

# **The UK Funerals (2022) Trust**

## **Actuarial Valuation as at 11 July 2022**

**12 July 2022**



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## **1 Introduction**

The purpose of this report is to advise Dignity Funerals Limited (“the Company”) of the results of the actuarial valuation of the UK Funerals (2022) Trust (“the Trust”) completed with an effective date of 11 July 2022 (“the valuation date”).

In valuing the liabilities of the Trust I have only considered the plans in force at the valuation date, of which there are none, and have made no allowance for any financial support that may be available from the Company.

This report, taken together with all associated letters and emails, has been prepared in accordance with the Technical Actuarial Standards, issued by the Financial Reporting Council, that are relevant to the scope of this work insofar as they apply. These are TAS 100 (Principles for Actuarial work) and TAS 400 (Funeral plan trusts).



## **2 Executive summary**

The Trust was established by deed on 13 June 2022 with the purpose of accepting new business following the FCA' regulation of pre-paid funeral providers from 29 July 2022. No business has yet been written under the Trust and hence there are no plans in force as at 11 July 2022.

The Company made a capital contribution of £1 million to the Trust on 11 July 2022, currently invested in cash, and hence the market value of the Trust's assets as at 11 July 2022 was £1 million.

As there are no plans in force, the ongoing liabilities of the Trust as at 11 July 2022 have been calculated to be nil, which gives a surplus – i.e. assets less ongoing liabilities - of £1 million.



### 3 Description of plans

No plans are in force at the valuation date.

### 4 Summary of membership data

A summary of the membership data, as at 11 July 2022 is summarised below:

	11 July 2022		
	Male	Female	Total
Number of plan holders	0	0	0
Funeral Director Services Cover Level (£)	0	0	0
Disbursements (£)	0	0	0
<b>Total funeral cover (£)</b>	<b>0</b>	<b>0</b>	<b>0</b>

The total number of active planholders was thus nil.

### 5 Assets

Details of the assets held by the Trust have been supplied as at 11 July 2022. The assets of the Trust as at the valuation date were as follows:

	Assets of the Trust as at 11 July 2022	
	Ongoing £'000s	Cancellation £'000s
Investments	0	0
Cash & net current liabilities	1,000	1,000
<b>Market value of Trust assets</b>	<b>1,000</b>	<b>1,000</b>
Receipt of net outstanding instalments	0	0
<b>Total assets for valuation</b>	<b>1,000</b>	<b>1,000</b>



## **6 Valuation method and assumptions**

In order to assess the financial position of the Trust, values need to be placed on both the assets and the liabilities resulting out of plans existing at the valuation date.

### **Assets**

Assets are taken at their market value.

### **Ongoing valuation**

No plans are in force and therefore the liabilities of the Trust are nil at the valuation date. Given that there are no plans in force to be valued, I have not needed to determine a set of assumptions to adopt.

### **Cancellation valuation**

As the liabilities of the Trust are nil at the valuation date, the financial position of the Trust on immediate cancellation of all plans is equal to the financial position of the Trust on the ongoing basis.

### **Expenses**

The Trust is not incurring any expenses as there are no plans in force. Any expenses that arise before new business is written will be met by the Company directly.



## 7 Valuation result

As at 11 July 2022 (£'000s)	Ongoing results	Cancellation results
Funeral director services	0	0
Disbursements	0	0
Clawback of instalments on death	0	0
Net cancellation amount	0	0
Expense reserve	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>
Market value of Trust assets	1,000	1,000
Receipts of outstanding instalments	0	0
<b>Total assets</b>	<b>1,000</b>	<b>1,000</b>
<b>Surplus / (deficit)</b>	<b>1,000</b>	<b>1,000</b>

### Sensitivity analysis – ongoing basis

As the liabilities of the Trust are nil at the valuation date and the assets are taken at their market value at the valuation date, the sensitivity of the financial position of the Trust to changes in the ongoing basis is nil.



## 8 Risks

This section sets out a number of risks to which the Trust is exposed. It is not intended to quantify the likelihood of such risks occurring nor is it meant to be fully comprehensive.

Note that as the liabilities of the Trust are nil at the valuation date, the Trust is not exposed to many of these risks as at the valuation date but may be in the future.

### ***Manager risk***

Once assets have been invested and to the extent that one or more managers underperform their given benchmarks, the performance of the Trust's assets will be below that of the wider market.

### ***Duration risk***

If bond assets held by the Trust in future are not invested at the same duration as the liabilities, a duration mis-match will arise. If the bond investments are of shorter duration than that of the liabilities:

- a fall in yields at all terms will result in a larger increase in the liabilities than that of the assets
- if yields fall at the longer end of the curve by more than they do at the shorter end the increase in the liabilities will also be more than that of the assets

Both effects will lead to a deterioration in the funding level.

### ***Reinvestment risk***

If future income from the Trust's investments cannot be re-invested on consistent terms to the existing investments, there is a risk that future returns will be lower than currently expected.

### ***Data***

No data has been used for the valuation of the Trust's funding position as there are no plans in force at the valuation date. If the underlying data is incorrect at future valuations, then it will directly impact our valuation of the Trust's liabilities.

### ***Mortality***

Were mortality not to follow the expected pattern based on the mortality assumptions adopted, there is a risk that payments from the Trust's assets would be required sooner than expected, resulting in higher liabilities for the Trust. However, the liabilities are not expected to be overly sensitive to this assumption.

### ***Funeral costs***

If the costs of providing funerals were to unexpectedly increase significantly, this would impact on the Company with a consequential indirect impact on the Trust.





## **9 Analysis of surplus**

This is the first valuation of the Trust since its inception and hence the only movement within the Trust is the receipt of a capital contribution of £1,000,000 from the Company.



## **10 Conclusion**

The results of the valuation are set out in the Executive Summary in Section 2. On the ongoing assumptions, there was a surplus of £1 million.

For compliance with the documentation of the Trust, I understand that the next valuation should be carried out as at an effective date no later than 11 July 2023.

A handwritten signature in black ink, appearing to read 'Jeremy May'.

**Jeremy May**  
**Fellow of the Institute of Actuaries**

**12 July 2022**



## **Appendix I: Actuarial Certificate for the Funeral Planning Authority**

I have carried out an actuarial valuation of the Dignity Trust (“the Trust”) as at 11 July 2022 (“the effective date”).

I hereby certify that, as at the effective date, the Trust had sufficient assets needed to meet 100% of its liabilities for the provision of prepaid funerals.

The accounts used to obtain asset information were unaudited.

My calculations demonstrated that the Trust had sufficient assets as at the effective date to meet 100% of cancellation payments (plus expenses) if all plans had been cancelled on the effective date.

**Signed Date** 12 July 2022

**Name** Jeremy May

**Qualification** Fellow of the Institute of Actuaries

**Company** PwC

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