



Financial Reporting Council

# Technical Actuarial Standard 400: Funeral plans

Version 3.0

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# Introduction

- 1.1. Technical Actuarial Standard 400: Funeral plans (TAS 400) v3.0 applies to **technical actuarial work** that is completed on or after 17 July 2023.
- 1.2. Terms in bold are defined in the Glossary of defined terms used in Technical Actuarial Standard 400, appended to this standard.

## Purpose

- 1.3. TAS 400 promotes high quality **technical actuarial work** for funeral plans, supporting the **reliability objective**:

To allow the **intended user** to place a high degree of reliance on **actuarial information**, practitioners must ensure the **actuarial information**, including the communication of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.

## Scope and compliance

TAS 400 is applicable to **technical actuarial work** in the **geographic scope** of FRC technical actuarial standards:

- concerning the determination, calculation and verification of the assets and liabilities of a **funeral plan trust** as required by legislation;
- required by the rules of the Financial Conduct Authority under The Funeral Plan: Conduct of Business Sourcebook (FPCOB); or
- concerning the determination, calculation and verification of the liabilities of a funeral plan for inclusion in the relevant **funeral plan provider's** corporate accounts.

- 1.4. In applying judgement to the application of the TASs it is important to be guided by the **reliability objective**.
- 1.5. Practitioners are encouraged to have regard to the relevant guidance that accompanies the TASs and, in particular, the guidance on proportionality, to inform how they will comply with this standard.

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- 1.6. Work in the scope of TAS 400 is also in the scope of TAS 100. This standard should be read in conjunction with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100). Each of the provisions in TAS 400 must be followed where they are relevant to the work.
  - 1.7. TAS 400 must be applied by all members of the Institute and Faculty of Actuaries (IFoA) carrying out work under its scope. Wider adoption is encouraged, and other relevant regulators and contracting parties may require entities and individuals who are not members of the IFoA to comply with this standard.
  - 1.8. **Actuarial information** that is **material** must include a statement by the practitioner confirming compliance with TAS 100 and TAS 400. Any **material** caveat, qualification or limitation in that statement must be justified to the **intended user**. The evidence demonstrating compliance must be available to the **intended user**, if requested.

## General provisions

- 1.9. This standard consists of provisions which use defined terms 'must' and 'should'. The provisions which use the term 'must' set out mandatory requirements. The provisions which use the term 'should' set out regulatory expectations. Practitioners must have regard to these regulatory expectations; divergence may be acceptable but **material** deviations must be justified. The justification must demonstrate how compliance with the relevant provisions has been achieved despite not meeting regulatory expectations.

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# Provisions

## 1 Assumptions

- P1.1. Where assumptions are required to be derived on a **best estimate** basis, practitioners must take reasonable steps to ensure that each of the assumptions broadly reflect their expectation that there is an equal likelihood of actual experience being greater or less than the expected value.
- P1.2. When applying P1.1, in circumstances where individual **best estimate** assumptions cannot be reasonably derived, practitioners may consider adopting individual assumptions which are not **best estimates** provided that in the practitioner's opinion, the overall set of assumptions would reflect a **best estimate** basis.
- P1.3. When applying P1.1 in circumstances where data is missing, the allowance to be made should represent the practitioner's best estimate of that missing data.
- P1.4. When applying TAS 100 Principle 4 Assumptions:
- practitioners must derive the discount rate, mortality (base rates and projections), funeral cost inflation, expenses, lapses/withdrawals, tax and other **material** assumptions, using as much relevant information as is sufficient;
  - practitioners should consider the comparison between the actual experience emerging over the period since the previous exercise carried out for the same purpose (if one exists) with that assumed in that previous exercise;
  - practitioners should use or propose assumptions for base rates of mortality which are consistent with the characteristics of the current plan holders of the **funeral plan trust**.

## Communications

- P1.5. Practitioners' **communications** should explain the derivation of the assumptions covered in provision P1.1 and allow the **intended user** to understand why the practitioner considers the assumptions to be a **best estimate** basis, where applicable.
- P1.6. Practitioners' **communications** should explain any **material** difference between the actual experience emerging over the period since the previous exercise carried out for the same purpose (if one exists) with that assumed in that previous exercise.

