Co-op Funeral Plans Limited

Solvency Assessment Report as at 30 September 2025

Prepared by

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Actuarial Director

19 December 2025

Contents

Executive Summary

1. This report summarises the solvency assessments for each of the individual funeral trusts operated by Co-op Funeral Plans Limited ("CFPL") which is authorised by the Financial Conduct Authority ("FCA").

2. Based on the assumptions set out in this report, the solvency level for each of the 14 trusts of the CFPL funeral planning business (the "Funeral Plan") is greater than 100% as at 30 September 2025, with a total net surplus for all trusts combined of £4,734k.

3. There has been a small change in methodology. Funeral costs are now projected to increase once a year in August rather than monthly. In practice, the increase occurs in January each year, and so I recommend a model change to reflect this practice.

4. Under section 3.2.12 of the Funeral Plan Conduct of Business sourcebook ("FPCOB"), CFPL may consider withdrawing a total £2,612k of surplus from 12 of the trusts, where the solvency level for each of the 12 trusts would remain at least 110%. I would approve this withdrawal of surplus as shown in the following table, adjusted appropriately for the change to future funeral cost inflation timings, the change in economic conditions since 30 September 2025, and any other changes needing consideration at the time of the withdrawal. Any withdrawals would be subject to the trust rules and trustee approval. While not a regulatory requirement, I note that after the withdrawal, each trust would be able to withstand a reasonable stress event (100 basis points increase in funeral cost inflation).

Possible withdrawal of surplus by trust		
Trust name	**Amount of withdrawal CFPL considering £000's**	**30/09/2025 best estimate solvency level after withdrawal**
The Co-operative Funeral Bond Fund	1,185	110%
North East Funeral Trust	611	110%
Caring Covenant Funeral Bond Fund	428	110%
Kent Plan Liability	59	110%
George Burgess Plan Liability *	10	111%
Arnold Plan Liability *	11	112%
Yorkshire	21	110%
Sheffield	9	110%
United	0	109%
Leeds Co-Operative Society Limited	55	110%
Plymouth & South Devon Co-Operative	47	110%
Pinnacle Plan Liability	0	102%
Hinton Park WBG	141	110%
Poole & Wimborne WBG	35	110%
Total	**2,612**	**110%**

* Note that where the solvency level remains above 110%, this is because withdrawing an additional £1,000 of surplus would result in a solvency level somewhat below 110%.

Introduction

Purpose and Scope

5. The purpose of this report is to provide the Solvency Assessment Report ("SAR") and assess the solvency of each of the 14 CFPL trusts as at 30 September 2025. This is in line with section 3.2 of the FPCOB.

6. This report is commissioned by CFPL to provide the SAR as required by FPCOB. Further information is provided in the report "Solvency Assessment Report as at 30 September 2025: Detail" dated 19 December 2025.

7. The SAR must contain an actuarial valuation for each trust, comparing the value of:

- the benefits already promised to, or in respect of, plan-holders, net of the value of outstanding instalments and lump sum payments, with
- the invested assets.

8. The actuarial valuation for each of the CFPL trusts was previously carried out as at 30 September 2024.

9. In preparing this report I have taken account of the following professional standards as published by the Actuarial Profession and the Financial Reporting Council, in particular:

- TAS 100: General Actuarial Standards Version 2.0
- TAS 400: Funeral Plans
- Actuarial Profession Standard (APS) Z1: Duties and responsibilities of members undertaking work in relation to UK funeral plans

10. Additionally, this report has been subject to internal peer review by a senior actuary who is not involved in the normal day to day actuarial activities with CFPL. As such I believe this peer review may be regarded as "independent" and in keeping with the Actuarial Profession Standard X2: Review of Actuarial Work. No unresolved issues remain as a result of that review.

Reliances and Limitations

11. This report is commissioned by CFPL and must not be relied upon for any purpose other than that set out in the paragraphs above. In line with the FPCOB, this report is to be submitted to the FCA and is to be published on the CFPL website within 30 days of this report being completed. This report must be considered in its entirety, as individual sections, if considered in isolation, may be misleading.

