covered by a trust valuation report are:

- Last valuation
- Methodology
- Data used
- Assumptions adopted
- Main results
- Analysis of surplus
- Risks and uncertainties
- Secondary results.

In many cases some or all of the detail was set out in appendices.

Terminology



Finding 1

Actuaries to funeral plan trusts use inconsistent terminology for different types of valuation measure.

The valuations we reviewed used a range of terminology to describe the principal valuation of assets and liabilities. In most cases, a number of additional valuation measures were also quoted, which again were described in multiple ways. The table below shows a selection of the terms used to describe the main and other valuation measures:

Description of valuation		Different terms used by actuaries
1	Principal valuation of assets and liabilities required by the RAO	Valuation results Ongoing position Central basis RAO valuation Going concern valuation Prudent funding level
2	Valuation carried out using best estimate assumptions (as required by TAS 400 where the main results are prudent)	Best estimate Neutral valuation
3	Valuation assuming funeral directors carry out funerals at 'cost price', that is with no profit margin	Marginal cost Underlying liability Real liability Actual cost basis
4	As 3 above, but funerals carried out by a different funeral director on hypothetical failure of funeral plan provider	Wholesale cost Hiving-off valuation
5	Valuation showing impact of closing the funeral plan trust and repaying customers on terms set out in trust deed	Return of deposits Break-up valuation Full cancellation

We believe it would be beneficial for actuaries to use consistent terminology when describing similar types of valuation. This would ensure readers of different reports are better able to make comparisons. The forthcoming FCA requirement to prepare and publish a SAR for each funeral plan trust will mean elements of actuarial advice are made public. Although the RAO valuation report provided to the trustees does not itself need to be published, it could be beneficial for actuaries to use consistent language in these reports as well, so that all parties are clear on the type of valuation being carried out.



Recommendation 1

We recommend that actuarial stakeholders consider preparing guidance setting out standard terminology for describing different types of funeral plan trust valuation and other common terms to help make valuations (including SARs) easier to compare.

Funeral plan trust benefit



Finding 2

Actuaries do not always explain clearly the obligations under the trust deed, and any allowance for discretionary elements in the amounts payable, and how these may differ from the underlying liability of the provider to deliver a specific funeral (as required by TAS 400: 5, 8).

As described in the **previous section**, the principal ‘benefit’ of a funeral plan trust is the amount of money payable to the plan provider or funeral director on the death of a planholder to provide their funeral and meet any associated disbursements. This benefit will be determined by the type of funeral that each individual planholder has purchased. However, its amount will also depend on the funeral provider’s business model in terms of the desired profit margin built into the future provision of funeral director services. This means that the trust benefit will depend on the terms of each funeral plan trust and may therefore exceed, be equal to, or be below the actual cost of the funeral director’s services. The way this benefit is measured, and how it changes over time, varies across funeral plan trusts and the type of valuation being carried out and is critical to the results of each valuation.

In some of the valuations reviewed, the benefit and any increases to it were defined under the rules of the trust; in others, they were determined by one or more of the provider, the trustees and/or the actuary. Sometimes different tranches of planholders had benefits that were subject to different rules within the same trust.

In a number of the reports reviewed, it was unclear exactly who had the power to determine these amounts and/or the way they would increase over time. It is important that reports make this clear so that the readers are aware of who has this role, and whether the actuary is relying on this. In cases where the actuary has the power to set amounts or increases, or to advise on the appropriateness of them, then it is important that this is explicit.

Under APS Z1, the actuary must ensure they have access to the governing documents (section 2.1.1), and under TAS 400 the actuary has to explain the ‘obligations of the trust deed’ (provision 5) and any ‘allowance for discretionary elements in the amounts payable ... and how the allowance has changed since the previous valuation’ (provision 8). Neither standard explicitly requires the actuary to describe which party or parties determine trust benefits or future increases that may apply. This finding is linked to **Finding 7** below, in relation to the way the assumption for future benefit increases is described.

Data used



Finding 3

Actuaries described well the membership data used and any associated issues.

All the reports we reviewed were clear on the number of planholders at the current and previous valuations. They also often set out a total plan benefit, which was either based on the original purchase price or on the current level of the benefit payable.

Data issues were sometimes highlighted, the most common being missing dates of birth, where an average was typically assumed where there were gaps. In conversations with actuaries, a number cited instances when they had taken steps to assist the provider with improving data quality.

Assets

The market value was the starting-point for valuing the assets. In some cases, small adjustments were made for late instalments that had not yet been invested. However, in a number of cases the asset valuation included substantial additions for future instalments from customers. We understand that the benefits paid on the death of a planholder who had not paid all the instalments due is often the cost of the funeral less the unpaid instalments. In other valuation examples, these future instalments were deducted from the liabilities. This clearly has no impact on the financial value of the overall surplus or deficit position; however, it does affect the funding level (ratio of assets to liabilities), particularly if the unpaid instalments are a substantial proportion of the overall funeral plan trust portfolio.

We understand that once the FCA takes over the responsibility for regulating funeral plan trusts, certain types of funeral plan will need to be sold with a 'waiver of premium' benefit.¹²

This will mean that where planholders pay instalments over more than two years, the unpaid instalment will be waived on death and the funeral benefit provided in full. This may lead to a change in valuation approach to the treatment of unpaid instalments.

Valuation methodology

In almost all cases a discounted cashflow method was used for the main valuation measure. This typically took into account cashflows for funeral costs (including relevant disbursements) and expenses, and used a number of assumptions including discount rate, inflation and mortality.

