

**Haven Funeral Trust
Solvency Assessment Report
Results of the Actuarial Valuation
as at 31 March 2024**

Date: 13 September 2024

Prepared by: David Downie BSc FIA

Solvency Assessment Report with the Results of the Actuarial Valuation of the Haven Funeral Trust as at 31 March 2024

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Introduction and Executive Summary

I have been instructed by Haven Personal Funeral Plans Limited to perform an actuarial valuation of the Haven Funeral Trust ("Trust") and to provide a Solvency Assessment Report ("SAR") as required by the Financial Conduct Authority ("FCA") under section 3.2.2 of the Funeral Plan: Conduct of Business sourcebook. The Trust is for the pre-arrangement and pre-funding of funeral services.

This report, in accordance with the Financial Services and Markets Act (Regulated Activities) Order 2001 act. 60(1)(b)(v), covers the determination, calculation and verification of the assets and liabilities of the Haven Funeral Trust ("the Trust") as at 31 March 2024 (the "Valuation Date"). The last SAR of the Trust was undertaken as at 31 March 2023 and was dated 15 September 2023. The period under review is therefore twelve months.

The report is addressed to Haven Personal Funeral Plans Limited ("the Plan Provider/HPFPL") who is the Plan Provider but contains information that is also relevant to the Trustees and Havencare Management Limited and the Appointed Funeral Directors (jointly "the Funeral Directors"). It describes the financial condition of the Trust at the valuation date and considers the funding appropriate to the Trust after the valuation date.

In preparing this report we have complied with the Technical Actuarial Standard (TAS) - TAS 100 covering Principles for Technical Actuarial Work and TAS 400 (covering Funeral Trusts). We have also taken account of the following items produced by the Institute and Faculty of Actuaries:

- APS Z1 (version 2) "Duties and responsibilities of actuaries working for UK Trust-based Pre-Paid Funeral Plans (effective 19.11.2023);
- APS X2 "Review of Actuarial Work" (effective 01.07.2015);
- Guide for Actuaries on UK Trust-Based Pre-Paid Funeral Plans;
- Guide for Trustees on UK Trust-Based Pre-Paid Funeral Plans.

We have considered general data, administrative, procedural, investment and pricing issues and Plan Holders' contracts. The Funeral Directors have confirmed that the objective of the Funeral Plan is to provide the contracted funeral to the Plan Holder at the time of need.

This valuation does not take account of any future new business that may be written after the effective date of this valuation.

The Best Estimate basis results of the valuation under the Net Average Cost Basis show that the Trust has a funding level of 134.2% with an accrued surplus of £2.64 million.

The actuarial certificate is attached to certify the payment of the greater of a sum not exceeding the Original Pre Paid sum less £250 or the Net Average Cost of the contracted funerals.

Purposes of the Report

The main purpose of this valuation is to advise the Plan Provider of the position of the Trust relative to the liabilities as required by the FCA and also as required under clause 6 of the supplemental deed and this is purely a “valuation exercise”. The purpose of this SAR valuation is also to establish the level of security from within the Trust for a Plan Holder’s contracted funeral service and to identify, as far as possible, the development of the Trust and the risks and issues that might affect the various stakeholders in the Trust in the future. The valuation also satisfies various statutory requirements as required under Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and the requirements of the FPCOBS.

For this actuarial valuation, the liabilities have been calculated based on the funeral plan fees and disbursements due to be paid to the funeral directors that have been contracted to conduct the funerals of plan holders.

The report includes elements required by FCA which are also required to be reported in the SAR, namely:-

- the determination, calculation and verification of both the assets and liabilities of the Trust under a best estimate basis;
- the liabilities are to be measured against the amounts needed to provide the funeral
- the funeral plan Trust data should be shown into the following subcategories of payment method:
 - paid in full or single payments;
 - instalment payments fully paid;
 - instalment payments not fully paid.

where the funeral costs increase with inflation this may be allowed for.

The purposes of the valuation are described above and the report is produced for the use of the Plan Provider and the Trustees. Neither WBR Actuarial, nor I accept any liability to any third party in respect of the contents of this Report for its use for any purpose other than those set out as above.

Trust and Operational Provisions

The Trust was effectively set up by deed and dated 25 January 1999 (“the Trust Deed”) providing pre-paid bespoke funeral services in accordance with the provisions of the Plan.

At the effective date of this SAR valuation the Trust was managed by 5 Trustees, namely: Mr C Tempest, Mrs D S Winfield, Mr C Barker, Mr M Fitzpatrick and Miss C Brierley.

Payment of a Pre-Paid Sum is currently made via the Plan Provider to the Trustees by the Plan Holder. After deduction of administration costs, the balance is transferred to the Client Account operated by the Trustees, and subsequently invested with the Custodian Trustee and held in the Trust Fund. This sum is held under trust for the provision of the contracted funeral service from the Funeral Directors at the time of need.

Four main plan types offering different levels of service are available – Simplicity, Selective, Sovereign and Simple Farewell – as well as Bespoke and Eco-friendly options. The basic services within each plan are guaranteed. Additional extras can be paid for. These normally represent a small proportion of the total Pre-Paid Sums. Such extras are not guaranteed, and the money is carried forward and applied at the time of need to provide the contracted extras at the then current price.

