



# UK Funerals (2022) Trust

**Solvency Assessment Report**  
as at 30 June 2025

22 August 2025

# Important Notice

This report has been prepared by PricewaterhouseCoopers LLP based on the instructions provided by the Trustees of the UK Funerals (2022) Trust (“the Trust”) (“the Trustees” also referred to below as “our addressee client”) and, where appropriate, incorporates the advice of the responsible Actuary, Emma Morton, who is a Partner at PricewaterhouseCoopers LLP, for the sole purpose that is set out in the Executive Summary.

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A copy of this report has been sent to Dignity Funerals Limited (“the Company”) as set out in our agreement with them dated 19 August 2024. Under the basis of that agreement, the Company accepts that the work we have carried out is for the Trustees only and we do not accept any responsibility to any other party for it. In particular, we note that the Company will share this report with the FCA and will place it on its website, in its entirety only, as required by the FCA but PricewaterhouseCoopers LLP accepts no responsibility to anyone who may view the report other than the Trustees.

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# Executive summary

The purpose of this Solvency Assessment Report (“SAR”) is to advise the Trustees of the UK Funerals (2022) Trust (“the Trust”) (“the Trustees”) of the results of a Solvency Assessment completed with an effective date of 30 June 2025 (“the valuation date”), 12 months after the effective date of the previous SAR. The Trustees instructed us to perform this valuation on 11 August 2025. This report is produced in line with the FCA regulations that took effect on 29 July 2022, and follows the requirements set out by the FCA in the FCA handbook and specifically FPCOB 3.2.

The solvency assessment values a “cover level” for each plan held by the Trust, which includes both:

New Business plans: those sold directly to new plan holders; and

Rescue plans: plans that originated from providers that chose not to apply or did not meet the standards required by FCA regulation and where plan holders were offered the option to transfer to a Dignity plan (see page 5 for further information).

The liabilities valued in this valuation are the liabilities of the Trust, rather than the Company. In valuing the liabilities of the Trust we have only considered the plans in force at the valuation date.

The FCA requires that liabilities are measured on a “best estimate” basis, which is a basis where there is an equal chance that actual results will be either better or worse than assumed. The FCA’s definition of the “solvency level” (used in this report) is the ratio of trust assets over trust liabilities, measured on a best estimate basis.

The market value of the Trust’s assets as at 30 June 2025 has been calculated to be £151.9 million (including £44.1 million for the discounted value of outstanding instalments for existing plans, and £11.8 million for the discounted value of funds expected to be received in respect of the Rescue plans). The best estimate liabilities of the Trust have been calculated to be £132.6 million, which results in:

A **surplus** - i.e. assets less ongoing liabilities - of **£19.3m**

A **solvency level** (as defined by the FCA) of **115%**

As at 30 June 2024, the Trust had a surplus of £18.4m on a best estimate basis corresponding to a solvency level of 115%.

This report, taken together with our data report, assumptions paper, and supplementary valuation results report, 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 V2.0 (Principles for Actuarial work, dated March 2023) and TAS 400 V3.0 (Funeral plan trusts, dated July 2023).

# Description of plans

The UK Funerals (2022) Trust (“UKFT”) was created in June 2022 as a new trust, designed to fulfil the requirements of the FCA regulations that came into force in July 2022.

The Trust’s liabilities relate to pre-paid funeral plans sold or taken on by Dignity Funerals Limited since July 2022.

**New Business plans** The Trust includes plans sold directly by the Company to new plan holders (“New Business plans”).

**Rescue plans** As part of the process to move to the new FCA regulated regime for funeral plan providers, a number of existing operators did not obtain authorisation and were unable to continue providing funerals to plan holders. The Company arranged with some of these providers to offer their plan holders a new, replacement plan - these are referred to as “Rescue plans” in this report, with the original providers referred to as “former providers”.

Rescue plan holders were allocated a new Dignity plan which best matched their previous plan.

Some of the Rescue plan holders will have paid for their plan in full to the former provider, but many of them have instalment plans where the payment plan is ongoing and instalments are now being paid into the Trust. The Company has received and paid into the Trust some funds from the former providers in respect of payments made by the plan holders to those former providers, with further funds expected from the other former providers where the wind-up process is still ongoing (see page 7 for more details).