Commentary on assumptions



Finding 4

Actuaries do not always explain clearly why they have chosen particular assumptions and how these may have changed since the previous valuation (as required by TAS 100: 3.3, 3.4 and TAS 400: 1).

After explaining the background, the actuary typically then sets out the assumptions in turn, although some of the detailed explanations are in appendices. Notes are provided on each of the key assumptions below. Although actuaries provided clear explanations for most assumptions adopted, the specific findings below indicate where more detail could have been provided. This finding is consistent with our earlier pensions retirement factors thematic review.

Discount rate

In most cases, the discount rate was determined as the prudent or best estimate of the returns likely to be achieved by the trust investments over the time horizon of the liabilities. This was derived by looking at the weighted average of the returns on each of the asset classes making up the portfolio. The resulting gross rate was then adjusted for tax and expenses (see below). The assumption was typically set in nominal terms, although there were a couple of instances where it was expressed relative to inflation. We did not see examples where the discount rate was set simply relative to government bond yields (ie 'gilts plus').

We cannot comment on the appropriateness or otherwise of the specific assumptions used. However, the actuary's commentary on each assumption was often relatively brief.



Finding 5

For some larger funeral plan trusts actuaries considered quantitative analysis, for example the use of stochastic modelling, in the setting and justification of the discount rate.

For larger trusts, or where there is a higher proportion of return-seeking assets (eg equities), it may be appropriate for the actuary to set out more justification and evidence for adopting a particular discount rate. This might include reference to the results of stochastic modelling of potential future investment returns.

Tax



Finding 6

When setting the assumption for taxation on investment returns, actuaries are not always clear if they are relying on the judgment of others, have taken instruction (as required by TAS 100: 3.5), or are setting the assumption themselves.

We observed a range of approaches to setting the assumed tax rate on investment income and growth on the trust's assets. In some cases, the actuary referred to past discussions with tax advisers, the trustees, or the funeral plan provider in setting an appropriate rate. In others, the actuary simply stated the assumed tax rate without explaining its derivation or source.

There is a risk that the actuary may use an inappropriate tax rate. It was not always clear from the reports we reviewed whether the actuary had relied on the judgment of others (as required by TAS 100) or had taken instruction from the trustees, provider or other third party. If the actuary has derived the tax rate independently, they would need to ensure that they have the expertise to do so.



Good practice example

I have been advised by the Company that after suitable arrangements have been implemented, the future expected rate of tax payable by the Trust will be [XX]%. In addition, an allowance for unrealised capital gains tax (as advised by the Company) is also deducted from the assets of the Trust.

Note that, for burial societies, the actuaries simply assumed a zero tax rate due to the charitable status of these funds.

12 | FCA Regulating the funeral plans sector (2021) Sections 3.56 – 3.63

Expenses

The final discount rate was subject to a deduction for tax and investment management expenses. The expenses were typically derived based on the investment charges applying on the current portfolio. In some cases, there was also an allowance for ongoing administrative expenses within the trust liabilities. This was based on an analysis of recent costs and typically allowed for price inflation. The examples we reviewed were clear in the approach in relation to expenses.



Good practice example

The investment manager's charges are 0.X% p.a. plus VAT on the Scheme's funds. This is allowed for implicitly in the valuation basis by reducing the valuation discount rate.



Good practice example

An explicit allowance has been made for the administration expenses (actuarial, audit and accountancy fees) of looking after the Trust at the rate of £ [XX] p.a. increasing in line with RPI. This is an increase from the allowance made last year of £ [YY] p.a. and is a closer reflection of the actual expenses being incurred. The reserve has been calculated as the capital value of the annual expenses over a payment period equal to the weighted average term to payment date and allowing for both future RPI inflationary increases and the valuation discount rate.

Price inflation

Most actuaries derived the future rate of price inflation as part of a discussion on assumed future increases to funeral costs and/or expenses. Price inflation was typically derived based on **Bank of England expectations of Retail Price Index (RPI) increases** implied by the UK government bond market.¹³ The rates were normally set by reference to the term of the trust liabilities. In a number of cases, there was some discussion on the **future anticipated changes to the derivation of the RPI, as announced by the UK government.**¹⁴

13 | Bank of England, Yield curves

14 | A consultation on the Reform to Retail Prices Index (RPI) Methodology (2020)

15 | Office for National Statistics English Life Tables No.17: 2010 to 2012

Funeral plan trust benefit increases



Finding 7

Actuaries are not always clear whether future trust benefit increases are linked to a specific measure of future inflation or if they are simply making an assumption (as required by TAS 100: 3.3 and TAS 400: 1).

As discussed above, the degree to which the benefit payable would increase each year often depends on the terms of the trust rules; we found that the actuary does not always make this clear. When discussing the assumed future increases on trust benefits to cover funeral costs, the actuary is not always explicit whether this increase is specifically linked to a measure of inflation or if they are simply making an assumption about future discretionary decisions in line with the rules. This is linked to **Finding 2** above, in particular the potential mismatch between the benefit provided by the funeral plan trust and the underlying liability of the provider to deliver a specific funeral. This mismatch may grow materially over time if the trust benefit increases do not keep pace with the underlying cost of delivering funerals and other expenses.

Mortality rates

Most valuation reports set out reasons for the chosen mortality base table. This was either based on an experience investigation for larger funeral plan trusts, a combined investigation against an organisation's client base, or qualitative arguments based on the typical location of planholders. As with any mortality investigation carried out by actuaries, this needs to rely on external data for smaller or more recently established entities. In any case, the valuation results for most funeral plan trusts were not particularly sensitive to the mortality rates chosen. Generally, the actuary based mortality on the **ELT17 population tables**,¹⁵ with a simple multiplier for experience but no explicit adjustment for future improvements. Some actuaries used different tables, applied age related multipliers, and/or made an explicit allowance for future improvements.