Data

12. CFPL have provided the following data for each of the Funeral Plan trusts as at 30 September 2025.

- Records for each of the Funeral Plan trust plans as at 30 September 2025, including updates from further data cleansing and death registry tracing exercises which have now concluded.

- Information about past sales patterns to help estimate fields such as the effective date when these are missing from these records.
- The current estimated cost to CFPL of fulfilling each funeral together with assumptions for future funeral cost inflation.
- The amount of assets within each trust and how these are invested.
- Background information for the 14 trusts including trust deeds where available. These trusts are dated from 1991 to 2006 and came into CFPL alongside historic business acquisitions, such as regional Co-ops from Plymouth, Yorkshire, and Leeds. No conflicts of interest between the trustees and CFPL have been identified. The CFPL Board have agreed to pay all trust administration expenses in accordance with the trust deeds.
- Capital injections since the previous valuation.

13. Further information about the data extract provided is summarised in "Appendix A – Summary of Data Extract Provided".

14. I have relied on the data provided but have also performed reasonableness checks.

15. For some plans, the level of funeral benefit, date of birth, effective date, and/or gender are missing, and some plan-holders are likely to have lost touch with their funeral provider and possibly died without a claim being made ("gone away"). In those instances, I have made estimates for the missing fields. Despite these limitations, I have no concerns about the accuracy of the data provided.

16. As noted above, the trusts have concluded their data cleansing and death registry tracing exercises. CFPL has reunited some of the beneficiaries found on the death registry with the amount due to them and continues to develop a plan for beneficiaries who cannot be found or engaged.

Methodology and Assumptions

Methodology

17. The best estimate liability is calculated as:

- The value of future funeral benefits on death of the plan-holder
- Plus the value of future cancellation benefits, which is the return of payments made by the customer less cancellation fee
- Plus the value of future Funeral Savings Plans ("FSPs") benefits, where the plan-holder receives the premium paid at death.

18. Cancellation benefits are payable when a funeral is provided by a funeral director outside of the CFPL network or when a plan-holder cancels their plan early. The trust plans have been in force for many years and there is only a small likelihood that plan-holders will cancel in the future. Plans that are gone away and where the policyholder has died are entitled to be paid the cancellation benefit when the beneficiaries come forward and this is included in the "cancellation" total in the "Balance sheet" section of this report.

19. Future cash flows are projected based on assumptions about the level of benefit payable (i.e. by allowing for assumed funeral cost inflation) and when the benefits are expected to be paid (i.e. allowing for assumed mortality and cancellation rates). These cash flows are then discounted back to the valuation date at the assumed discount rates to a single net present value. No future instalment payments are due for these plans.

20. The trust solvency level is calculated as the trust assets as a percentage of the trust liabilities.

Assumptions

21. The liabilities of the trusts have been determined on a best estimate basis. A best estimate is one that is not deliberately either optimistic or pessimistic.

22. The discount interest rate reflects expected future investment returns on the trust assets after allowing for investment management charges and tax. Four of the trusts have their investments in a Royal London Asset Management balanced investment fund ("balanced fund"), with an investment management charge of 0.6% (unchanged from last year) per annum, while the other trusts are invested in cash with Royal Bank of Scotland and so have no investment management charge. Two of the trusts invested in cash are taxed at a different rate to the other trusts. Further information about the balanced fund asset mix is summarised in " Appendix B – Summary of Balanced Fund Asset Mix".

23. The discount and funeral cost inflation rate assumptions vary by projection year. Example rates are shown in the following table, along with a comparison to last year's assumptions.