## 2 Valuations of funeral plan trusts and funeral plans

- P2.1. Estimations of the liabilities of the **funeral plan trust** must reflect the obligations of the trust under the trust deed. Estimations of the liabilities of the funeral plan (whether secured by trust or otherwise) must reflect the obligations of the **funeral plan provider** under the relevant funeral plan contracts.

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- P2.2. Where the practitioner relies on the opinion of, or information from, a third party for any assumptions, **data** or methodology, they should consider the reasonableness and supporting evidence for the third-party estimate and those matters on which the practitioner relied.
- P2.3. Where practitioners have made any allowance for discretionary elements in the amounts payable from the funeral plan in the estimate of the liabilities of the **funeral plan provider** (or **funeral plan trust**), practitioners should determine how the allowance has changed since the previous exercise carried out for the same purpose.
- P2.4. Where a valuation relates to a mixture of **subsisting funeral plans** and **new funeral plans**, practitioners' assumptions should take account of how conditions differ between the two.
- P2.5. When practitioners calculate the general solvency requirement of the **funeral plan provider**, or assets and liabilities for recognition and/or disclosure in the document containing the accounts, the value of assets and liabilities to provide funerals should be calculated on actuarial assumptions which are consistent with those used for the most recent Solvency Assessment Report (SAR) where applicable<sup>1</sup>.
- P2.6. For valuations for any purpose other than the SAR or the plan provider's accounts, practitioners should satisfy themselves that, where possible, the liabilities are no lower and assets no higher than would have been the case if assumptions consistent with those adopted for the most recent SAR had been adopted.
- P2.7. When estimating the assets and liabilities of funeral plans funded by insurance policies for inclusion in the accounts of the relevant **funeral plan provider**, practitioners should have regard to comparable figures from the **funeral plan provider's** most recent regulatory returns to the FCA submitted in accordance with the FCA Handbook. Where the current estimate of the cost of the agreed funerals exceeds the total sum assured for the relevant insurance policies, the practitioner should recommend an appropriate adjustment to the accounts.

## Communications

- P2.8. Practitioners' **communications** must be clear on who is the intended recipient of all information provided. In particular, where reports contain information for parties who are not the **intended user** of the report this must be communicated clearly.
- P2.9. Practitioners' **communications** should include an explanation of, and a rationale for, the measures used to quantify the value of the assets; and if the measures used are not fair value measures, an estimate of the fair value of the assets.
- P2.10. Practitioners should take reasonable steps to ensure that their recommendations and advice in relation to **communications** provided to the **intended user** are not materially misstated or misrepresented by the **funeral plan provider**.

<sup>1</sup> [FPCOB 3.2](#)

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- P2.11. Where **communications** can be reasonably expected to be read by current or prospective plan holders, the practitioner should take reasonable steps to ensure the relevant **material actuarial information** is presented in a manner appropriate for the level of sophistication of such a user.
- P2.12. Where **communications** are in relation to a valuation of a **funeral plan trust**, the practitioner should explain the obligations under the trust deed underpinning the estimate of the liabilities of the **funeral plan trust** and describe where the liabilities of the **funeral plan trust** may differ from the liabilities of the trust-based **funeral plan provider**.
- P2.13. Practitioners' **communications** should state the assumptions, **data** or methodology for which the practitioner has relied on the opinion of, or information from, a third party. Practitioners' **communications** should include the justification for such reliance.
- P2.14. Practitioners' **communications** should explain any allowance for discretionary elements in the amounts payable from the funeral plan in the estimate of the liabilities of the **funeral plan provider** (or **funeral plan trust**) and how the allowance has changed since the previous exercise carried out for the same purpose (if one exists).