Good practice example

We have retained the same approach as that used at the last valuation in setting the mortality assumption.

continued below . . .

The valuation of the liabilities allows for the expected future timing of plan holder deaths, using the English Life Tables No. 17 ('ELT 17') mortality tables. The ELT 17 tables are based on the mortality experience of the population of England and Wales during the years 2010, 2011 and 2012. The mortality tables are adjusted to reflect the experience of the Scheme relative to population mortality and to include a margin for prudence. This adjustment is calculated in an experience investigation.

The valuation does not allow for future mortality improvements as the average life expectancy of the Scheme is relatively short and the impact would therefore be insignificant.

Other assumptions

A subset of valuations of mostly larger funeral plan trusts used a withdrawal or surrender assumption. This is typically the probability that a planholder stops paying contributions and takes a refund (less administration charges) of the amounts paid to date. This could be material to the overall valuation results if there is a significant proportion of planholders still paying instalments.

We saw other assumptions being made for plan-specific scenarios in several valuations.

Comparison of assumptions and results with previous valuation



Finding 8

Actuaries did not always compare assumptions with those used in the previous valuation, and/or did not always provide an explanation of key changes (as required by TAS 100: 3.4).

The advice we reviewed always stated clearly the assumptions being used for the current valuation. In a number of cases, it was not clear whether the assumptions had changed since the previous valuation, or why. The best examples in relation to this provision showed a table comparing the key assumptions at the two valuation dates and explaining key changes.

The reports always showed an analysis of surplus, quantifying the main reasons the results had changed since the previous valuation. However, the level of detail varied, with some examples including a narrative description of the key reasons.



Good practice example

The main financial assumptions used are summarised below

Economic assumptions	2020 (% per annum)	2019 (% per annum)
Investment return/discount rate	X.X% etc	
RPI inflation		
Funeral director services		
Disbursements		
Expenses		

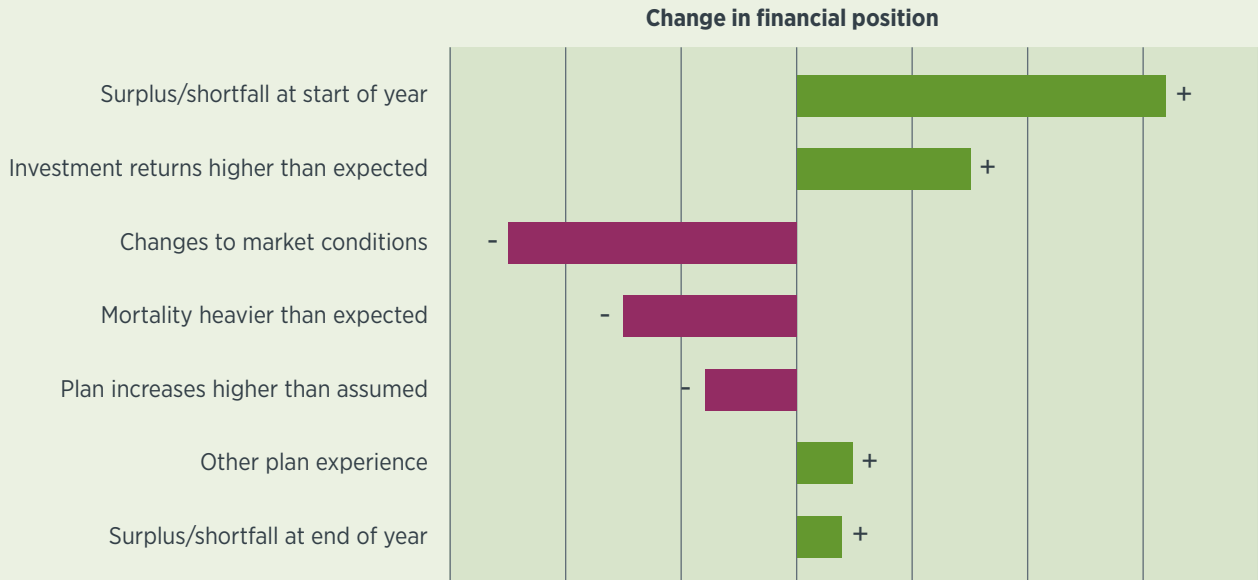
The assumptions used for mortality and cancellation are shown below:

Other assumptions	2020	2019
Mortality	XX% ELT 17 tables	YY% ELT 17 tables
Cancellation rates	[table of rates]	[table of rates]



Good practice example

The following chart shows the approximate relative magnitude of the factors affecting the financial position since the previous valuation:



Post-valuation events



Finding 9

Actuaries did not always describe the impact of material post-valuation events, including investment market changes, in their reports (as required by TAS 100: 5.6).

For reports prepared in the second half of 2020 we expected to see comments on post-valuation market moves. Although the valuation advice we reviewed had a range of effective dates from 2018 to 2021, around half the reports had an effective date in the period 31 December 2019 to 5 April 2020. Given the significant market moves in 2020 reacting to the onset of the coronavirus pandemic, we expected to see comments on this in the valuation reports that were prepared some months later, when the actuary had the opportunity to note whether a recovery might have had an impact on the stated funding level. This would not be expected in more stable market conditions.



Good practice example

Given the very volatile investment markets during 2020 and the recovery in equity markets towards the end of the year, we have also made an estimate of the financial position of the Trust at the year end. We estimate that had we carried out a full valuation of the Trust as at 31 December 2020, then funding levels would have been around X% higher than as at 31 XXX.