On death, a payment is made to the Funeral Directors, or any associated Plan Provider or business arranging the funeral, which then provides the funeral service as contracted at inception.

Within the pricing of the contract there is a profit margin. This profit margin can vary depending on the volume of business transacted via the Trust and the volume of business separately undertaken by the Funeral Directors.

A Contract for Services between the Plan Provider and each Appointed Funeral Director establishes the duties of the Appointed Funeral Director in the provision of the contracted funeral. The standard Contract for Services allows the Appointed Funeral Director (AFD) to claim from the Trustees the current funeral price at the time of need, unless an actuarial certificate is provided, which the Trustees can rely on to restrict any payment. At the 2023 SAR it was certified that the payment to the AFD at time of need should not exceed the greater of the Net Average Cost or the Pre-Paid Sum less £250. All additional extras could have been paid in full as set out in the actuarial certificate dated 15 September 2023.

If a Plan Holder leaves the area, it may be possible for a funeral service to be provided by another funeral director on arrangement. It is also possible to cancel the Funeral Plan by giving notice in writing to the Plan Provider. In these cases, all monies paid for the funeral, less a cancellation fee of currently £120 are returned. Whilst the number of cancellations is small, it is recognised that the Trust bears the cost of administration in such cases.

The overwhelming majority of Plan Holders are covered for funeral services on their death. In a very small number of instances the first death of a husband and wife is covered on exactly the same terms.

Once the Pre-Paid Sum has been fully paid a binding contract is issued to the Plan Holder. A Guarantee is provided by the Appointed Funeral Director in favour of the Plan Holder and the Plan Provider for the provision of the agreed funeral with indemnities against all costs other than those due and payable in accordance with the contract.

The Pre-Paid Sum covers the main costs and some disbursements, allowing payment for a future funeral at today’s prices thereby providing a guarantee against the future price inflation in respect of the basic funeral provision and against retail price inflation in respect of some of the disbursements. In some cases, a small additional amount is paid to cover any extras, and this normally would not be subject to any inflationary guarantee.

Under Clause 3 of the Trust Deed, the Trustees are permitted to deduct and pay expenses to the Plan Provider. These represent payments to the Plan Provider for general administration services and to the fund manager in relation to Trust management fees and investment service charges. An allowance has been made for these expenses in the SAR valuation.

In addition, we have an explicit allowance for other expenses such as payment of administration fees and professional services.

Plan Holders' Data

Although I have taken all reasonable steps to ensure that the data is of adequate quality for the purposes of this valuation, I have relied on the accuracy of the information provided by the Plan Provider. The responsibility for the accuracy of the data for the valuation is therefore ultimately that of the Plan Provider. I have no material uncertainty about the accuracy of the data. The total number of Plan Holders is 2,621 and comprises 931 males, 1,645 females and 45 joint cases. Further details are as follows: -

	Males	Females	Joint Cases	Total
Selective	635	1,131	30	1796
Simplicity	187	338	8	533
Sovereign	34	68	2	99
Simple Farewell	66	90	5	104
Bespoke	4	14	-	18
Low Cost	5	4	-	9
Total Plans	931	1,645	45	2,621
Total Funeral Costs £000's	2,608	4,636	126	7,370
Average Costs	2,801	2,818	2,790	2,812

In addition to the above plans, there are a further 17 plans which are currently in payment. The value of these plans have been included in the liability.

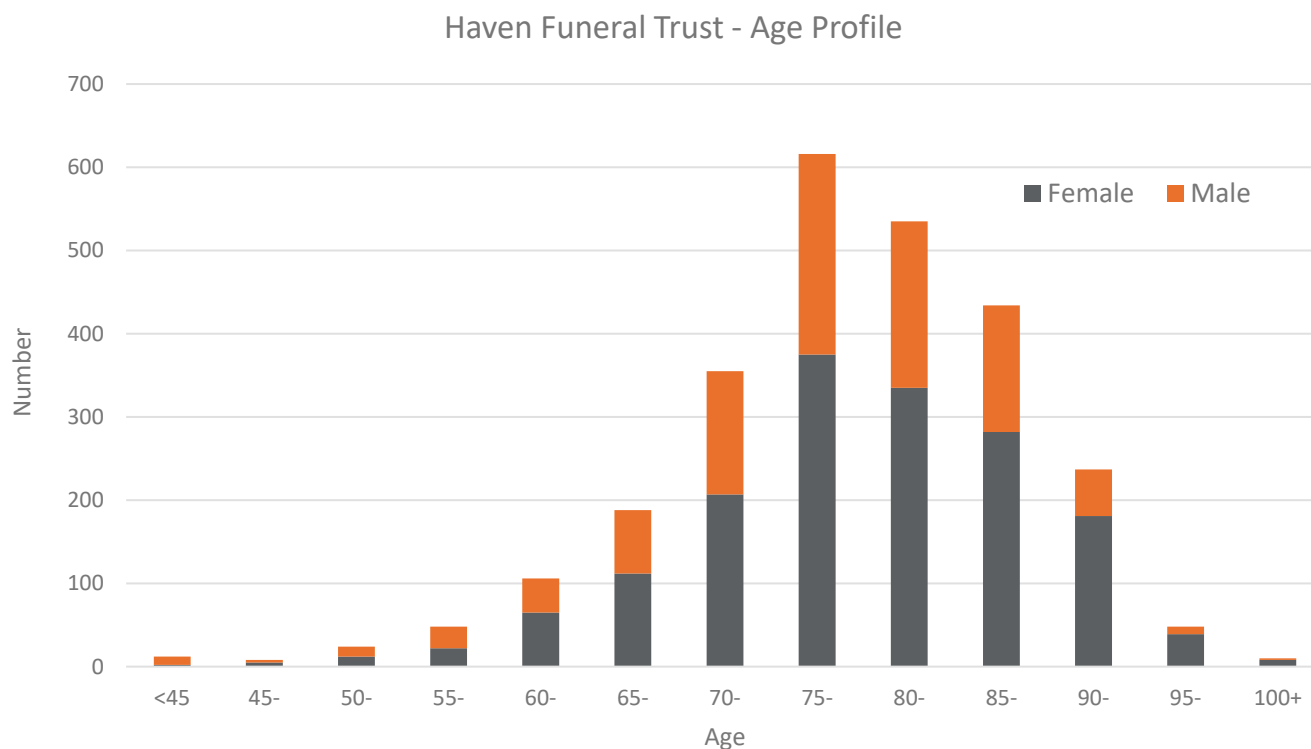
There were 2,721 plans at 31 March 2023 so therefore there has been a net decrease of 3.7% in the number of Plans in force since then.