Assumption	Date	1	2	3	4	5	10	15
Discount: cash taxed at 25%	30/09/2025	2.9%	3.0%	3.1%	3.4%	3.6%	4.6%	5.0%
Discount: cash taxed at 45%		2.2%	2.2%	2.3%	2.5%	2.7%	3.4%	3.6%
Discount: balanced fund		3.8%	3.8%	4.0%	4.3%	4.5%	5.5%	5.9%
Funeral cost inflation		3.6%	2.8%	2.7%	2.7%	2.7%	3.0%	3.1%
Discount: cash taxed at 25%	30/09/2024	2.8%	2.7%	2.7%	2.8%	2.9%	3.6%	4.0%
Discount: cash taxed at 45%		2.1%	2.0%	2.0%	2.1%	2.1%	2.6%	3.0%
Discount: balanced fund		3.8%	3.6%	3.7%	3.8%	3.9%	4.6%	5.0%
Funeral cost inflation		3.4%	3.6%	3.4%	3.2%	3.1%	3.0%	3.2%

24. The discount rate assumption for the 10 trusts invested in cash is based on the gilt yield less tax. The discount interest rate for the four trusts invested in the balanced fund allows for excess returns above the gilt yield to reflect the higher yields expected from the corporate bond, equity, property, and alternative investments of the balanced fund.

25. The following table shows the current investment strategy, funeral cost assumption, and tax rate on investment returns assumption for last year and this year by trust.

Valuation assumptions by trust				
Trust name	**Investment strategy (no change)**	**30/09/2024 funeral cost**	**30/09/2025 funeral cost**	**30/09/2025 and 30/09/2024 tax rate (no change)**
The Co-operative Funeral Bond Fund	Balanced fund	£3,187	£3,321	25%
North East Funeral Trust	Cash	£3,187	£3,321	25%
Caring Covenant Funeral Bond Fund	Balanced fund	£3,187	£3,321	25%
Kent Plan Liability	Cash	£3,187	£3,321	25%
George Burgess Plan Liability	Cash	£3,187	£3,321	25%
Arnold Plan Liability	Cash	£3,187	£3,321	25%
Yorkshire	Balanced fund	£3,187	£3,321	25%
Sheffield *	Cash	N/A	N/A	25%
United	Cash	£3,187	£3,321	25%
Leeds Co-Operative Society Limited	Cash	£3,187	£3,321	25%
Plymouth & South Devon Co-Operative	Balanced fund	£3,187	£3,321	25%
Pinnacle Plan Liability	Cash	£3,187	£3,321	25%
Hinton Park WBG	Cash	£1,908	£2,040	45%
Poole & Wimborne WBG	Cash	£1,908	£2,040	45%

* The Sheffield trust only contains FSPs in which the benefit on death is the return of premium.

26. Other assumptions made for the SAR valuation are summarised in the table below, including a comparison to the previous year's valuation.

Valuation assumptions for all trusts		
Assumption	**30/09/2024**	**30/09/2025**
Mortality for males	111% ELT17 for males with 1% per annum future mortality improvement	110% ELT17 for males with 1% per annum future mortality improvement
Mortality for females	111% ELT17 for females with 1% per annum future mortality improvement	110% ELT17 for females with 1% per annum future mortality improvement
Cancellation rate before death	0.3% plus an allowance in the first projection month to reflect data adjustments for gone away plans which varies by trust	0.3% plus an allowance in the first projection month to reflect data adjustments for gone away plans which varies by trust
Cancellation rate at death	2.0%	2.2%
Expenses	Nil	Nil
Cancellation fee	£50	Varies by plan

27. Further information about how the assumptions are derived is provided in "Appendix C - Assumptions Detail".

Actuarial Valuation and Analysis of Change

Balance sheet

28. The balance sheet below sets out the results of the actuarial valuation as at 30 September 2025 for all the trusts in total. It also projects the future position for three years. At the valuation date, the fair value of the trust assets is £26,260k and the trust liability is £21,526k, resulting in an overall surplus of £4,734k and a total trust solvency level of 122%. Note that throughout this report, totals are calculated by summing unrounded figures, and so may be very slightly different from the sum of the rounded figures shown.