Presentation of results, sensitivities and risks



Finding 10

The reports we reviewed generally provided a good commentary of secondary results, sensitivities and risks.

A number of secondary valuation results were shown. The most frequent secondary measures were:

- Best estimate
- Marginal cost
- Wholesale cost
- Return of deposits.

(As noted previously, actuaries described these secondary measures using different terms.)

The reports also set out sensitivities where a number of the key assumptions, or the asset values, were varied in isolation or in combination. In terms of frequency, the most common sensitivities shown were:

- Mortality
- Discount rate
- Inflation or funeral cost inflation
- Asset shock
- Pandemic mortality shock
- Individual instances of sensitivities to cancellation rates, plan closure, data assumptions, and changes in profile of new entrants.

Finally, the reports set out the risks facing the trustees. Again, in order of frequency, the risks described were:

- Market risks or inadequate investment returns
- Mortality risks (including pandemic risks)
- Funeral cost inflation or inflation generally
- Closure to new business
- Asset and liability mismatch risk
- Individual instances of covenant, pricing, data, and resource and environment risks.

Apart from one-off investment or demographic shocks, we did not see examples of scenario modelling to illustrate future risks. Such modelling would show the potential future development of the trust's finances under a series of assumptions.

Cashflows



Finding 11

Actuaries did not always explain how the funeral plan trust liabilities had been derived from the liability cash flows (as required by TAS 400 provision 10).

Although all the valuation reports we reviewed set out clearly the expected cashflows for a period of future years, not all reports made the connection explaining how the overall liabilities had been derived from them.



Good practice example

The liabilities at the valuation date have been derived by discounting the projected cash flows over the lifetime of the Trust to the valuation date, using the valuation discount rate. A graphical illustration of all the future cashflows is shown below...

Compliance statements



Finding 12

Actuaries used appropriate compliance statements.

Compliance statements were included in almost all the reports we reviewed. In particular, compliance with TAS 100 and TAS 400 was stated in all cases where these two standards applied. Some reports for burial societies, which do not fall within the scope of TAS 400, nevertheless stated compliance with this specific TAS. Many compliance statements also voluntarily covered the Actuaries' Code, APS Z1 and/or APS X2.

APS Z1



Finding 13

We found that funeral plan trust actuaries are following APS Z1.

In discussions with actuaries, we asked about their compliance with APS Z1. In particular:

- Actuaries had good access to the trustees to present their reports. The typical model was for the report to be presented initially in draft form before being finalised in light of trustee discussions.
- Actuaries had good knowledge of the underlying trust documentation. Although they may not always be clear in describing them in their reports (see **Finding 2 above**), actuaries appeared to appreciate the key trust provisions and discretionary elements. A number of actuaries commented that trustees were ensuring their legal documentation was in good order in the run-up to FCA authorisation.
- We did not hear any material concerns about trust operations or governance.

APS X2



Finding 14

Although there were a range of approaches to the review of work, actuaries followed APS X2.

We also asked actuaries about their approach to APS X2: Review of Actuarial Work. There was not a consistent approach, with some actuaries using independent peer review and others work review.

Given the small size of the funeral plan trust market, the actuaries taking part in our review, and any members assisting them, were often the only individuals in their organisations with expertise in this type of work. This makes independent peer review challenging, as there may be no-one within the organisation with the experience and expertise to fulfil this role.

Examples of how review was carried out included:

- Review within the team carrying out the valuation
- Review by a senior colleague who carries out valuations in other technical areas to provide assurance and challenge (if not specific subject-matter expertise)
- Independent peer review carried out by a funeral plan trust actuary at another organisation (although perhaps not for every valuation)
- Independent peer review by a senior colleague who formerly carried out funeral plan trust valuations.

As noted above, a number of reports included a compliance statement for APS X2.



Good practice example

This report has been subject to internal peer review by a senior actuary who is not involved in the normal day-to-day actuarial activities with [the Trust]. As such, I believe this peer review may be regarded as 'independent' and in keeping with the Actuarial Profession Standard X2: Review of Actuarial Work. No unresolved issues remain as a result of that review.

Preliminary advice



Finding 15

When preparing preliminary results presentations, actuaries did not always comply fully with TAS 100 and TAS 400.

All the valuation reports reviewed included a section setting out a variety of risks and uncertainties facing the funeral plan trust. Two of the submissions were in the form of a preliminary valuation results presentation – these had less detail on risks and uncertainties. It is important that all advice covers relevant risks and uncertainties, particularly since a results presentation may be the main focus of user discussions and decisions, rather than a subsequent formal report.

Asset adequacy report

Providers that are registered with the FPA are required to submit annually an **Asset Adequacy Report**.¹⁶ Although there are TAS 400 provisions (which came into effect from 1 December 2020), this type of report does not necessarily require actuarial input. None of the reports we reviewed referred to the asset adequacy report. This may be because the reports we reviewed were prepared before these requirements came into force, or because the actuary was not asked to prepare this type of report. We therefore cannot comment further on this.

Advice on funeral plan pricing



Finding 16

Actuaries do not regularly provide advice on funeral plan pricing.

As part of the review submission process, we asked actuaries what other services they provided in relation to the funeral plan trust. Only a small number indicated that they provided advice on pricing. During discussions, we heard that providers were responsible for pricing, and that actuaries rarely provided input. One organisation indicated that they had been asked to run scenarios based on revised pricing, but did not see this as advice on pricing itself. As noted below, burial society actuaries do often advise on pricing.

Other advice provided by funeral plan trust actuaries included advice on the upcoming FCA regulation, investment advice and M&A advice. However, for more than half the examples submitted, the only advice provided was the annual or triennial RAO valuation.