Plan Holders' dates of birth are not provided for all Plan Holders. Where this data is missing, we have assumed that the average age (at inception) for such Plan Holders is the same as the average for those of the same sex whose ages are known.

We have as far as possible, cross checked this data with the figures in the management accounts, particularly in respect of the new business written and the assets under management and are satisfied that the data is in good order and sufficient for the purposes of this valuation and the general operation of the Trust.

There is no evidence concerning a Plan Holder's state of health and this is unlikely to be available.

The chart below sets out the age distribution of Plan Holders at the valuation date:

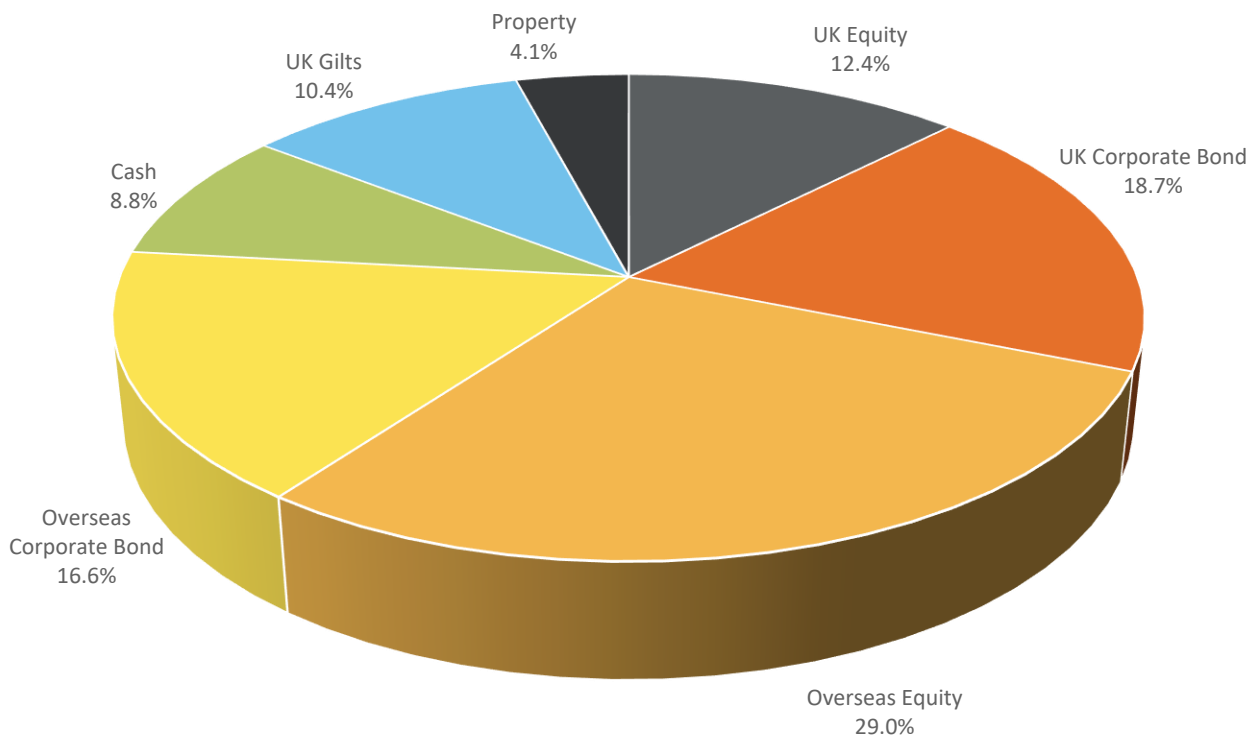


Accounts and Investments

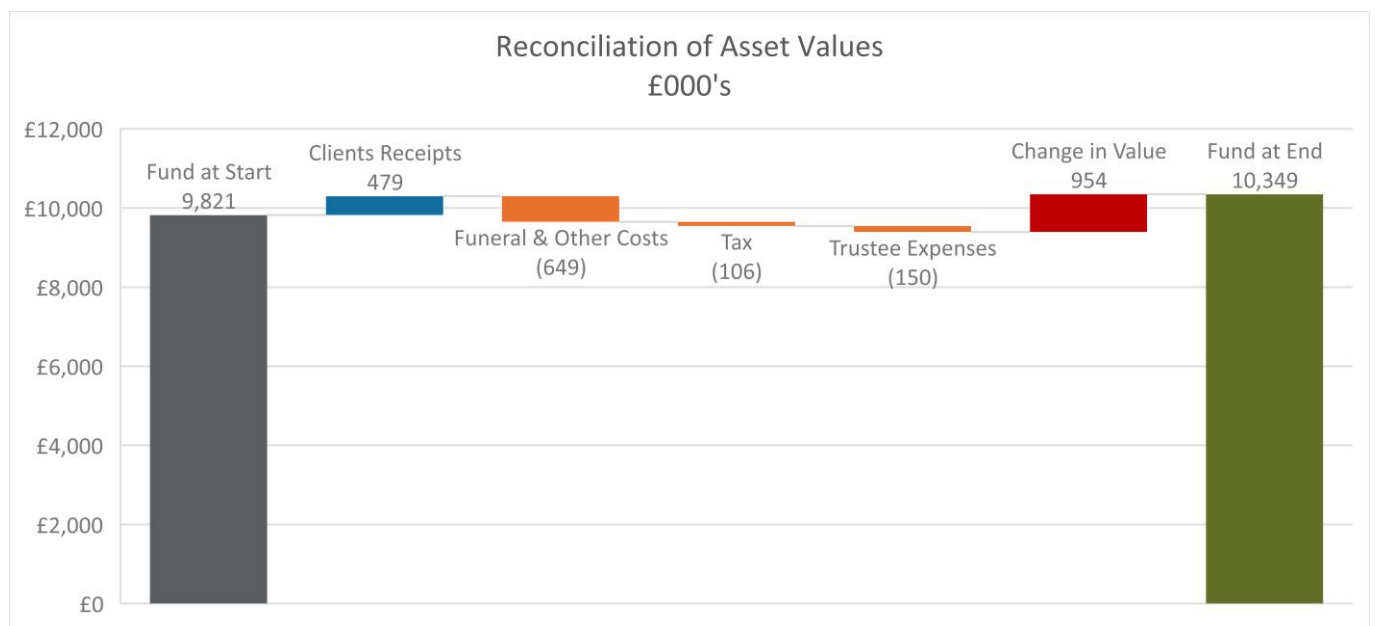
The assets of the Trust at the review date as shown in the draft accounts is £10,349,000 which is made up as follows:-

