



Institute  
and Faculty  
of Actuaries

# Regulation of pre-paid funeral plans: consultation on a policy proposal

IFoA response to HM Treasury

22 August 2019

## **About the Institute and Faculty of Actuaries**

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

We strive to act in the public interest by speaking out on issues where actuaries have the expertise to provide analysis and insight on public policy issues. To fulfil the requirements of our Charter, the IFoA maintains a Public Affairs function, which represents the views of the profession to Government, policymakers, regulators and other stakeholders, in order to shape public policy.

Actuarial science is founded on mathematical and statistical techniques used in insurance, pension fund management and investment. Actuaries provide commercial, financial and prudential advice on the management of assets and liabilities, particularly over the long term, and this long term view is reflected in our approach to analysing policy developments. A rigorous examination system, programme of continuous professional development and a professional code of conduct supports high standards and reflects the significant role of the profession in society.



Funeral Plans Consultation  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

22 August 2019

Dear Sir/ Madam,

**Regulation of pre-paid funeral plans: consultation on a policy proposal**

1. Fellows of the Institute and Faculty of Actuaries (IFoA) provide actuarial advice to a number of funeral trusts and funeral plan providers in the UK, including faith groups, which operate a substantial number of pre-paid funeral plans on a not-for-profit basis.
2. The IFoA continues to be supportive of more robust regulation of pre-paid funeral plans in order to enhance consumer protection. As pre-paid funeral plans are an important product for consumers, it is important that any regulatory change adequately protects consumers, without making the provision of this product not financially viable. Market conduct of intermediaries and the eventual cost of distribution passed to customers remained highly important areas of concern, and adequate steps must be taken to address this.
3. One attraction of these plans is that they are treated by some Councils as outside the assessment for Council support in care costs. The inconsistent treatment here is one demonstration of the need for the wider review of social care which the IFoA have previously supported.
4. As the questions in the consultation document are directed more towards plan providers, rather than the actuarial perspective, we have limited our response to general comments on the proposals that we hope will be useful to Treasury's further work on funeral plans.
5. The IFoA has previously suggested bringing customers within the scope of the Financial Services Compensation Scheme (FSCS), which does not currently provide protection for consumers who have a funeral plan with a provider that fails. The IFoA welcomes the current policy proposal for consumers to be entitled to pursue a complaint to the Financial Ombudsman Service (FOS) and the FOS' dispute resolution service being binding on funeral plan providers.
6. The IFoA notes that the government has undertaken an impact assessment on funeral plan providers. The form of future FCA regulation and how that will impact funeral plan providers and the trustees of funeral plan trusts will be key – including the voluntary religious schemes.
7. In order to provide customers with reasonable choice and to enable local schemes servicing a particular geographic region to continue, we believe that an adequate transition period is appropriate to allow suitable transition provisions for existing providers. These providers will require an early indication of what FCA regulation will mean for them if they continue to sell funeral plans in a regulated environment. There is a risk that the new regulations could in

themselves drive a provider into insolvency, although this could perhaps be mitigated by ensuring that the transition period is longer than the inter-valuation period.

8. If a plan provider decides they do not wish to continue selling funeral plans, or indeed if the FCA does not provide authorisation, then the trustees are likely to need a significant amount of time to decide whether it should continue as a closed trust or should be wound up. Winding up a trust may have some unintended implications for the plan provider, funeral directors and ultimately plan holders.
9. We are unclear on what the regulatory status will be of the voluntary religious schemes. The stance of HM Treasury's consultation document (in 2.11) is that these schemes would not come under an amended regulatory framework because they are probably not funeral plans under the Regulated Activities Order definition. However, in recent discussions with the IFoA, FCA officials have taken the view that such schemes are already subject to regulation by themselves or the PRA. The IFoA believes that whatever their technical status, the particular considerations affecting the faith schemes, some of which have been established for several hundred years, should be reviewed and clear guidance should be given.
10. The IFoA would welcome clarification on whether valuations of funeral plan trusts (and valuations of funeral plan providers and the faith schemes) will be required following the removal of the Regulated Activities Order exemptions. In relation to trust valuations, we believe it is important to recognise that the valuation of the liabilities of each pre-paid funeral trust is specific to that trust, reflecting its various requirements and future claims. The IFoA's view is that actuaries carrying out such valuations should continue to have flexibility in how they determine and calculate the liabilities of the trusts.
11. As the policy proposals could have an impact on our wider regulatory approach, including reviewing our existing standards and guidance in this area, the IFoA would be grateful for any early steer as to what the new regime will look like.
12. If you would like to discuss any of the points raised please contact Matthew Levine, Policy Manager at [Matthew.Levine@actuaries.org.uk](mailto:Matthew.Levine@actuaries.org.uk) or on 020 7632 1489 in the first instance.

Yours sincerely,

**Tan Suee Chieh**

**President Elect, Institute and Faculty of Actuaries**