Recommendations

We have raised a number of findings in this section, some of which suggest actuaries do not always meet the full requirements of technical actuarial standards. These findings may also be of interest to regulators, in particular the IFoA and the FRC, in terms of how current standards and guidance support actuarial work in this sector.



Recommendation 2

Actuaries must follow the Code and all relevant standards when advising on funeral plan trusts. We recommend that actuaries refine their valuation reports to address our findings, including improving how funeral plan benefits are described and how assumptions are explained and justified.



Recommendation 3

We recommend that the IFoA and other regulators consider what actions to take to help address these findings, for example amending actuarial standards and guidance.

¹⁶ | FPA Rules 5.7.6. (2020)

Advice to burial societies

Additional comments on actuarial advice provided to burial societies

A small number of those taking part in this review provided valuation advice to burial societies which we understand is not covered by the RAO or any other comparable legal or regulatory requirement. Through our review of the examples submitted, and follow-up conversations with the actuaries involved, we have the following high-level comments about issues specific to burial societies.

Application of standards and guidance



Finding 17

Actuaries carrying out work for burial societies followed the Code, APS X2 and TAS 100.

Our understanding is that there is no legal or regulatory requirement for a valuation to be carried out for a burial society. When a valuation is carried out, an actuary may be asked to complete the work on a *pro bono* basis, or at non-commercial rates, due to the charitable nature of the organisation. As a reminder, the low level (or absence) of fees does not affect the obligations of the actuary to follow the relevant actuarial standards and guidance. In particular, actuaries carrying out this type of work must consider whether they have the relevant expertise in line with the 'Competence and care' requirements of the Code. They must also follow APS X2 and (for technical actuarial work) TAS 100.

Among the burial society valuations reviewed, we did not find, in general, any additional issues relating to the application of the Code, APS X2 and TAS 100 beyond those highlighted for commercial funeral plan trust work discussed earlier.

Scope of APS Z1 and TAS 400



Finding 18

Actuaries carrying out work for burial societies often follow APS Z1 and TAS 400 voluntarily.

The standards applying for funeral plan trusts, TAS 400 and APS Z1, do not apply for burial societies. Nevertheless, the actuaries taking part in our review found these standards and associated guidance helpful in their work and sought to apply them as appropriate.

It may be appropriate for regulators to encourage voluntary compliance with APS Z1 and TAS 400 to assist actuaries with this type of work (and work for other non trust-based funeral plans).

Valuation issues

Although these issues can affect any type of funeral plan trust, there were common themes in our discussions with actuaries for burial societies.

- **Lack of clarity on legal/regulatory status** – actuaries explained their understanding, sometimes encouraging trustees to seek legal advice, that as non-commercial trusts the RAO obligations do not apply to burial societies.
- **Quality of membership data** – full details of the exact membership may not always be clear. This may extend to challenges with determining whether individuals have paid all subscriptions due.
- **Asset information** – the exact assets available to provide funerals may not be clear. There may be assets which will be used for other purposes that need to be excluded from the valuation.

Actuaries encountering such issues flagged them in their reporting as required by TAS 100.

Pricing

We also heard actuaries provided advice to the burial society trustees on subscription levels (ie pricing). This could reflect the nature of the burial societies covered by the review. These levy subscriptions hold assets and provide funerals, so they effectively combine the roles of provider and trustee.

Other observations

Comments on FCA regulation and education

FCA regulation

The **FCA will begin to regulate the funeral plan trust market** from 29 July 2022. At the time of this review, the actuaries taking part and their clients were at various stages of preparation for this. Although the advice we reviewed pre-dated FCA regulation, a number of the actuaries we met had been assisting their clients with these preparations and shared views about the new regime. In a number of cases, the actuary had prepared a ‘dry run’ SAR for submission to the FCA as part of registration applications.

Publication of SARs



Finding 19

Actuaries are concerned about the usefulness to consumers of SARs being made publicly available.

The most common issue raised was the impact of making SARs publicly available. There is a concern that these documents will be difficult for consumers to understand. The comments and recommendations made in the previous sections are relevant here. We recommend that actuaries use consistent terminology in their valuation reports to assist with comparison and are clear about the liabilities of the funeral plan trust and how they change each year.

Some actuaries also called for the SAR, or part of the SAR, to be prepared in a standard format to assist with comparisons. While this could encourage more comparisons to be made between funeral plan trusts, it would only be appropriate if the figures and terminology are already standardised.

Conflicts of interest



Finding 20

A number of actuaries who currently provide valuations for the trustees are expecting to be engaged to prepare the newly required SARs for providers.

The SAR will be prepared by an actuary for the funeral plan trust provider. This contrasts with the existing RAO valuations that are prepared for the trustees. As part of our review, we asked those actuaries who would be conducting both types of valuation for a funeral plan trust whether they considered there to be conflicts of interest in this new arrangement.

Actuaries taking part in this review all carried out work for the trustees. In discussions, most commented that they currently worked solely for the trustees, although their work could be shared with the provider and they occasionally made comments or suggestions to the provider. In most cases, we understand the trustees are appointed by the provider, with the RAO setting out a requirement to include independent trustees. A number of actuaries taking part in the review anticipated being asked to prepare the SAR for the provider going forward, in addition to the RAO valuation for the trustees, and did not see there being a particular conflict in working for both parties.

The **IFoA funeral plan trust guidance**¹⁸ states that actuaries should consider conflicts of interest in the work they do (paragraph 4.37). This is the only specific reference to conflicts beyond **the Code and associated Code guidance**.¹⁹ It may be appropriate for this existing guidance to be updated in light of the requirements of new FCA regulation.