## Types of cover

The benefits provided under each plan can be categorised into three components as set out in the Trust rules:

“Funeral cover” is cover for specified funeral plan items to be provided directly by Dignity, for example an attended funeral service, coffins and transport options. This includes unattended cremations (i.e. cremations that take place privately without any mourners present).

“Disbursements” relate to specified funeral plan items which are provided by third parties, and cover attended cremations (i.e. cremations that take place as part of a funeral service with mourners present) and burials.

“Options payments” are separate pots of money that the plan holder can allocate to put towards a particular purpose but do not relate to a particular product, for example a certain amount to put towards flowers or stationery.

## Dignity Promise

All plans are covered by the “Dignity Promise”, which means that plan holders who pay in instalments and who die before they are fully paid up (but after 12 months of taking out the plan) will be provided with a funeral and their estate will not need to pay the outstanding instalments.

## Cancellation

On cancellation of a plan the plan holder receives back all of the payments made to Dignity to date. For Rescue plans, this sum is capped at the amount of money received in relation to the plan from the former provider and any subsequent payments made into the UKFT by the plan holder.

# Summary of plan holder data

Plan holder data was supplied in electronic format by the Company in July 2025. The data included prices of the funeral plan components within each plan holders' plan, and the total value of any **outstanding instalments** for those plan holders still paying instalments, which is the total amount the plan holders owe in outstanding instalments as at the valuation date.

- The liabilities valued are the “**cover levels**” for the benefits purchased by individual plan holders which will be paid by the Trust to the Company when a plan holder dies. The Trustees have instructed us to derive the cover levels for funeral cover (as defined on page 5) in the following way:
  - For New Business plans, an amount considered sufficient to secure the funeral plan components with Dignity or a third-party provider on an estimated wholesale basis.
  - For the Rescue plans, an amount that is at a lower level than the wholesale cost, as Dignity has committed to providing funerals for a lower cost for this subset of plans - in large part due to them not having incurred the marketing and other administration costs otherwise incurred in the selling of new plans.

Cover levels for disbursements (as defined on page 5) are set in line with Dignity's current at-need price for the relevant component. Options payments are valued as the original amount contributed, increased with the Consumer Prices Index (“CPI”) up to the valuation date.

Cover levels were increased by 2.85% on 1 July 2025, in line with last year's CPI assumption.

Whilst we carry out reasonableness checks on the data, we are not in a position to independently verify it and so we rely on what has been provided by the Company. For a relatively small number of plans the data was incomplete or invalid. After consultation with the Company, we have made appropriate estimates. Any error caused by the estimates is unlikely to be material.

| Plan holder data as at<br>30 June 2025 | New Business plans |                          | Rescue plans       |                          |
|--|--------------------|--------------------------|--------------------|--------------------------|
|  | Number of<br>plans | Total cover<br>level (£) | Number of<br>plans | Total cover<br>level (£) |
| Funeral cover                          | 35,993             | 52,064,203               | 47,623             | 59,994,298               |
| Disbursements                          | 13,110             | 18,939,987               | 6,259              | 39,143,412               |
| Options payments                       | 19,534             | 5,108,744                | 41,209             | 1,539,213                |
| <b>Total</b>                           | <b>36,742</b>      | <b>76,112,934</b>        | <b>47,637</b>      | <b>100,676,923</b>       |

A summary of plans split by payment type is given below:

|                          | Number of<br>plans | Total cover level<br>(£) | Average cover<br>level (£) |
|--------------------------|--------------------|--------------------------|----------------------------|
| Lump sum                 | 50,474             | 101,985,591              | 2,021                      |
| Instalment (fully paid)  | 6,412              | 13,907,522               | 2,169                      |
| Instalment (outstanding) | 27,493             | 60,896,745               | 2,215                      |
| <b>Total</b>             | <b>84,379</b>      | <b>176,789,858</b>       | <b>2,095</b>               |

\* FPCOB 3.2 requires disclosure of 'plan value' in this report. 'Plan value' is not defined by the FCA and so we have interpreted it to refer to cover levels (as defined in this report and effective from 1 July 2025). However, we believe that other interpretations are possible.

# Assets

Details of the assets held by the Trust were provided by the Company on 16 July, 4 and 6 August 2025. We have also been provided with unaudited extracts from the management accounts dated 30 June 2025. Audited accounts are not available as at or near the valuation date and so these figures have not been independently verified.