Balance sheet for all the trusts in total				
£000's	**30/09/2025**	**30/09/2026**	**30/09/2027**	**30/09/2028**
	Actual	Projected	Projected	Projected
Trust assets	26,260	22,593	20,761	19,112
Present value of future cash flows:				
Funeral costs	19,013	16,911	15,034	13,308
Cancellation - premium refunds	1,786	268	232	200
Cancellation - fees	-4	-1	-1	-1
FSPs	731	488	398	321
Expense reserve	Nil	Nil	Nil	Nil
Trust liability	21,526	17,665	15,663	13,828
Trust solvency level = assets / liability	122%	128%	133%	138%
Trust surplus = assets less liability	4,734	4,927	5,098	5,284

29. Based on how economic conditions have changed from 30 September 2025 to the date of this report, with gilt yields reducing by more than inflation has reduced, we would expect the surplus to have reduced somewhat and the solvency level to be about 118%.

30. By trust, the balance sheets as at the valuation date are as follows.

Balance sheet by trust as at 30/09/2025				
Trust name	**Assets £000's**	**Liability £000's**	**Surplus £000's**	**Solvency level = assets / liability**
The Co-operative Funeral Bond Fund	11,391	9,278	2,113	123%
North East Funeral Trust	4,050	3,126	925	130%
Caring Covenant Funeral Bond Fund	3,120	2,464	656	127%
Kent Plan Liability	519	404	115	129%
George Burgess Plan Liability	73	56	16	129%
Arnold Plan Liability	40	26	14	155%
Yorkshire	1,034	921	114	112%
Sheffield	179	154	24	116%
United	3,042	2,788	254	109%
Leeds Co-Operative Society Limited	316	237	79	133%
Plymouth & South Devon Co-Operative	1,045	907	138	115%
Pinnacle Plan Liability	82	80	1	102%
Hinton Park WPG	954	738	216	129%
Poole & Wimborne WPG	416	347	70	120%
Total	**26,260**	**21,526**	**4,734**	**122%**

31. The valuation result is sensitive to the funeral cost inflation assumption in relation to the discount interest rate. For example, an increase in the funeral cost inflation assumptions of 100 basis points in each projection year (e.g. from 2.7% to 3.7% in projection year 5) would reduce the overall surplus of £4,734k by £1,124k to an overall surplus of £3,610k. At the latest valuation, as at 30 September 2025 and updated for the economic conditions at the date of this report, the financial position of CFPL is strong enough to cover such a stress event.

32. The valuation result is not very sensitive to the cancellation assumption, which is currently very low (and would be more sensitive if the cancellation experience were higher than 0.3%), or to the mortality assumption due to the relatively high current ages of the customers. The asset value for each of the 14 trusts is in excess of the total cancellation value of the plans at 30 September 2025, which totals £11,721k across all of the trusts.

Analysis of Change

33. For 11 of the 14 trusts, the surplus has changed only slightly over the past year.

34. The surpluses for the other three trusts, Co-operative Funeral Bond Trust, North East Funeral Trust, and United, have increased appreciably over the past year, mainly due to the increase in the discount interest rate assumption.

35. Each of the 14 trusts continues to have a surplus.

36. A further breakdown of the change in surplus over the past year is summarised in the following table.

Analysis of change in surplus by trust from 30/09/2024 to 30/09/2025 £000's							
Trust name	**Surplus 30/09/2024**	**Projection**	**Model**	**Economic assumptions and experience**	**Claims assumptions and experience**	**Capital injections**	**Surplus 30/09/2025**
The Co-operative Funeral Bond Fund	**1,162**	79	115	495	262	0	**2,113**
North East Funeral Trust	**720**	26	37	53	88	0	**925**
Caring Covenant Funeral Bond Fund	**662**	33	31	133	-202	0	**656**
Kent Plan Liability	**105**	4	4	7	-6	0	**115**
George Burgess Plan Liability	**10**	0	1	1	3	0	**16**
Arnold Plan Liability	**13**	0	0	0	-1	0	**14**
Yorkshire	**83**	7	11	47	-34	0	**114**
Sheffield	**31**	1	0	2	-9	0	**24**
United	**-10**	6	35	68	143	11	**254**
Leeds Co-Operative Society Limited	**63**	2	2	5	6	0	**79**
Plymouth & South Devon Co-Operative	**136**	9	11	47	-64	0	**138**
Pinnacle Plan Liability	**-2**	0	1	1	-1	3	**1**
Hinton Park WPBG	**215**	5	0	23	-28	0	**216**
Poole & Wimborne WBG	**73**	2	0	9	-14	0	**70**
Total	**3,262**	**174**	**249**	**891**	**144**	**14**	**4,734**

37. Explanations for each of the analysis of changes figures are as follows.

38. "Projection": This shows the best estimate view of how the surplus was expected to change last year, after any model and/or plan data adjustments are made. A minor increase was expected for each of the trusts.