17 | FCA Regulation of funeral plans: Feedback to CP21/20 and final rules (2021)

18 | IFoA Guide for Actuaries On UK Trust-Based Pre-Paid Funeral Plans (2015)

19 | The Actuaries Code: Guidance on conflicts of interest

Risk alert



Finding 21

We found no concerns about the **Risk Alert**²⁰ issued to actuaries of funeral plan trusts in January 2021.

We discussed the Risk Alert, which drew attention to the transition risks of moving to FCA regulation, with participants in this review. There was a good level of awareness of this and no material concerns were raised. It was anticipated that some funeral plan providers would not seek FCA authorisation and would therefore either seek a trust merger, or would wind down their trust with the assets distributed to plan-holders. Given the timing of this review, none of the advice we saw covered this scenario.

Education



Finding 22

The pre-qualification syllabus contains very little material on funeral plan trusts.

At present, the only reference to funeral plan trusts within the education material indicates that TAS 400 covers this from a standards standpoint (this is within subject **SA2 – Life Insurance Specialist Applications**²¹).

We are liaising with education colleagues to discuss whether some proportionate additional wording could be considered. This could include describing some of the key features of funeral plans and signposting where the required concepts are covered by material elsewhere in the syllabus (eg valuations, risks, setting and communicating assumptions).



Recommendation 4

We recommend that the IFoA considers including proportionate content on funeral plan trusts within the syllabus.

20 | IFoA Risk Alert Transitional risks for UK trust-based pre-paid funeral plans (2021)

21 | SA2 – Life Insurance Specialist Applications

Findings and recommendations

A full list of our findings and recommendations is given in the table below

These are set out in the order they have appeared.



No	Finding
1	Actuaries to funeral plan trusts use inconsistent terminology for different types of valuation measure.
2	Actuaries do not always explain clearly the obligations under the trust deed, and any allowance for discretionary elements in the amounts payable, and how these may differ from the underlying liability of the provider to deliver a specific funeral (as required by TAS 400: 5, 8).
3	Actuaries described well the membership data used and any associated issues.
4	Actuaries do not always explain clearly why they have chosen particular assumptions and how these may have changed since the previous valuation (as required by TAS 100: 3.3, 3.4 and TAS 400: 1).
5	For some larger funeral plan trusts actuaries considered quantitative analysis, for example the use of stochastic modelling, in the setting and justification of the discount rate.
6	When setting the assumption for taxation on investment returns, actuaries are not always clear if they are relying on the judgment of others, have taken instruction (as required by TAS 100: 3.5), or are setting the assumption themselves.
7	Actuaries are not always clear whether future trust benefit increases are linked to a specific measure of future inflation or if they are simply making an assumption (as required by TAS 100: 3.3 and TAS 400: 1).
8	Actuaries did not always compare assumptions with those used in the previous valuation, and/or did not always provide an explanation of key changes (as required by TAS 100: 3.4).
9	Actuaries did not always describe the impact of material post-valuation events, including investment market changes, in their reports (as required by TAS 100: 5.6).
10	The reports we reviewed generally provided a good commentary of secondary results, sensitivities and risks.
11	Actuaries did not always explain how the funeral plan trust liabilities had been derived from the liability cash flows (as required by TAS 400: 10).
12	Actuaries used appropriate compliance statements.

No	Finding
13	We found that funeral plan trust actuaries are following APS Z1.
14	Although there were a range of approaches to the review of work, actuaries followed APS X2.
15	When preparing preliminary results presentations, actuaries did not always comply fully with TAS 100 and TAS 400.
16	Actuaries do not generally provide advice on funeral plan pricing.
17	Actuaries carrying out work for burial societies followed the Code, APS X2 and TAS 100.
18	Actuaries carrying out work for burial societies often follow APS Z1 and TAS 400 voluntarily.
19	Actuaries are concerned about the usefulness to consumers of solvency assessment reports being made publicly available.
20	A number of actuaries who currently provide valuations for the trustees are expecting to be engaged to prepare the newly required solvency assessment reports for providers.
21	We found no concerns about the Risk Alert issued to actuaries of funeral plan trusts in January 2021.
22	The pre-qualification syllabus contains very little material on funeral plan trusts.



Recommendations

No	Recommendation
1	We recommend that actuarial stakeholders consider preparing guidance setting out standard terminology for describing different types of funeral plan trust valuation and other common terms to help make valuations (including solvency assessment reports) easier to compare.
2	Actuaries must follow the Actuaries' Code and all relevant standards when advising on funeral plan trusts. We recommend that actuaries refine their valuation reports to address our findings, including improving how funeral plan benefits are described and how assumptions are explained and justified.
3	We recommend that the IFoA and other regulators consider what actions to take to help address these findings, for example amending actuarial standards and guidance.
4	We recommend that the IFoA considers including proportionate content on funeral plans within the syllabus.

Appendix 1 – Scope and approach

In December 2020 we announced a planned series of thematic reviews. This included a number of reviews under the heading *Actuaries as experts in narrower fields*.

Actuaries as experts in narrower fields

Actuarial roles acting in narrow, or less typical, fields of expertise and/or providing advice directly to individual clients or consumers.

Actuaries act as experts in a number of situations to help courts or individuals resolve disputes or quantify long-term liabilities. Although relatively few actuaries carry out these types of work, the impact on their users may be significant and the importance of clear and effective communication is critical.

The review will look at current practices adopted by actuaries acting as experts in a range of areas including an analysis of the types of advice given. The initial area of focus is Funeral plan trusts.

As indicated in this headline scope, our initial focus has been on the advice given by actuaries on the financing of UK funeral plan trusts. We commenced our review in July 2021.