The total asset value includes:

- £44.1m in future instalments due from plan holders and not yet received,
- £12.1m in respect of funds that the Trust expects to receive relating to the former providers of Rescue plans, which are currently in administration; and
- Cash held in the Trustees' bank account or loaned to Dignity Funeral Trustees Limited ("DFTL") and invested in line with the agreed investment strategy.

## Monies deducted from the Trust over period from 1 July 2024 to 30 June 2025 (£m)

|                                   |      |
|-----------------------------------|------|
| Cancellation payments             | 16.2 |
| Payments on death during the year | 8.7  |
| Maintenance and admin fees        | 1.7  |

| As at 30 June 2025  | £000s          | Notes |
|---|----------------|-------|
| Assets held in Dignity Funeral Trustees Limited ("DFTL")  | 84,733         | 1     |
| Cash held in the Trust  | 12,916         | 2     |
| Pending new business payments due from Company  | 816            | 3     |
| Estimate of tax payable   | 30             | 4     |
| Accrued fees  | (294)          | 5     |
| Pending death payments due to Company   | (676)          | 6     |
| Pending payment due to Company in respect of cancellations  | (1,449)        | 7     |
| <b>Adjusted value of assets currently held by the Trust</b>   | <b>96,076</b>  |       |
| Present value of outstanding instalments due  | 44,091         | 8     |
| <b>Total assets at 30 June 2025, including outstanding instalments</b>                                      | <b>140,167</b> |       |
| Present value of funds expected from the former providers of Rescue plans                                   | 11,766         | 9     |
| <b>Total assets at 30 June 2025, including expected future instalments and assets from former providers</b> | <b>151,933</b> |       |

1: Amount provided by Mercer, the Trustee's Outsourced Chief Investment Officer. The Trust has loaned funds to DFTL which are then invested with Mercer.

2: Taken from bank account statements provided by the Company.

3: Under the new process whereby Dignity retains expenses upfront, there is a lag between plans joining the UKFT and the funds being paid into the Trust.

4: Estimate of tax due from the Trust to date, provided by the Company. This includes an overpayment at 30 June 2025.

5: Relates to advisor and Trustee fees, provided by the Company.

6: Amounts owed to the Company for funerals provided prior to the valuation date but not yet reclaimed.

7: An estimate of the amounts owed by the Trust to the Company in respect of cancellations.

8: The present value of outstanding instalments expected to be received by the Trust (taking into account the Dignity Promise).

9: £3.3m has been received from the ceding trusts to date and the amounts and timings of outstanding funds are still uncertain. In the absence of any firm information we have assumed that a further £12.1m is received on 31 December 2025, in line with the Company / shareholder guarantee that is in place if all assets have not been received from the ceding trusts by this date.

# Valuation method and assumptions

## Liabilities

For the valuation we have assumed that the Trust continues to fully support existing plans and does not wind up during the lifetime of any current plan holders. Liabilities have been valued by:

01

Projecting future cover levels allowing for CPI increases between the valuation date and the date of payment.

This part of the method applies only to benefits payable on the death of a plan holder, as the projected cancellation amounts do not change.

02

Identifying future cash flows by calculating the probability of a plan holder's death and cancellation in each future time period and multiplying this by the projected value of the cover level or cancellation payment in each instance.

03

Discounting each future cash flow from the date of projected payment back to the valuation date at the assumed best estimate rate of investment return (after allowing for tax).

An expense reserve is included in the value of liabilities, which has been calculated as the capitalised value of future expenses taking into account:

- An expected annual expense amount for the Trust based on expenses seen in the Company's other funeral trusts
- The expected number of existing plan holders remaining in the Trust in each future year
- Increases in expenses at a rate of CPI+2% p.a. and discounting future expenses at the rate of assumed investment return (net of tax).