39. "Model changes": A small change was made during the year to improve the timings of future funeral cost inflation increases. Funeral costs are now projected to increase once a year in August rather than monthly from the first projection month. In practice, the increase occurs in January each year, and so I recommend a model change to reflect this practice, which will reduce surplus somewhat.

40. "Economic assumptions and experience": This reflects the actual movement in funeral cost inflation and interest rates in the past year in excess of what was expected last year, and also the increase in the discount interest rate assumption and the slight change in funeral cost inflation assumption. There is an increase for each of the trusts, mainly due to the increase in the discount interest rate assumption.

41. "Claims assumptions and experience": This reflects the actual movement in death and cancellation rates in the past year in excess of what was expected last year, and also the slight increase in cancellation rate at death assumption. There was an overall increase in surplus for the trusts, mainly due to fewer cancellations than projected.

42. "Capital injections": In December 2024 CFPL injected capital which resolved small deficits for the United and Pinnacle Plan Liability trusts.

Conclusion

43. In line with the FCA regulations, the solvency for each of the CFPL trusts has been assessed on a stand-alone basis.

44. On a best estimate basis, each of the 14 trusts each have a surplus, with assets exceeding liabilities by £4,734k in total for all trusts as at 30 September 2025. Based on the data provided by CFPL and my expert judgement, I believe this to be a reasonable solvency assessment for each of the trusts.

45. One of the key assumptions in the best estimate basis is the projected funeral costs for each plan-holder. CFPL have a good understanding of funeral costs through their traditional funeral business and have provided both the current funeral cost and the funeral cost inflation assumptions. I have reviewed these assumptions for reasonableness.

46. The major risk to the Funeral Plan is higher than expected funeral cost inflation in relation to the discount interest rate. For example, an increase in the funeral cost inflation assumptions of 100 basis points in all projection years, with no change in investment returns, would reduce the overall surplus of £4,734k by £1,124k to an overall surplus of £3,610k. The sensitivity of the valuation result to variations in the main assumptions is illustrated in "Appendix D – Sensitivity Analysis".

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Actuarial Director

Appendix A – Summary of Data Extract Provided

47. The table below summarises the data extract information provided, excluding assets and plan values for FSPs of £1,245k. The FSP benefit is a return of premium and not a funeral.

Data extract and other information provided by trust excluding FSPs					
Trust name	**Number of funeral plans**	**Payment method**	**Assets for funeral plans £000's**	**Funeral plan costs £000's ***	**Average funeral plan cost £ ***
The Co-operative Funeral Bond Fund	3,533	Single payments	10,876	11,733	3,321
North East Funeral Trust	979	Single payments	3,661	3,251	3,321
Caring Covenant Funeral Bond Fund	900	Single payments	3,120	2,989	3,321
Kent Plan Liability	136	Single payments	493	452	3,321
George Burgess Plan Liability	20	Single payments	73	66	3,321
Arnold Plan Liability	9	Single payments	40	30	3,321
Yorkshire	318	Single payments	1,020	1,056	3,321
Sheffield	0	Single payments	0	0	N/A
United	1,001	Single payments	3,032	3,324	3,321
Leeds Co-Operative Society Limited	60	Single payments	205	199	3,321
Plymouth & South Devon Co-Operative	320	Single payments	1,045	1,063	3,321
Pinnacle Plan Liability	27	Single payments	82	90	3,321
Hinton Park WBG	376	Single payments	954	767	2,040
Poole & Wimborne WBG	173	Single payments	416	353	2,040
Total excluding FSPs	**7,852**		**25,015**	**25,373**	**3,104**

* This is the funeral plan value required by section 3.2.3 of the FPCOB to be disclosed. It is the total cost if all of the funerals covered by the plans were provided at the valuation date.