	£ 000's
AJ Bell Portfolio	10,730
Cash at Bank	132
Net Current Assets	(513)
Total	10,349

The breakdown of the assets within the Trust is as below:-



A reconciliation of assets during the 12 months to the Review Date is set out below:



Inter-valuation Experience

The scheme is too small to carry out any meaningful mortality experience, so we have continued to adopt a general mortality table to reflect future expected experience. For the purposes of this review I have continued to use the loading factor to 100% of the mortality table ELT 17.

After allowing for the various cashflows we have estimated the annual investment return to be 9.9% p.a. compared to the net of tax expected return of 4.7%. This had a favourable impact of the results of this review.

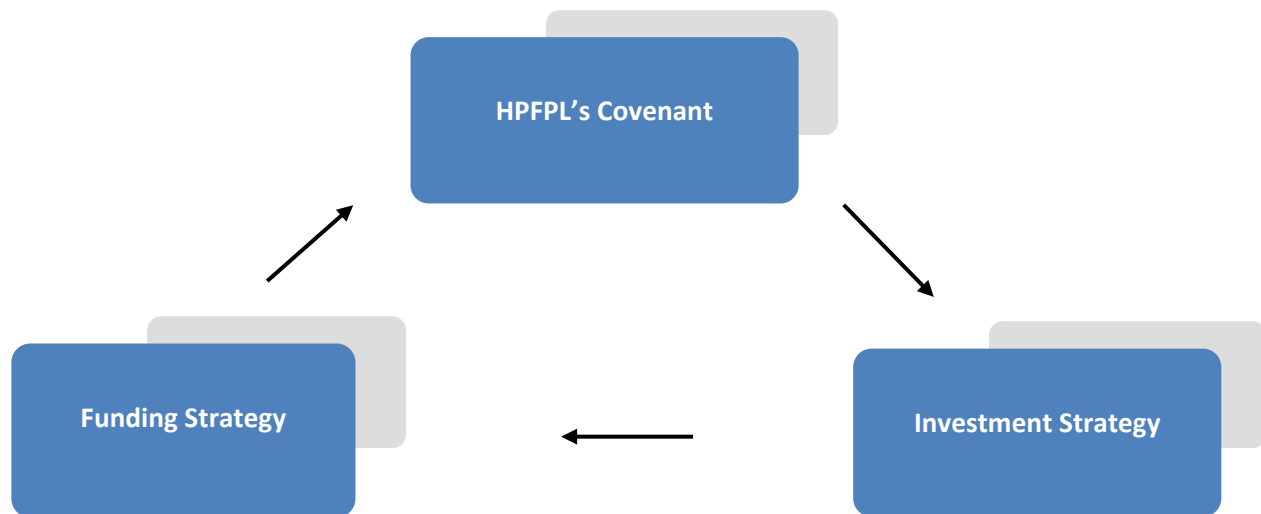
We understand the Trust is not registered for VAT and expenditure is gross of irrecoverable VAT.