## Assets

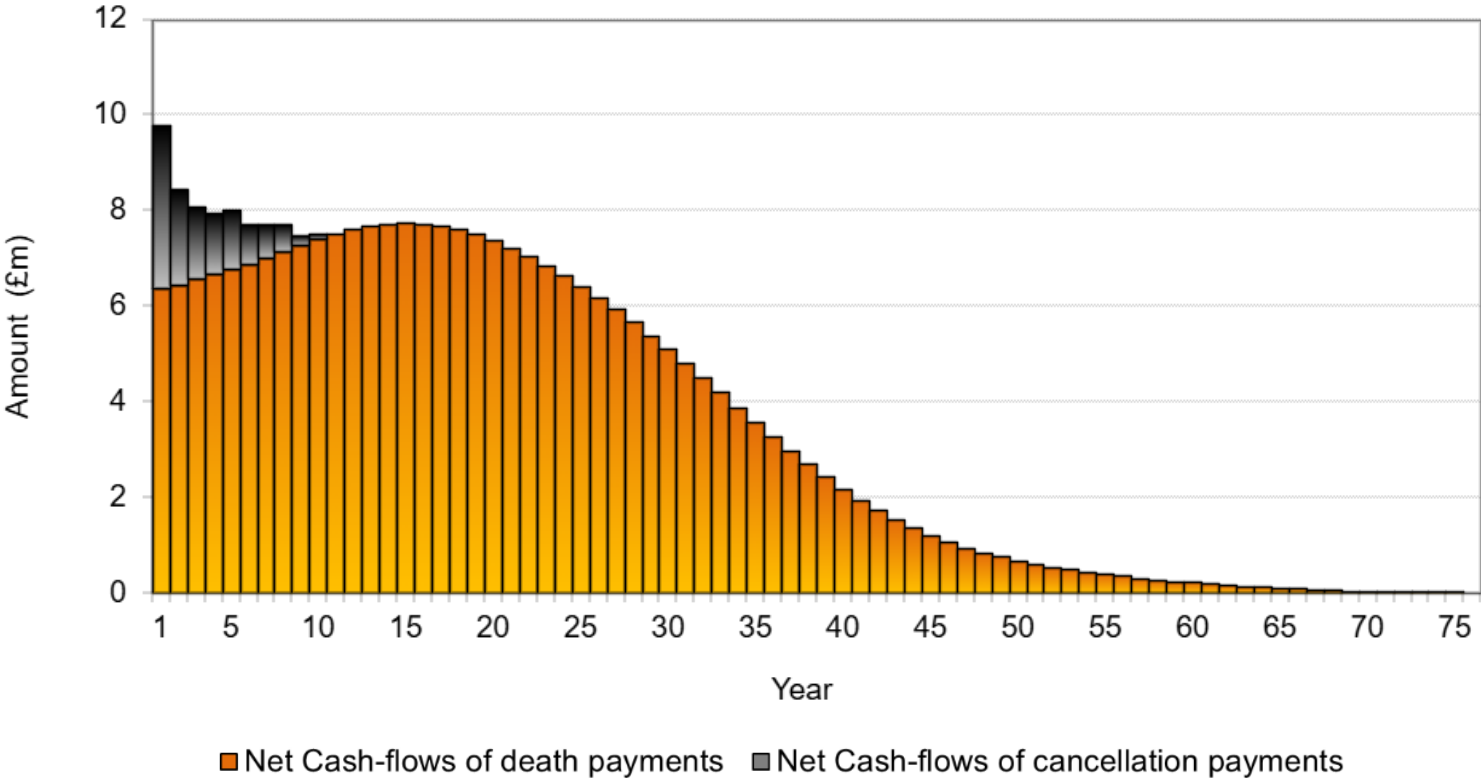
We have valued assets at their market value, with the exception of:

- outstanding instalments due from existing plan holders which have been valued by discounting the payments due in future years in line with the best estimate investment return (after tax); and
- the funds expected to be received from the former providers which have been valued by discounting the amounts back from the expected date of receipt of 31 December 2025.

# Valuation method and assumptions

## Expected Trust cash flows

This chart shows expected cash flows over the next 75 years using the valuation model described on the previous page.



Please note that any cash flows projected to be paid beyond year 75 have been grouped into the year 75 cash flow above, as the annual cash flows past this point are not material.

# Valuation method and assumptions

## Financial assumptions

### Discount rate

The discount rate has been derived using an asset-led approach having taken into account the views of Mercer, the Trustee's Outsourced Chief Investment Officer. It represents a best estimate of the expected long-term returns on Trust assets which are expected to be invested in:

- Equities (45%)
- Credit (34%)
- Hedge funds & alternatives (13.5%)
- Index-linked Gilts (7.5%)

### Tax

An allowance has been made for expected future tax payable on investment returns in line with instructions from the Trustee.

PwC has not provided tax advice to the Trustees and nor are we (the Trustee's actuarial team) tax specialists. We have therefore necessarily relied on the Trustee to determine the appropriate tax treatment for the Trust.