48. Assets are the amount of payments made by the customer and invested by the valuation date (net of historical sales cost allowances) including asset returns and interest, and the capital injections made by CFPL before 30 September 2025. The funeral plan value is the cost of the funeral if it were provided at the valuation date, and can be higher than the liability, for example if expected future investment returns are generally greater than expected future funeral cost inflation.

49. There have been no withdrawals of surplus from any of the trusts in the past year.

Appendix B – Summary of Balanced Fund Asset Mix

50. Four of the trusts (identified in paragraph 27) are invested in the balanced fund. The table below summarises the fund mix by asset type at the valuation date. It is noted that there are plans to move the investments of the other 10 trusts from cash to a managed fund, which would be expected to increase surplus.

Royal London GMAP Balanced M Acc (balanced fund) 30/09/2025	
Asset class	**Asset mix**
Cash and absolute return	1.0%
UK equities	7.4%
Overseas equities	21.2%
Investment grade corporate bonds	17.7%
Index linked gilts	8.7%
UK property	7.6%
Gilts	14.9%
Commodities	7.2%
Global high yield bonds (£ hedged)	6.2%
Emerging market equities	6.0%
Asset backed securities	1.9%
Total	**100.0%**

Appendix C – Assumptions Detail

51. The derivation and justification for the assumptions are discussed in detail below.

Administration and Trustee Expenses

52. For most trust deeds, CFPL is allowed to cover all administration and trustee expenses, and the CFPL Board have confirmed that they will not charge the trusts the amount of overall administration expenses paid by CFPL that can be fairly attributed to them.

Discount Interest Rate

53. I have derived the discount interest rate for placing a present value on the projected liability cash flows within each trust. The discount interest rate reflects expected future investment returns on the trust assets after allowing for investment management charge and tax, as follows.

Expected investment returns

54. Four of the trusts have their investments in the balanced fund, which carries an annual investment management charge of 0.6%. While the necessary trust deed amendments are made for the other 10 trusts, they remain invested in cash and so have no investment management charge. The Hinton Park WBG and Poole & Wimborne WBG trusts incur a tax rate of 45%, reflecting the unique arrangements for these trusts, and the other trusts incur a tax rate of 25% on investment return after the investment management charge.

55. For the 10 trusts invested in cash, the actual returns have been below the short-term gilt yields estimated by the Bank of England (3.9% for 1-year as at the valuation date) but I understand the funds are being positioned in anticipation of moving to the balanced fund. Therefore, gilt yields less tax have been used for the discount interest rate.

56. For the four trusts invested in the balanced fund, the discount interest rate assumed is the gilt yield plus an extra return that might be achieved by holding risker assets i.e. a “risk premium”.

57. The risk premium depends on the risk profile of the assets themselves and is subjective. I have adopted risk premiums that vary by asset type that are within what is generally considered to be a reasonable range. The assets are mostly held in bonds and equities (UK and overseas). A breakdown of the underlying assets and the assumed risk premium is shown in the following table.

Royal London GMAP Balanced M Acc (balanced fund) 30/09/2025		
Asset class	**Asset mix**	**Risk premium**
Cash and absolute return	1.0%	Nil
UK equities	7.4%	3.50%
Overseas equities	21.2%	3.50%
Investment grade corporate bonds	17.7%	0.80%
Index linked gilts	8.7%	-0.25%
UK property	7.6%	3.00%
Gilts	14.9%	Nil
Commodities	7.2%	1.00%
Global high yield bonds (£ hedged)	6.2%	1.30%
Emerging market equities	6.0%	4.50%
Asset backed securities	1.9%	2.00%
Total	**100.0%**	**1.81%**

58. The risk premium assumption by asset class has been updated from the 30 September 2024 valuation, and when combined with the updated asset mix, the changes have reduced the overall risk premium somewhat.