The increase in the Net Average Cost of the plans was 6.4% p.a. compared to the assumed rate of 3.7% p.a. and this therefore had an unfavourable effect on the results of the Trust.

The investment objective and strategy are consistently under review by the appointed investment advisers PM&M Financial Planning Limited and will need to consider the need for inflationary growth in the Trust fund and the changing liability profile. The objective must be to invest to contain risk and generate longer term capital growth in the most tax efficient manner.

No allowance has been made for unpaid tax, if any.

Integrated Risk Management



As regards to the administration of the funeral trust I advocate the Plan provider and Trustees adopt an integrated risk management approach. This is where the Trustees integrate the assessment of the financial strength of the Plan Provider - HPFPL (known as a Plan Provider's covenant) within the investment strategy and the funding strategy.

Where the Plan Provider's covenant is deemed to be financially strong, the Trustees will be able to consider an investment strategy that has an element of more risk compared to the situation where the covenant is deemed to be financially weak. The investment strategy which is driven by a stronger covenant will then naturally lead to the expectation of higher investment returns. This will allow the actuary to reflect these expectations within the economic assumptions of the valuation basis.

The above cycle of review is ever interlinked and should be monitored regularly throughout the lifecycle of the Trust. Therefore, the strength of the Plan Provider's covenant should determine the permitted level of risk the Trustees can pursue within its investment strategy which then interlinks with the level of prudence adopted for the funding of the Trust.

Under clause 6 (e) of the trust deed, it highlights the importance of the strength of the covenant of HPFPL in underwriting the cost of the funeral should the plan holder's fund within the Trust not be sufficient to meet the funeral cost.

I have therefore taken into account the financial strength of HPFPL when determining the assumptions and the value of the funeral plan liabilities. This valuation is carried out on the basis that the covenant of HPFPL is not weak.

Valuation Assumptions

The construction of the valuation basis involves consideration not only of current economic factors and fund experience but also as to future trends in mortality, investment yields and the rate of growth in funeral costs. The basis adopted should be viewed regarding relationships between the assumptions rather than to the absolute value of any components. Most importantly, the relationship between the investment return and the assumed level of inflation gives an indication of the real yield (before tax) expected to be earned on the investments held within the Trust.

Allowance must also be made of the tax payable by the Trust as the actual return earned on the money held in the Trust will be net of tax and expenses. The actuarial basis may be subject to change over time. I have detailed below a set of assumptions that I have utilised in my calculations.

Details of the valuation method used for the determining the liabilities in the Trust are given in Appendix I and a summary of the assumptions adopted for the valuation is shown below. Further details can be found in the separate report on the assumptions dated 13 September 2024.

	2024	2023
Gross Discount Rate	6.0%	6.2%
RPI Inflation	3.2%	3.2%
Funeral Inflation	3.7%	3.7%
Mortality	100% of ELT17	100% of ELT 17
Tax Allowance	24%	24%
Trustee Expenses	£90,000 p.a. plus future RPI	£90,000 p.a. plus future RPI
Investment Expenses	0.5%	0.5%

Net Average Costs

We have been advised that the net average costs for funerals at the review date are as follows:-

	2024	2023
Simple Farewell	£2,490	£2,349
Simplicity	£2,509	£2,369
Selective	£2,894	£2,710
Sovereign	£3,114	£2,917
Bespoke	£5,000	£5,000
Low Cost	£2,219	£2,219

Funding Position – Best Estimate (Net Average Cost Basis)

The liability of the Trust fund arises from mainly one category of plans held namely Paid in Full Plans. Based on the membership data and assumptions set out elsewhere in this report, I calculate that the value of the liabilities for the funeral plans including future projected inflation increases is as summarised below.

	NET AVERAGE COST METHOD	
	2024 £000's	2023 £000's
Value of Assets	10,349	9,821
Value of Funeral Costs	(6,923)	(7,018)
Value of Expenses	(790)	(801)
Total Liabilities	(7,713)	(7,819)
Surplus	2,636	2,002
Funding Level	134.2%	125.6%

The total funeral plan liability for the Haven Funeral Trust is therefore £7,713,000 as at 31 March 2024 with a funding level of 134.2%. The above result using the Net Average Cost and the assumptions set out above is satisfactory and it is an increase on the 2023 figure of 125.6%.

The net average cost of a funeral has increased by around 6.4% per annum and the price charged to new Plan Holders has also increased by around the same percentage. Nevertheless, it remains important for the Trustees to ascertain the financial strength of the Plan Provider to ensure that it has the ability to support existing business and take on new business and to monitor the proportion of funeral plan business to “at need” business.

Reconciliation of Net Average Cost Basis

The funding level at the 2023 SAR was 125.6% with surplus of £2,002,000.

The Trust has continued to write some new business, and this has contributed to an improvement in the funding level. New plans are priced within a range with the majority of plans being priced at £3,985 (Selective). After deduction of the £250 administration fee this leaves £3,735 in the Trust from each new plan compared to a Net Average Cost of providing a funeral of £2,894 for an existing plan.