### 3 Risk Assessment

- P3.1. Practitioners must have regard to risks to the current and future financial position of the **funeral plan trust**.
- P3.2. Practitioners should consider risks to, and uncertainty in, the liability cash flows when estimating the liabilities of the **funeral plan trust**.
- P3.3. Practitioners should consider the liability cash flows expected to arise in each 12-month period following the effective date of the estimate of the liabilities of the **funeral plan trust** and consider the number of years of cash flow projections which are appropriate to communicate.
- P3.4. Practitioners should consider the liquidity needs of the **funeral plan provider** and **funeral plan trust** as appropriate, assuming that funerals are provided in line with the assumption of deaths in the most recent Solvency Assessment Report.
- P3.5. Practitioners should determine quantitatively and/or qualitatively the impact on the current and future financial position of the **funeral plan trust** of the following:
- risks arising from closure of the **funeral plan trust** to new business and of lapses of current policies;
  - risks arising from differences between the nature, term and characteristics of the liability cash flows and the nature, term and characteristics of the cash flows from the assets of the **funeral plan trust**; and
  - all other **material** risks of which the actuary would reasonably be expected to be aware of at the time of carrying out the work.

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- P3.6. When practitioners value either the **funeral plan trust** or the **funeral plan provider** (or both) the practitioner should consider the suitability of the assets to the liabilities by virtue of duration, currency, risk, accessibility and liquidity.
- P3.7. Practitioners should consider plausible circumstances which could lead to the failure of the funeral plan to deliver on its obligations to the funeral plan holders, and consider which of these circumstances are sufficiently material to communicate.

## Communications

- P3.8. Practitioners' **communications** must include sufficient **actuarial information** so that **intended users** can reasonably be expected to understand the **material** risks to the current financial position and the potential future development of the financial position of the **funeral plan trust**.
- P3.9. Practitioners' **communications** must include sufficient **actuarial information** to enable **intended users** to understand the sensitivity of the current financial position and the potential future development of the financial position of the **funeral plan trust** to the items covered in P3.5 above and the scenarios identified in P3.7.
- P3.10. Practitioners' **communications** should explain how risks to, and uncertainty in, the liability cash flows have been taken into account in the estimate of the liabilities of the funeral plan.
- P3.11. Practitioners' **communications** should quantify the liability cash flows covered in P3.3 and include an explanation of why the number of years chosen is appropriate.
- P3.12. Practitioners' **communications** should explain how the estimate of the liabilities of the funeral plan are consistent with the liability cash flows.

## 4 Actuarial approvals

- P4.1. Where a practitioner is asked to provide approval for a decision or transaction either where required by legislation or on the request of the decision-making **entity/intended user**, they must have regard to the **material** risks the decision or transaction poses to agreed funerals being provided to plan holders.
- P4.2. When applying P4.1, a practitioner must consider the following:
- the impact of the transaction on the expected level of future solvency of the **funeral plan trust** and its ability to make payments when they fall due;
  - past history of **funeral plan provider** requests for withdrawals and the decisions made in respect of these;
  - the size of the liabilities under the **funeral plan trust** compared to the contractual obligations of the **funeral plan provider** to plan holders;
  - known experience since the most recent valuation of the funeral plan.

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- P4.3. When applying P4.1 and P4.2 practitioners should use reasonable endeavours to obtain relevant information from previous practitioners in respect of the plan where necessary.
- P4.4. Practitioners must use reasonable endeavours to assist another practitioner to comply with provision P4.3.
- P4.5. Where the practitioner is asked to authorise a payment to the **funeral plan provider** the practitioner should satisfy themselves that:
- a. there remain sufficient realisable liquid assets to pay liabilities as they fall due over the next year;
  - b. the **funeral plan provider** or **funeral plan trust** is aware of plausible scenarios in which the trust solvency may fall below 100% over the next year.

## Communications

- P4.6. Practitioners' **communications** of actuarial approvals must be sufficient, so that the **intended user** can reasonably be expected to understand the factors the practitioner has considered when making the decisions and the reasons for the ultimate decision.