The IFoA website²² provides **more information on the work of the AMS**.

Submissions

We invited²³ all organisations employing actuaries providing advice to funeral plan trusts to take part in this review.

The review also covers trusts established by faith-community burial societies. We asked organisations to submit appropriately anonymised examples of annual or triennial valuations and other actuarial advice. We asked for one or two examples of actuarial advice, depending on the organisation's funeral plan trust client portfolio.

Participation level

A total of nine organisations took part in the review, submitting 15 examples of actuarial advice. The organisations are listed below:

- Barnett Waddingham
- Dr Keith Feldman
- Embark Actuarial
- FTI Consulting
- Nigel Sloam & Co
- OAC
- PwC
- Roth Consulting
- Trust Actuarial

The IFoA Review Team wishes to thank all the individuals and organisations that contributed to this thematic review.

We believe this represents a large proportion of the actuaries who are active in this small area of actuarial advice. We held discussions with actuaries from each of these organisations to help us form the most complete picture of the advice.

Review methodology

The first phase involved reviewing the content of each example of advice received. We looked at the way the advice was presented, the terminology used, and the assumptions adopted. We also tested each report against the relevant provisions of the Code, APS Z1 and APS X2, TAS 100 and TAS 400. Although most of the advice reviewed was annual valuation reports, we applied the same tests to other types of advice received.

For burial societies, the provisions of APS Z1 and TAS 400 do not apply. We nevertheless checked the advice against these standards as in most cases the actuaries sought to apply them.

22 | IFoA Actuarial Monitoring Scheme

23 | IFoA Funeral trusts thematic review (2021)

In the second phase of the review we conducted a series of individual discussions with the actuaries who had prepared the advice. The purpose of these discussions was to understand their overall approach to funeral plan trust advice and to understand how their respective clients (typically the trustees) had received the advice.

We provided individual feedback in relation to each of the examples we received, drawing attention to areas of good practice, areas where we recommend improvements could be made, and listing any TAS provisions that appeared not to have been met.

Note on TAS compliance

We tested each example of advice against the relevant provisions of TAS 100, TAS 400 and the Code and are pleased to report very high compliance levels. Given the small number of examples reviewed, we have not made individual recommendations in relation to each of the TAS provisions that were not consistently followed. Instead, we have a general recommendation for actuaries to explain material matters to their clients and to follow the relevant TAS provisions. We have also highlighted some examples of good practice that we saw.

About the examples

Where organisations submitted two examples, we asked for the examples to be distinct, for example in terms of trust size, FPA membership, or type of advice. We reviewed 15 examples that we believe demonstrated a good range. Most examples were valuation reports, although we also received a small number of other types of advice, including results presentations and other advice notes. Due to the small numbers, we have not prepared statistics in order to protect confidentiality.

Appendix 2 – Current legal and regulatory requirements

Legal framework for actuaries working with funeral plan trusts

This thematic review was conducted in 2021 when the FCA had recently confirmed the new regulatory regime that will apply from 29 July 2022.

A summary of the requirements for actuaries working in this area are set out below.

Regulated Activities Order

A pre-paid funeral plan trust that meets the requirements of article 60(1)(b) of the Financial Services and Markets Act (Regulated Activities) Order 2000 needs to have an actuarial valuation at least every three years. Throughout this report this type of plan is referred to as a ‘funeral plan trust’ or ‘trust’.

The other type of funeral plan trust involves the purchase of a whole-of-life insurance policy which aims to fund the cost of the funeral. This type of funeral plan does not fall under the RAO requirements.

Funeral Planning Authority

The FPA is a voluntary self-regulatory organisation for funeral plan providers. Under the terms of FPA registration, funeral plan providers need to have an annual actuarial valuation of their funeral plan trusts. Additionally, from 2020 the providers need to provide an asset adequacy report showing the adequacy of the assets to provide funerals in the event the provider becomes insolvent. Actuaries may be involved in preparing an asset adequacy report (but do not have to be).

Actuarial profession standards

The IFoA published actuarial standard APS Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans, which took effect from 1 December 2015. At the same time, the IFoA published a guide for actuaries and a **guide for trustees**.²⁴

APS Z1 applies in addition to the Code and APS X2: Review of Actuarial Work.

Technical actuarial standards

The FRC publishes TASs. The TASs relevant to funeral plan trust work are TAS 100 and TAS 400.

Financial Conduct Authority

Following a consultation, the **FCA confirmed its regulation of pre-paid funeral plan trusts** from 29 July 2022.²⁵ Funeral plan trusts that fall into the regime will need to have an annual actuarial valuation, including a SAR. Funeral plan trust providers will need to publish their SARs online. If the solvency level shown on the SAR is below 100% on a best-estimate basis, the provider will need to present remediation plans to correct the deficit within 12 months. Providers will be able to withdraw funds where the SAR solvency level is over 110% on a best estimate basis. We have commented further on the FCA regime and SARs in the section ‘**Other observations**’.

Risk alert

The IFoA Regulatory Board published a Risk Alert in January 2021 highlighting the transitional risks in the lead-up to FCA regulation coming into effect, in particular the risk of funeral plan trusts being dissolved where the provider is unable to obtain FCA authorisation, and the risk of providers seeking a withdrawal of surplus trust funds.

Burial societies

As part of this review we have also considered actuarial work in relation to burial societies. These societies provide funerals to members of faith groups on a non-profit basis. Some operate in a similar way to funeral plan trusts where subscriptions are held in a separate trust fund to meet future funeral costs and the solvency is assessed by an actuary. We understand that burial societies fall outside the RAO and forthcoming FCA regulation. As such, the actuarial advice is outside the scope of both APS Z1 and TAS 400. However, general standards including the Code, APS X2 and TAS 100 do apply.