Discount interest rate assumption

59. On this basis, the discount interest rate assumed will be the gilt return plus risk premium less 0.60% investment management expense (for Trusts invested in the Balanced Fund) as provided by the investment manager and tax. Example forward rates are shown in the following tables. Note that overall, gilt yields have increased between last year's to this year's valuation.

Assumption (forward rate)	30/09/2025 by projection year						
	1	2	3	4	5	10	15
Gilt yield	3.9%	3.9%	4.2%	4.5%	4.8%	6.2%	6.6%
Less deduction for 25% tax	1.0%	1.0%	1.0%	1.1%	1.2%	1.5%	1.7%
= Discount: cash for trusts taxed at 25%	**2.9%**	**3.0%**	**3.1%**	**3.4%**	**3.6%**	**4.6%**	**5.0%**

Assumption (forward rate)	30/09/2025 by projection year						
	1	2	3	4	5	10	15
Gilt yield	3.9%	3.9%	4.2%	4.5%	4.8%	6.2%	6.6%
Less deduction for 45% tax	1.8%	1.8%	1.9%	2.0%	2.2%	2.8%	3.0%
= Discount: cash for trusts taxed at 45%	**2.2%**	**2.2%**	**2.3%**	**2.5%**	**2.7%**	**3.4%**	**3.6%**

Assumption (forward rate)	30/09/2025 by projection year						
	1	2	3	4	5	10	15
Gilt yield	3.9%	3.9%	4.2%	4.5%	4.8%	6.2%	6.6%
Plus risk premium	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Less investment management fee	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Less deduction for 25% tax	1.3%	1.3%	1.3%	1.4%	1.5%	1.8%	2.0%
= Discount: balanced fund	**3.8%**	**3.9%**	**4.0%**	**4.3%**	**4.5%**	**5.5%**	**5.9%**

60. It is important to note that the valuation result is quite sensitive to the difference between the discount rate and funeral cost inflation rate rather than to the discount rate itself. This aspect is discussed further in the “Funeral Cost Inflation” section below.

Funeral Cost Inflation

61. CFPL have a good understanding of how funeral costs increase through their traditional funeral business and have provided the funeral cost inflation assumption equal to RPI as at the valuation date less 25 basis points to allow for high levels of demand for inflation linked gilts increasing inflation expectations. I have reviewed this assumption for reasonableness. Example rates are shown in the following table. Note that overall, RPI has changed little between last year’s to this year’s valuation.

Assumption	30/09/2025 by projection year						
	1	2	3	4	5	10	15
Funeral cost inflation	3.6%	2.8%	2.7%	2.7%	2.7%	3.0%	3.1%

62. In the past, actual funeral cost inflation has sometimes been somewhat higher and sometimes somewhat lower than what had been assumed in the previous year’s solvency assessment. This provides comfort that the funeral cost inflation assumption has not been deliberately optimistic or pessimistic. A table of comparison is as follows.

Year of solvency assessment	Actual funeral cost inflation	Funeral cost inflation assumed in previous year's solvency assessment
2023	4.7%	5.0%
2024	4.4%	3.1%
2025	4.2%	3.4%

63. I have considered climate change in the valuation. The biggest risk is higher funeral costs associated with future climate change regulation compliance. The Control of Mercury (Enforcement) Regulations from 2017 is the most recent example for this, where crematoriums were required to reduce emissions. This resulted in a one-off increase in cremation costs of about 5%. However, this increase in cost is a very small proportion of the total funeral costs and there are no current regulatory proposals of a similar nature. The duration of the trust liabilities is short enough that this future scenario is unlikely to affect the costs of the current plans.

64. For the above reasons, no adjustment to the valuation for climate change has been made.

Mortality

65. The mortality experience investigation for the non-trust funeral plans completed in 2023 determined that the overall mortality rate over the period of the investigation was 112% of the standard mortality table ELT17, and this is an improvement from the previous mortality experience investigation of approximately 1% per annum. I have used this as the best estimate in the current valuation, bringing the assumption to 110% (compared to 111% last year less 1% for one year of mortality improvement), along with 1% per annum future improvement (the same as last year).