## 5 Transfers

- P5.1. Where a practitioner is certifying the sufficiency of transfer arrangements they must have regard to the ability of both contracts being transferred and any contracts which are not transferred to provide the agreed funerals under the funeral plan.
- P5.2. Practitioners should consider the following items:
- a. the impact on different classes of plan holders' benefits of adopting alternative assumptions;
  - b. any changes in the **material** risks to the benefits of the different classes of plan holders;
  - c. the potential reduction in the value of the benefits of the different classes of plan holders.

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# Glossary of defined terms used in TAS 400

must	Statements using the word 'must' set out mandatory requirements.
should	Statements using the word 'should' set out regulatory expectations and are intended to assist in compliance with mandatory requirements.  Deviation may be acceptable but <b>material</b> deviations will need to be justified. The justification must demonstrate how compliance with mandatory requirements has been achieved despite not meeting regulatory expectations.

Terms in **bold** in the text of this TAS 400 are used with the definitions set out below. These terms may also be used in the other TASs with the same meaning.

<b>actuarial information</b>	The output of <b>technical actuarial work</b> , including output from a model designed for direct use by the <b>intended user</b> .
<b>best estimate</b>	A best estimate valuation should reflect the actuary's expectation of future experience for each risk factor given all available, relevant experience and information pertaining to the assumption being estimated and set in such a manner that there is an equal likelihood of the actual value being greater than or less than the expected value.
<b>communications</b>	<b>Actuarial information</b> which meets the <b>reliability objective</b> and is given to the <b>intended user</b> to assist the <b>intended user</b> in making informed decisions.
<b>data</b>	Facts or information usually collected from records or from experience or from observation. Examples include membership or policyholder <b>data</b> , claims <b>data</b> , asset and investment <b>data</b> , operating <b>data</b> (such as administrative or running costs), benefit definitions, and policy terms and conditions.
<b>entity</b>	The <b>funeral plan trust</b> or other body that is the subject of the work being performed.
<b>funeral plan trust</b>	A trust established to hold money paid by customers to <b>funeral plan providers</b> for the purpose of providing funerals agreed under funeral plan contracts (as defined in article 59(2) of the <a href="#">Financial Services and Markets Act 2000 (Regulated Activities) Order 2001</a> ).

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<b>funeral plan provider</b>	A firm either: <ul style="list-style-type: none"> <li>a) Entering as a provider into a funeral plan contract.</li> <li>b) Carrying out a funeral plan contract as provider.</li> </ul>
<b>geographic scope</b>	The intended geographic scope of the TASs is limited to <b>technical actuarial work</b> done in relation to the UK operations of <b>entities</b> , as well as to any overseas operations which report into the UK, within the context of UK law or regulation. This definition of scope applies regardless of the location or domicile of the person carrying out the work.
<b>intended user</b>	A person or group of persons whose decisions <b>communications</b> are intended (at the time they are provided) to assist.
<b>material</b>	Matters are <b>material</b> if they could, individually or collectively, influence the significant or relevant decisions that could be taken by an <b>intended user</b> . Assessing whether a matter is <b>material</b> is a matter for judgement and therefore subjective, requiring consideration of the objectives underpinning the <b>technical actuarial work</b> , the expectations and experience of the <b>intended user</b> and other considerations, such as the significance of resulting commercial or practical implications.
<b>new funeral plan</b>	A funeral plan contract which was entered into on or after 29 July 2022.
<b>reliability objective</b>	To allow the <b>intended user</b> to place a high degree of reliance on <b>actuarial information</b> , practitioners must ensure the <b>actuarial information</b> , including the <b>communication</b> of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible.
<b>subsisting funeral plan</b>	A <a href="#">funeral plan contract</a> that was entered into before 29 July 2022, is still in force and defined as a subsisting funeral plan under FPCOB.
<b>technical actuarial work</b>	Work performed for the <b>intended user</b> : <ul style="list-style-type: none"> <li>(i) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or</li> <li>(ii) which the <b>intended user</b> could reasonably regard as <b>technical actuarial work</b> by virtue of the manner of its <b>communication</b>.</li> </ul>



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