### CPI inflation

A best estimate CPI inflation curve has been derived based on the Bank of England Retail Prices Index ("RPI") implied inflation curve, with deductions of:

- 0.25% p.a. to allow for supply and demand distortions in the market.
- 1% p.a. pre-2030 (nil post-2030) to allow for the anticipated difference between RPI and CPI.

This is consistent with the 30 June 2024 valuation.

The valuation model uses the full CPI curve to increase the cover levels in future years, applying the relevant spot yield from the CPI curve to the future cash flows. Using Trust cash flows, we have derived a single equivalent CPI rate for presentational purposes only (see below).

### Cover level increases and expense inflation

An assumption has been made that funeral cover and disbursements will increase with CPI inflation over time. Option Payments are guaranteed to increase with CPI each year under the Trust rules.

Expenses are assumed to increase at a rate 2% p.a. higher than the assumed rate of CPI.

| Financial assumptions summary (% p.a.)         | 30 June 2024 | 30 June 2025 |
|--|--------------|--------------|
| Investment return (before tax)                 | 7.0%         | 6.75%        |
| Discount rate (net of tax)                     | 6.0%         | 5.75%        |
| CPI inflation (approx. single equivalent rate) | 2.85%        | 2.65%        |
| Funeral cover increases                        | = CPI        | = CPI        |
| Disbursements increases                        | = CPI        | = CPI        |
| Option Payments increases                      | = CPI        | = CPI        |
| Expense inflation                              | = CPI + 2%   | = CPI + 2%   |

# Valuation method and assumptions

## Demographic assumptions

### Mortality

The mortality of plan holders is assumed to be in line with the English Life Tables No. 17 (“ELT 17”) tables, which is broadly consistent with past experience of the Company’s other funeral trusts and will be reviewed periodically. Based on the limited mortality experience for the UKFT available to date, we have not seen any evidence supporting a move away from this assumption.

No allowance is made for future improvements in longevity.

### Cancellation

Cancellation assumptions are based on previous experience of the Company’s other funeral trusts. We use different assumed cancellation rates depending on the number of years since the plan was taken out.

Last year, we assumed that no further Rescue plans would cancel after the date of the valuation. This year, based on a review of cancellation experience, we aligned the Rescue plan assumptions with those used for New Business – based on the number of years since they moved to a Dignity plan.

The average assumed cancellation rate in the next year is 2.6%.

These assumptions will be kept under review as more Trust experience emerges.

# Valuation results

The results of the valuation on the best estimate assumptions as described on pages 10 and 11 are shown below

| As at 30 June 2025  | Best estimate valuation – £000s |
|---|---------------------------------|
| Funeral Cover liability   | 68,387                          |
| Disbursements liability   | 35,480                          |
| Options Payments liability  | 3,906                           |
| Outstanding instalments due on death <sup>1</sup>                         | (48)                            |
| Cancellation liability  | 10,083                          |
| Expense reserve   | 14,781                          |
| <b>Total Liabilities</b>  | <b>132,589</b>                  |
| Adjusted value of assets currently held by the Trust                      | 96,076                          |
| Present value of outstanding instalments due                              | 44,091                          |
| Present value of funds expected from the former providers of Rescue plans | 11,766                          |
| <b>Total Assets</b>   | <b>151,933</b>                  |
| <b>Surplus / (deficit)</b>  | <b>19,344</b>                   |
| <b>Solvency level</b>   | <b>115%</b>                     |

1. Outstanding instalments in respect of plan holders who die within 12 months of taking out their plan and so are not covered by the Dignity Promise. The outstanding instalments are therefore due from the plan holder's estate before a funeral is provided

# Sensitivity analysis

The results are sensitive to the valuation assumptions, in particular to the discount rate and RPI inflation assumption. The scenarios in the table below would have the following impact on the Trust's surplus and solvency level:

| Assumption sensitivity <sup>1</sup> | Change in assumption | Best estimate surplus /(deficit) (£000s) | Impact of change (£000s) | Solvency level |
|-------------------------------------|----------------------|--|--------------------------|----------------|
| Valuation result (base case)        | -                    | 19,344                                   | -                        | 115%           |
| Discount rate                       | + 1% p.a.            | 31,477                                   | 12,134                   | 126%           |
| RPI inflation assumption            | + 1% p.a.            | 2,793                                    | (16,550)                 | 102%           |
| Life expectancy <sup>2</sup>        | + 1 year             | 22,938                                   | 3,594                    | 118%           |

<sup>1</sup> Results show the impact on the surplus of a change in the assumption in isolation for illustrative purposes. The discount rate sensitivity allows for the impact on the present value of future instalments but otherwise we have assumed the value of assets remains unchanged. This is unlikely to be the case in reality as market movements affecting the discount rate and inflation assumption would also impact on the value of the assets held.