The terms on which existing business were written will also have an impact on the funding level. If the Net Average Cost of providing a funeral of £2,894 is greater than the original price that was charged to the Plan Holder, then the Trust is relying on good investment returns to meet the shortfall and also to meet the initial administration fee.

An approximate analysis of the financially material items of actuarial gain or loss in the funding level since the previous SAR valuation has been undertaken. The main reasons for the change over the year to 31 March 2024 were as follows:-

	Favourable/(Unfavourable) £000's
Surplus at previous valuation plus Interest	2,002
Expected investment return less interest on the liabilities	95
Investment Return higher than expected return	547
Change in valuation assumptions	113
Membership Experience Gains/(Losses)	(121)
Surplus at this valuation	2,636

Funding Position – Best Estimate (Pre Paid Cost Basis)

In earlier years the Pre-Paid Sum (without deductions) has been paid from the Trust to the Funeral Directors at the time of need. We have therefore undertaken a separate valuation using the assumptions above but assuming the payment at time of need is the greater of the Net Average Cost and the original Pre-Paid Sum without any deductions.

The valuation result using this approach showed that the assets were sufficient to cover the liabilities with a funding level of 116.4%.

Funding Position – Asset Adequacy Report

The estimated cost of providing funerals for all Plan Holders at the valuation date would be around £8.7 million. The Trust should be able to provide for this amount without recourse to the Plan Provider. The costs of making any outstanding tax payments would be in addition. There is no deficit because there is no impact of high future funeral price inflation or poor future investment returns. The average asset coverage available for each plan is £3,948.

Future Cashflows

The position of the Trust needs to be looked at another way by considering the projected number of deaths and payments from the Trust each year ignoring future new business, again based on the assumptions set out above. It is these total projected cash flows, for the full lifetime of the existing Plan Holders rather than simply over the next 5 years, that are discounted back to the valuation date using the assumed return on investments which give the value of the liabilities.

The table below shows the future projected cashflow payments out of the Trust over the next five years. A full cashflow forecast is shown in Appendix III. These cashflows represent only the expected funeral plan payments for all plans held at the valuation date. No allowance is made for any new business after the valuation date.

	Expected Number of Deaths	Expected Funeral Payments
		£ 000's
Year 1	166	£503
Year 2	163	£510
Year 3	159	£514
Year 4	154	£517
Year 5	149	£517

The figures set out in the table are simply estimates of the order of magnitude of the potential payments from the Trust. The actual experience will be checked against these projections as it will influence future assumptions particularly in respect of the life expectancy assumptions.

Funding Position - Sensitivity Analysis

Net Discount Rate

The NAC ongoing funding position above allows for an overall net discount rate of 0.9% p.a. Allowing for a change in discount rate by 0.5% p.a. will provide the following results:-

	Plus 0.5% p.a. £000's	Minus 0.5% p.a. £000's
Value of Fund Assets	10,349	10,349
Less Funeral Liabilities	(7,383)	(8,069)
Surplus	2,966	2,280
Funding Level	140.2%	128.3%

The above change in discount rate can reflect either a change in the future expected investment return on the Trust assets, a change in tax treatment of the Trust or a change in future expected inflation - each change being considered in isolation.

High Inflation combined with increased longevity

However, if we were to combine an increase in future expected inflation by 0.75% p.a. with an increase in longevity by 3 years on average then the net result will be a fall in the funding level to 125.6% or a reduced surplus of £2,111,000.

Pandemic

The Trustees should be aware of the risk associated with any future pandemic and the effect it could potentially have on the financial position of the Trust. I have therefore considered a scenario whereby 25% of all plans become enacted and the cost of associated funeral plans are paid out immediately. I have assumed that the claims will be spread evenly across all plans. The liability of the Trust will therefore fall by 25% but when added to the value of the potential claim payments the total liability becomes £7.8 million.

This leads to a funding level of 132.0% at the review date.

Stress Testing - Inflation

If we assume future funeral inflation is 7.1% p.a. (compared to 3.7% p.a. in the best estimate assumptions) then the solvency of the trust fails at being just under 100%. Even though recent inflation rates have been higher than this, the long term aim of the Government's policy of targeting inflation at 2% p.a. suggests that this risk is currently at a low probability.

Stress Testing - Investment

The net of tax, real investment return (after expenses) assumed for the SAR is at 0.4% p.a. However, a fall in the equities by 66% would be needed for the solvency position of the Trust to drop below the 100% level after allowance is made of the corresponding impact this will have on the determination of the discount rate.

Risks

It is important to appreciate the various risks inherent in the valuation of the liabilities of the Trust. In particular, the main risk is that the valuation assumes a net real return of 0.4% p.a. will be earned on the investments within the trust after allowance for tax and investment fees.

Should any one of these elements increase at a higher rate than assumed thereby reducing the net real investment return earned on the assets then the level of future surplus will be lower and indeed the Trust could potentially emerge with a deficit. The degree of sensitivity of the results was shown above and therefore due care is needed when agreeing any non funeral plan payments out of the Trust.

The Trust has incorporated up-to-date rates of mortality. Should plan members die sooner than assumed then the Trust will pay out sooner than expected and this will lead to a reduction in future levels of surplus and vice versa.

The success of HPFPL to maintain its new business levels has a direct impact on the ability of the Trust fund to continue meeting the expenses of administering the funeral plans. Should there be a fall in new business without a corresponding reduction in the administration expenses, this will lead to lower levels of future surplus.