24 | IFoA Guide for Trustees on UK Trust-Based Pre-Paid Funeral Plans (2015)

25 | FCA PS21/8: Regulation of funeral plans - Feedback to CP21/4 and final rules (2021)

Appendix 3 – References

List of footnote references

Ref No.	Title	Author	Description
1	FCA confirms plans to protect new funeral plan customers from July 2022 (2021)	FCA	The new rules will apply from 29 July 2022, when the FCA take on responsibility for regulating and supervising the pre-paid funeral plans market.
2	Pensions: actuarial factors used to calculate benefits in UK pension schemes (2020)	IFoA	This review looked at current practices adopted by actuaries advising on commutation rates and transfer values in the calculation of benefits for UK pension schemes.
3	FCA Handbook FPCOB 3.2 Trusts: solvency assessment, remediation and other requirements	FCA	This section of the FCA rules applies to a funeral plan provider in relation to funeral plan contracts under which sums paid by the customer are held on trust for the purpose of providing the funeral.
4	APS Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans	IFoA	Current IFoA professional standard for UK trust-based pre-paid funeral plans.
5	TAS 400: Funeral plan trusts	FRC	Current FRC technical standard for UK trust-based pre-paid funeral plans.
6	The Actuaries' Code is the ethical Code of Conduct to which all members of the IFoA must adhere	IFoA	The Code applies at all times to all Members' conduct in relation to an actuarial role.
7	TAS 100: Principles for technical actuarial work	FRC	FRC technical standard applying to all actuarial work.
8	Standard Setting at the IFoA (2020)	IFoA	As part of its regulatory function, the IFoA sets and maintains a framework of standards and non-mandatory guidance.
9	APS X2: Review of Actuarial Work	IFoA	APS X2 imposes requirements in relation to Work Review and Independent Peer Review for all IFoA members.
10	Chapter XIV of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001	UK Parliament	Legislation requiring triennial valuations for funeral plan trusts.
11	FPA Rules 5.3.10.2. (2020)	FPA	FPA rule requiring annual valuations for registered firms.

Ref No.	Title	Author	Description
12	FCA Regulating the funeral plans sector (2021)	FCA	FCA rules for the funeral plan sector.
13	Bank of England, Yield curves	Bank of England	Daily estimated yield curves for the UK.
14	A consultation on the Reform to Retail Prices Index (RPI) Methodology (2020)	HM Treasury	The government and UK Statistics Authority (UKSA) have published the response to their joint consultation on the timing of the reform to the Retail Prices Index (RPI).
15	Office for National Statistics English Life Tables No.17: 2010 to 2012	Office for National Statistics	Graduated life tables which give statistics on national life expectancy for England and Wales.
16	FPA Rules 5.7.6. (2020)	FPA	FPA rule requiring asset adequacy reports for registered firms.
17	FCA Regulation of funeral plans: Feedback to CP21/20 and final rules (2021)	FCA	FCA PS21/15 update to final rules for funeral plans.
18	IFoA Guide for Actuaries On UK Trust-Based Pre-Paid Funeral Plans (2015)	IFoA	A guide for IFoA Members if they are involved in determining, calculating and verifying the assets and liabilities of pre-paid Funeral Plan Trusts.
19	The Actuaries Code: Guidance on conflicts of interest	IFoA	Non-mandatory guidance to support the principles and amplifications in the Actuaries' Code.
20	IFoA Risk Alert Transitional risks for UK trust-based pre-paid funeral plans (2021)	IFoA	Risk Alert highlighting transitional risks for trusts prior to FCA regulation coming into force.
21	SA2 – Life Insurance Specialist Applications	IFoA	The Life Insurance Specialist Applications subject within the IFoA education syllabus.
22	IFoA Actuarial Monitoring Scheme	IFoA	IFoA website page for AMS.
23	IFoA Funeral trusts thematic review (2021)	IFoA	Review considering the advice given by actuaries to pre-paid funeral plan trusts, looking at their role in valuation and other areas.
24	IFoA Guide for Trustees on UK Trust-Based Pre-Paid Funeral Plans (2015)	IFoA	A brief guide to help funeral plan providers and trustees understand the role of the actuary.
25	FCA PS21/8: Regulation of funeral plans – Feedback to CP21/4 and final rules (2021)	FCA	Policy Statement setting our responses to consultation and final rules.

Appendix 4 – Abbreviations

List of abbreviations used in this report

Abbreviation	Full term
AMS	Actuarial Monitoring Scheme
APS	Actuarial Profession Standard
FCA	Financial Conduct Authority
FPA	Funeral Planning Authority
FRC	Financial Reporting Council
IFoA	Institute and Faculty of Actuaries
RAO	Regulated Activities Order
RPI	Retail Price Index
SAR	Solvency Assessment Report
TAS	Technical Actuarial Standard
the Code	The Actuaries Code



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Beijing

14F China World Office 1 · 1 Jianwai Avenue · Beijing · China 100004
Tel: +86 (10) 6535 0248

Edinburgh

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA
Tel: +44 (0) 131 240 1300

Hong Kong

1803 Tower One · Lippo Centre · 89 Queensway · Hong Kong
Tel: +852 2147 9418

London (registered office)

7th Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP
Tel: +44 (0) 20 7632 2100

Oxford

1st Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD
Tel: +44 (0) 1865 268 200

Singapore

163 Tras Street · #07-05 Lian Huat Building · Singapore 079024
Tel: +65 6906 0889

www.actuaries.org.uk

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