<sup>2</sup> Sensitivity to life expectancy based on the assumption that all plan holders live one year longer.

## Cancellation

The Trust has a shortfall at the valuation date on a scenario where every plan holder cancelled their plan as a result of expenses and tax the Trust has incurred since its inception.

# Risk and uncertainties

The Trust is exposed to the following risks which need to be managed appropriately:

**Investment risk:** the risk that the actual asset returns on the Trust assets are lower than the assumed rate of return over the long term. Specifically, whichever investment strategy the Trust follows, there may be a number of investment risks to consider, including:

- **Mismatching risk:** the risk that differences between the characteristics of the liability cash flows and the Trust assets result in the value of liabilities increasing as a result of certain market conditions without a corresponding increase in the assets.
- **Currency risk:** the risk of unfavourable currency movements on any unhedged overseas assets, given the liabilities are all in GBP.
- **Manager risk:** the risk that the investment manager underperforms their given benchmarks or makes asset allocation decisions that lead to the Trust assets underperforming the liabilities.

**Inflation risk:** the risk that a period of high inflation results in higher than expected increases to cover levels, leading a deterioration of the Trust's funding position and / or the risk that cover levels are insufficient to cover the cost of providing funerals.

**Liquidity risk:** if the Trust experiences unexpected net cash outflows there could be liquidity risks within the current investment strategy. This could occur due to the closure of the Trust to new business reducing cash inflows, or a large cancellation event requiring refunds to be paid.

**Data:** the risk of errors in the underlying data which would directly impact the valuation of the Trust's assets or liabilities.

**Mortality and cancellation:** this risk that mortality and cancellation experience may not follow the assumptions made meaning that payments from the Trust assets could be required sooner than expected.

**Covenant risk:** the risk that the Company is no longer able to support the Trust or provide the funerals promised to plan holders at the agreed cover levels, and the Trust is unable to secure funerals from another provider at the cover levels valued.

**Reputational risk:** the risk that Dignity's reputation deteriorates, resulting in a large number of unexpected cancellations and / or a significant decrease in new business.

**Climate risk:** the risk that the physical consequences of climate change lead to earlier deaths than expected, and investment risk due to the effects of a transition to a lower carbon economy on the investment markets.

**Rescue plans:** the risk that the former providers do not pay Dignity the amount expected and that the Trustees are unable to call on their guarantee from Dignity to provide the expected funds (counterparty risk).

**Tax risk:** the risk that the tax treatment is not as expected, either due to changes to legislation or HMRC having a different interpretation of the current rules. In particular, it is not clear what tax would be payable on insolvency or maturity, but it could be material.

**Regulatory risk:** the risk that the current FCA regulated regime changes, resulting in higher than expected costs or increased liabilities for the Trust.

# Analysis of surplus

The chart on this page sets out the key reasons for the increase in surplus over the period, from £18.4m at 30 June 2024 to £19.3m at 30 June 2025.



*\*Other items include the impact of higher-than-expected expenses over the year, and the impact of slightly higher than expected inflation over the year.*

# Conclusion

This report sets out the results of the solvency assessment of the Trust as at 30 June 2025.

As measured on the best estimate assumptions, the results show a surplus of £19.3 million, equivalent to a solvency level of 115%.

For compliance with the documentation of the Trust and FCA regulations, we understand that the next assessment should be carried out with an effective date no later than 30 June 2026.

A handwritten signature in black ink, appearing to read 'Emma Morton', followed by a period.

Emma Morton

Fellow of the Institute of Actuaries

Partner at PricewaterhouseCoopers LLP

22 August 2025

This paper incorporates the advice of the responsible Actuary, Emma Morton of PwC. This paper is compliant with the Technical Actuarial Standards issued by the Board for Actuarial Standards, that are relevant to the scope of this work in so far as they apply. These are TAS 100 V2.0 (Principles for Actuarial work, dated March 2023) and TAS 400 V3.0 (Funeral plan trusts, dated July 2023).

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