Final Comments & Recommendation

At the Valuation Date, the Haven Funeral Trust had a funding surplus of £2.64 million over the Net Average Cost of providing the contracted funerals and a funding level of 134.2%.

It is prudent to continue improving the funding level of the Trust and this can be achieved from new business and improved investment returns as well as a cautious approach to the expenses being paid out of the Trust and the payments made from the Trust fund at the time of need. It is certainly possible to make payments at the time of need which are greater than the Net Average Cost but we would suggest that the payment made is the greater of a sum not exceeding the Pre-Paid Sum less £250 or the Net Average Cost. An actuarial certificate to this effect is included in Appendix IV in accordance with Clauses 4 (ii) and 5.1 of the Contract of Services between the Plan Provider and the Appointed Funeral Director.

In general, the results are satisfactory. Given current market conditions and the ongoing increase in the size of the Trust, it remains appropriate to use a prudent set of assumptions to provide adequate security for Plan Holders. We believe the assumptions used, subject to changes in market conditions and inflation and interest rate considerations do not need additional prudence for the foreseeable future. It will continue to be necessary to monitor the experience of the Trust and take remedial action as necessary. With an improving funding position and provided the covenant of the Plan Provider is sound the position for current Plan Holders should, in the normal course of events, give no serious cause for concern.

Identifying the risks inherent in the operation of the Trust and their impact is essential. This includes the investment strategy and the Plan Provider's covenant and guarantees.

Monitoring the investment strategy and performance continues to be crucial to the operation of the Trust, as it needs to produce lower risk investment returns which after tax are sufficient to cover the high rates of funeral price inflation which are common in this type of funeral trust.

The Trustees continue to build up funds in the Trust to stabilise the payments to the Plan Provider at time of need and to ensure as far as possible that the amounts payable to the Plan Provider at time of need are at least adequate to provide the contracted funeral.

Following this SAR valuation there is a need to review and update the Statement of Investment Principles to reflect the results and the nature of the liabilities.

Material Changes

I am not aware of any further changes that will have materially altered the results of this report at the date of signing.

Date of Next Review

The next SAR valuation should be carried out as at 31 March 2025 as required under the FCA regulations.



Signed on behalf of WBR Actuarial
David Downie BSc FIA
david.downie@wbrgroup.co.uk
13 September 2024

WBR Actuarial
46-50 Castle Street
Salisbury
SP1 3TS

Appendix 1 – Valuation Method

Valuation Method - General

The approach adopted for the valuation consists of projecting future cashflows of expected payments from the Trust and then discounting back these cashflows to produce a total net present value liability.

Valuation Method - Liabilities

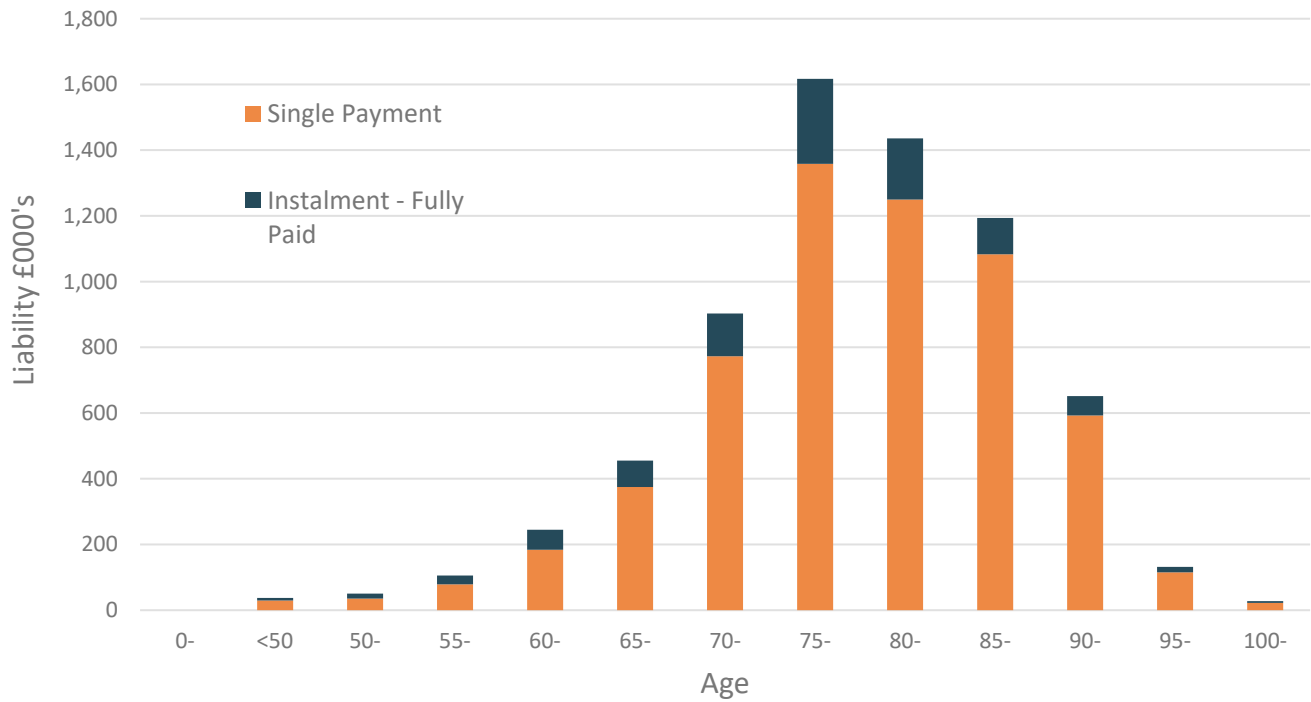
For the purposes of my calculations, I have adopted a cashflow funding method to determine the value of the future expected funeral costs. This method involves projecting the funeral plan payments into the future until the assumed life expectancy of the plan holder. Allowance is also made of the possibility of the cancellation of the plans (where applicable) and the projection will allow for future increases on the funeral payments in line with the assumed rate of inflation. The funeral plan payments consist of both the Funeral Directors Fees and the Disbursement Costs. The individual projected expected funeral payments are then discounted back at the net of tax discount rate to the valuation date and then added together to give the total liability. The liability is then compared with the actuarially valued assets of the Trust to determine the level of any shortfall or surplus arising.

