

# Funeral Plan Regulation: One Year On

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## The benefits of pre-paid funeral plan regulation

A pre-paid funeral plan helps alleviate grieving loved ones from the time, stress, and worry that comes from making funeral arrangements. The wishes of the deceased are made clear, and the essential elements of the funeral are covered. Over 1 million of these plans are utilised in the UK.

It has been a full year since the Financial Conduct Authority (FCA) began regulating pre-paid funeral plans and appointed representatives in the UK, and customers' money has been protected by the Financial Services Compensation Scheme and the Financial Ombudsman Service handling of customer complaints.

It is not clear if the additional protections and assurances have resulted in new customers entering the market, but the opportunity is there for any funeral directors who may have hesitated before.

In the market, plan documents have become clearer about what funeral costs are covered. This has also been helped by the trend towards simpler product types such as direct cremation plans which increased in popularity during the COVID-19 pandemic.

### Has there been a downside?

For funeral plan providers, the new regulation increased the costs, time, and effort of demonstrating compliance with the new regulation, including the FCA initial and annual fees which were too high for smaller providers that decided to transfer to a larger provider.

Around two-thirds of funeral plan providers, covering up to 13% of funeral plan customers, that existed before FCA regulation are no longer in business. Some smaller providers transferred to a larger provider such as Dignity PLC (currently being taken over by a consortium backed by investment firms SPWOne V Ltd, Castelnau Group, and Phoenix Asset Management Partners Limited). Eternal Peace refunded customers' money.

Some funeral plan providers were forced by the new regulations to stop offering plans and go into liquidation or administration, leaving customers with little or no cover for funerals that they had already paid for. These included Safe Hands, Empathy, One Life, Pride Planning, Prosperous Life, Silver Clouds, Fox Milton, Ready4Retirement, Rest Assured, Not For Profit. However, these regulations should protect future customers from being exposed to schemes that risk getting in to financial difficulty, and offer additional protections should things go wrong.

### Solvency assessment

Funeral plan providers must at all times maintain adequate financial resources for meeting liabilities as they fall due, and should assess the liabilities and assets on realistic valuation assumptions.

Uniquely, trust-backed plan providers are required to publish their Solvency Assessment Report ("SAR") written by a qualified actuary on their website. This provides current and prospective customers with the opportunity to review the financial strength of the different providers.

The latest [Technical Actuarial Standards 400 \(funeral plans\)](#) from the Financial Reporting Council (FRC) became effective 17 July 2023 and encourages non-actuarial practitioners to comply. It applies to both trust based and insurance based funeral plans, and covers assumptions, valuations, risk assessments, actuarial approvals, transfers, and communications.

### Looking to the future

The FRC encourages practitioners to engage collectively to develop tools to support consistent reporting and communication, in particular terminology. We have been proactively engaging with practitioners in a collaborative group setting and are leading group discussions in this area. I have been nominated to draft a SAR template and dictionary of common terms.

The Institute and Faculty of Actuaries will update their [Actuarial Professional Standards Z1 \(Duties and Responsibilities of Members Undertaking Work in Relation to UK Trust-Based Pre-Paid Funeral Plans\)](#) very soon.

The FCA are looking to engage with funeral plan actuarial practitioners. Over the past year actuaries have raised certain issues and concerns about how to interpret the FCA's intentions with the new regulation. We look forward to discussing these with the regulator with the aim of addressing some of those issues and hopefully ironing them out soon.

### About the author

Erika Parker is a consultant actuary with OAC Limited and the actuary for a large pre-paid funeral plan provider. She conducted a SAR survey with the aim of providing insights to their structure and content which she hopes will be useful to the wider industry. She also provides all aspects of actuarial support for life and health insurers.

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