66. ELT17 is latest of a series of English Life Tables published by the Office for National Statistics. It is based on the mortality experienced by the population of England and Wales during the years 2010, 2011 and 2012.

67. The next mortality investigation is due to be carried out in 2026.

Cancellation

68. The term "cancellation" is used in the funeral plan to refer to events that result in the payment of a cancellation benefit as opposed to the provision of a funeral. Cancellation can occur on either surrender or death, where the family of the plan-holder may decide to have the funeral outside of the provider network.

69. The cancellation benefit is assumed to be the return of instalment(s) less a cancellation fee in accordance with the trust deeds overall.

70. The CFPL cancellation experience investigation covering trust and non-trust funeral plans was carried out in 2025. These provide for the cancellation experience at surrender by plan year and for cancellation at death overall. It is based on historical experience over the past three years. I have used these rates in the valuation as follows, noting that all trust plans are currently in plan years 16+.

	At death	At surrender for projection years 16+
Cancellation rate	2.2%	0.3%

71. Additionally, plans that are assumed gone away are assumed to cancel in the first projection month.

Appendix D – Sensitivity Analysis

72. The results of the sensitivity analysis for all of the trusts in total, i.e. the calculation of the surplus or deficit using assumptions higher or lower than the base assumptions, are set out in the table and graph below.

73. The central vertical axis of the graph represents the first row of the table i.e. the best estimate of a surplus of £4,734k. Bars to the right represent a larger surplus and bars to the left a smaller surplus.

74. As expected, the assumptions to which the valuation is most sensitive are the discount rate and the rate of funeral cost inflation. More specifically, it is the difference between these two assumptions that has the greatest impact on the result.

75. A reduction in the discount interest rate increases the value of the liabilities by more than the increase in value of cash, gilt, and corporate bond assets, and this is reflected in the sensitivities below.

76. For the trusts invested in the balance fund, the assets can be sensitive to equity and corporate bond spread movements, although the surplus remains positive in the sensitivities shown below.

77. The surplus is not very sensitive to the mortality or cancellation assumptions.

78. The FCA, Financial Reporting Council (FRC), and Institute and Faculty of Actuaries conducted a round table discussion with funeral plan actuaries in September 2023. The FCA recommended the consideration of operational and regulatory risk.

79. CFPL have considered a plausible operational and regulatory risk scenario in which an unspecified event occurs that causes reputational damage, a subsequent loss of members, plus temporary additional costs associated with resolving the issues that have occurred. This might be the costs of supporting an investigation requested by the Regulator (section 166) or simply additional costs addressing issues that have arisen. Due to the value of the funeral that the plan provides to plan-holders, a mass lapse of more than 5% is unlikely. The scenario therefore assumes a 5% mass lapse, plus an additional £0.5m of expenses in the first year. This event increases surplus due to the reduction in liabilities from the mass lapse being greater than the increase in expenses. Therefore, further mitigation of this potential risk is not needed.

80. Care needs to be taken when using the graph to estimate the impact of changing more than one assumption at a time. For example, assuming both a lower discount rate and a higher rate of inflation will have a greater impact than the sum of the impacts in isolation.

81. These sensitivities will change once a new investment strategy is implemented for the 10 trusts invested in cash.

Sensitivity Results			
Scenario	**Sensitivity**	**Increase from base (£000's)**	**Surplus for all trusts in total (£000's)**
Base			**4,734**
1	Discount interest rate + 1%	576	5,311
2	Discount interest rate - 1%	-706	4,028
3	Funeral cost inflation +1%	-1,124	3,610
4	Funeral cost inflation -1%	1,007	5,741
5	Funeral cost inflation +3% for 2 years (climate change)	-920	3,814
6	Mortality + 40%	-491	4,244
7	Mortality - 40%	999	5,733
8	Cancellation rate + 100%	459	5,194
9	Cancellation rate - 50%	-236	4,498
10	Operational risk	19	4,754
11	Corporate bond spread +1%	-315	4,420
12	Equity asset value -10%	-695	4,039