



Financial Reporting Council
The Director of Actuarial Policy
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By email to: APT@frc.org.uk

24 April 2023

Dear Sir or Madam

Technical Actuarial Standard 400: Funeral Plans

PricewaterhouseCoopers LLP (We) welcome the opportunity to respond to the FRC's consultation on *TAS 400: Funeral Plans* ("the Consultation").

We have provided our responses to the 12 questions asked in the body of this letter:

1. What are your views on the revised scope of TAS 400? Do you envisage any significant actuarial work being carried out in relation to funeral plans which is not adequately covered by the revised scope and should be included?

We believe the proposed scope of TAS 400 sufficiently covers the technical actuarial work carried out by actuaries in relation to funeral trusts.

2. Should burial societies be considered in the next review of TAS 400? Please provide your reasoning and any evidence to support your views?

We have no comments on this question.

3. What are your views on the proposed changes to the provisions under Assumptions? Would you find further FRC technical guidance beneficial? If so, please provide details on what guidance you would like to see.

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We agree with the proposed changes to P1.1 and P1.2 regarding the derivation of best estimate assumptions.

We agree with the requirement for actuaries to consider the experience emerging between valuations, and we feel that further technical guidance on the level of experience analysis expected by the FRC in relation to less material assumptions would be helpful.

4. Would you find further FRC technical guidance beneficial in relation to communicating the obligations of funeral plan trusts under their trust deed? If so, please provide details on what guidance you would like to see

Provision 2.12 refers to the “obligations under the trust deed”, but funeral trust rules are not always clear on what the obligations of the trust (as opposed to the provider) are. We therefore believe that additional technical guidance relating to how trusts’ obligations can be disclosed when there is uncertainty over a trust’s own liabilities would be useful.

5. Do the proposed changes to TAS 400 provide sufficient support to allow a practitioner to understand how to handle and justify assumptions, data or methodologies driven by third party opinions? Would you find further FRC technical guidance beneficial? If so, please provide details on what guidance you would like to see.

While we generally agree that the proposed changes provide sufficient support to allow a practitioner to understand how to handle and justify assumptions, we would welcome greater clarity in relation to provision 2.2. (actuaries “should consider the reasonableness” of the information used). As currently drafted, this provision could be seen as inconsistent with the expectation set out in the Consultation that actuaries should have sufficient “knowledge and expertise” in relation to third party information.

6. What are your views on the proposed changes to TAS 400 in relation to the valuation of the assets and liabilities in respect of the provider’s corporate accounts and in respect of trustees?

We are concerned that P2.5 and P2.6 as currently drafted, could be confusing and/or result in unintended consequences as the wording does not adequately reflect the fact that some actuaries will work for the trustees of a funeral plan trust, rather than the provider who is responsible for the accounts.

In addition, the SAR assumptions are set to be “best estimate” and driven by the FCA, and the trust deed and rules of any trust may impose other requirements. Whereas, in the future, the assets and liabilities in the accounts will be derived under IFRS17¹ which contains more detailed provisions to consider the nature of the cashflows. In our view, it is not clear under P2.5 whether for example, a single discount rate would satisfy both requirements.

Based upon the current drafting of provision 2.5, our view is that actuaries would not interpret “consistent” as meaning the same and the advising actuary to the funeral plan provider would need to follow IFRS17 requirements for the purpose of the accounts.



¹<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ifrs-17-insurance-contracts.pdf?bypass=on>

7. Do you envisage any difficulties complying with Provision 2.10 in regard to ensuring your communications are not materially misstated or misrepresented? If so, please provide examples.

We agree with the intention of the proposed changes introduced by provision 2.10. However, provision 2.10 explicitly refers to the “intended user”, of the advice, which may not be the funeral plan provider. Further clarification would be helpful to make it clear what the actuaries’ responsibilities are where they provide advice to the trustee, rather than to the funeral plan provider - but where the funeral plan provider has sight of the documents provided (e.g. the SARs which are required to be published on the provider’s website).