Valuation Method - Assets

For the purposes of this valuation the assets have been taken into account at their market value as shown in the investment statements.

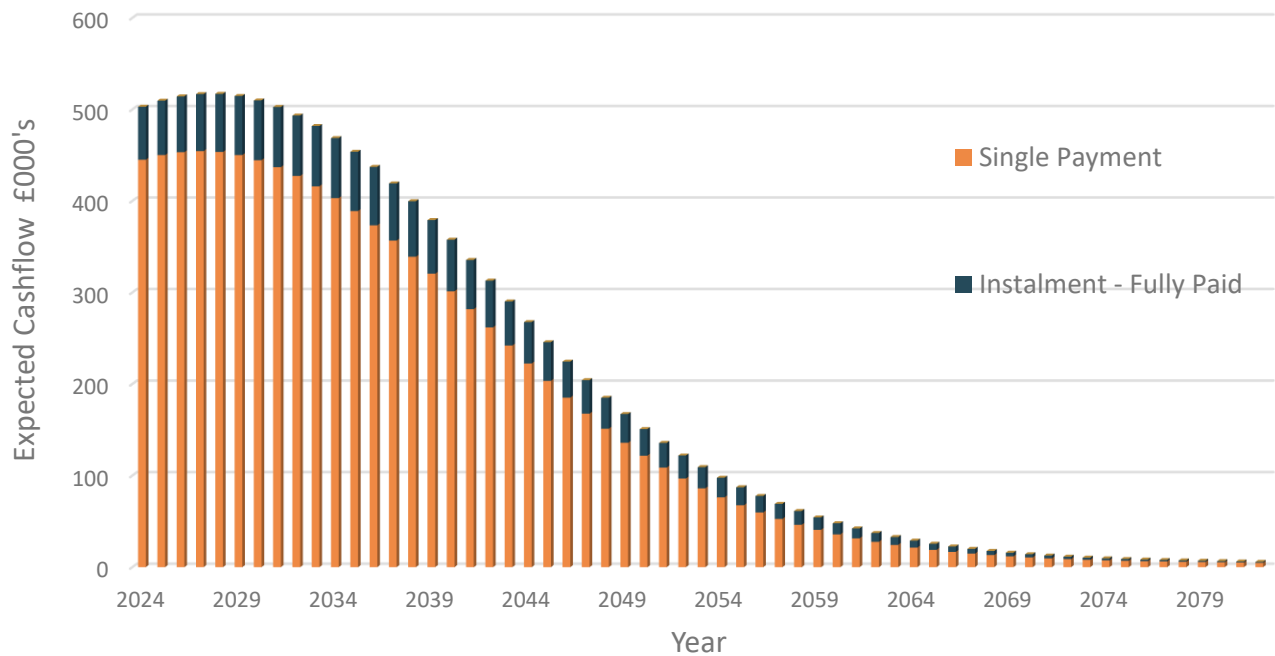
Appendix 2 - Liability Profile

Haven Liability Profile as at 31 March 2024



Appendix 3 - Cashflow Profile

Haven Future Liability Cashflows



Appendix 4 - Actuarial Certificate of Allowable Payments

In accordance with Clause 4 (ii) and Clause 5.1 of the Contract for Services between Haven Personal Funeral Plans Limited and each Appointed Funeral Director we can confirm that the assets of the Haven Funeral Trust as at 31 March 2024 were sufficient to allow the Trustees to provide, on death of each Plan Holder in the Haven Funeral Trust, the greater of a sum not exceeding the original Pre-Paid Sum less £250 or the Net Average Cost (as set out below) of the contracted funeral. Additional monies that were paid by the Plan Holder for extras can be paid in full.

The Net Average Cost as at 31 March 2024 can be taken as follows:

Simple Farewell	£2,490
Simplicity	£2,509
Selective	£2,894
Sovereign	£3,114
Bespoke	£5,000
Low Cost	£2,219

For all other plans the Net Average Cost should be taken as 70% of the full price that would have to be paid by the Plan Holder as at 31 March 2024.

These Net Average Costs used for this purpose should not be increased until the results of a subsequent actuarial valuation require production of a new certificate.



Signed on behalf of WBR Actuarial
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13 September 2024

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