P2.10 refers to “reasonable steps” which we believe could be open to interpretation and we would welcome this being more closely defined.

8. Do you agree with the degree of detail in TAS 400 around the communications of reports to plan holders? In particular how this applies to publishing SAR valuations.

We agree with the proposed changes.

9. Do you agree with the decision not to tackle the common terminology issue within TAS 400?

We agree with the FRC’s view that standardising terminology would be a helpful development to support consistent reporting and communication. Whilst we agree that the TAS principles may not be the best place to provide the relevant definitions, we are unsure where else this standardisation could be determined, noting that there are very few actuaries in this field.

In the absence of standardised terminology, we believe guidance from the FRC on how actuaries should approach situations where terminology may be interpreted differently would be beneficial.

As an example, we believe there is a risk that a plan holder could compare different SARs, produced by different actuaries who have different definitions of a “plan value”, and come to misinformed conclusions. We believe that, in the absence of defining common terminology, it would be appropriate for the new TAS 400 to provide guidance on how actuaries should communicate such uncertainties (for example by requiring actuaries to provide definitions of key terms within a SAR).

10. What are your views on the proposed changes to TAS 400 in relation to the Risk Assessment provisions?

We are concerned that assessing the liquidity needs of the funeral plan provider (rather than the funeral trust), as in provision 3.4, could be impractical where the actuary advises only the trustees of the trust. If the intention of this paragraph is for actuaries to assess the liquidity needs of providers even when they are not advising the provider, we believe that further guidance is needed, to ensure



that the actuary has sufficient information to do so.

While we understand that provision 3.7 relates to the failure of a funeral plan provider, it would be helpful if this could be made clearer in the provision, as the current wording of “funeral plan” could be interpreted as relating to a funeral trust.

If the provision relates to funeral plan providers, this provision suggests a covenant assessment is required, which we would welcome more guidance on. It would also be helpful to understand the cost impact of this provision as it does not appear to have been included in the impact assessment.

11. What are your views on the proposed provisions in Section 4 in respect of actuarial approvals? Are there further requirements which should be included? Would you find further FRC technical guidance beneficial? If so, please provide details on what guidance you would like to see.

As noted above, there may be situations where actuaries advise trustees, and not the associated funeral plan provider. We therefore believe it would be helpful if the provisions could be worded to reflect the fact that actuaries’ advice may be provided to either the trustees or the provider (or both). For example, P4.5 states that actuaries must make the funeral plan provider aware of certain risk factors - this may not be appropriate where actuaries do not advise funeral plan providers but this advice may be very relevant to the trustees and the decisions they are required to make.

Additionally, provisions 4.3 and 4.4 require actuaries to use “best endeavours” to obtain or provide “relevant information”. In our view, “best endeavours” could be interpreted as quite onerous and could potentially require actuaries to put in place formal data sharing agreements with their clients (equivalent to the formal Scheme Actuary agreements). We would welcome further guidance from the FRC on what the expectations are for an actuary’s “best endeavours”, and how these should be met.

Subject to the above, we agree with the proposed changes.

12. What are your views on the proposed provisions in Section 5 in respect of bulk transfers? Do they provide sufficient support for actuaries to certify bulk transfers under FPCOB?

We agree with the proposed changes.

13. Do you have any views on the July 2023 proposed publishing date with immediate implementation? How long do you expect to need to implement a new TAS 400 standard (assuming no substantial changes to the exposure draft)?

We are supportive of the proposal, provided there are no substantial changes to the exposure draft.

14. Do you agree with our impact assessment? Please give reasons for your response.

We are in broad agreement with the assessment.



Other comments

In our view, the 6 week deadline to publish a SAR is much shorter than the time taken to carry out a typical actuarial valuation and we believe that this may result in actuaries having to make approximations, e.g. where data is not available in time to meet the 6 week deadline.

Guidance from the FRC on how an actuary should approach this would be helpful.

We hope our comments are helpful and if you have any questions or require any further information, please do not hesitate to contact me at [REDACTED]

Yours faithfully,

Emma Morton

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