Open Prepaid Funerals Trust

Solvency assessment Report

as at 31 March 2026

October 2026

Introduction

REPORT	Solvency assessment report ("***SAR***")
PURPOSE	To provide a SAR as required by the Financial Conduct Authority ("***FCA***") in accordance with the Funeral Plan: Conduct of Business Sourcebook ("***FPCOB***")
ADDRESSEE	Open Prepaid Funerals Limited ("***the Company***")
ARRANGEMENT	Open Prepaid Funerals Trust ("***the Trust***")
DATE OF VALUATION	31 March 2026

This report is addressed to the Company and is not intended to assist any other user in making decisions. The report may be shared with other parties including the Trustees of the Trust, but it does not constitute advice to them. Neither I, nor Aptia Pension Consulting Limited, accept any liability to third parties in respect of this report.

This report and the underlying data and calculations comply with Technical Actuarial Standards TAS 100 v2 (Principles of Actuarial work) and TAS 400 v3 (Funeral plan trusts), as far as they are material.

Our interpretation of the FCA's requirements for funeral plans backed by a trust are to ensure that:

- Adequate arrangements are in place so that funerals are carried out in accordance with the funeral plan purchased by the Planholder.
- Should a Planholder cancel their plan they will receive a refund in line with the cancellation terms.
- Should the plan provider fail and it does not prove possible to find another provider to take on the plan, then it is important that the arrangements put in place by the plan provider do not adversely affect the interest of customers and covered individuals.

Purpose of the valuation

The FCA have set out their requirements for the preparation of a Solvency Assessment Report in chapter 3 of the Funeral Plan: Conduct of Business sourcebook.

The key aspects are:

- An actuarial valuation of the Trust is required to determine, calculate and verify the assets and liabilities of the Trust on a best estimate basis;
- The liabilities are assessed against the amounts the provider puts into the trust to be sufficient for the purpose of providing the agreed funeral.
- The data and the liabilities should be categorised into:
    - Single payments
    - Instalment payments fully paid; and
    - Instalment payments not fully paid
- Details of any liability subcontracted to funeral services providers may include inflation.

Should the plan provider fail and it does not prove possible to find another provider to take on the plan, then it is important that the arrangements put in place by the plan provider do not adversely affect the interest of customers and covered individuals.

If the assets exceed liabilities by more than 110% in accordance with FCA rules, Open Prepaid Funerals Limited may notify the FCA that they are withdrawing the surplus over 110%, or may:

- Carry forward any surplus
- Use the surplus to
    - Credit an additional amount to Planholder's Pre-paid Sums.
    - Pay additional amounts in respect of past funerals.

If liabilities exceed assets or the Actuary advises that it is likely that this will be the case at a future actuarial valuation then Open Prepaid Funerals Limited may:

- Inject capital.
- Suspend acceptance of new plans.
- Instigate the wind-down plan.

Background

The Trust was established by Open Prepaid Funerals Limited and the then Trustees and was governed by a Trust Deed dated 10 June 2004. A Deed of Variation was executed on 28 July 2022 and the Trust is now governed by the provisions set out in the Deed of Variation.

Under the provisions of the Trust, a pre-payment is received from Planholders for funeral services to be provided by a Nominated Funeral Director. This pre-payment is known as a Pre-paid Sum.

A Nominated Funeral Director, acting as an Introducer Appointed Representative for Open Prepaid Funerals Limited and who will be carrying out the funeral, introduces the enquirer to Open Prepaid. On death of the Planholder, the Pre-paid Sum and all accrued or allocated income and gains on it are paid to the Nominated Funeral Director.

Income on the Pre-paid Sums is calculated by agreement of the Trustees using data provided by the Actuary and in consultation with the investment managers and may be affected by investment conditions and market performance. Under the Trust provisions prior to the Deed of Variation, income would be calculated by reference to a formula provided by the Actuary.

The provisions of the Trust require that the Trustees apportion income and gains (and losses) between each Pre-paid Sum on a regular basis at their discretion. The Trustees act based on considered information provided by the Actuary, the Auditors and the Fund Managers.

Planholders and Nominated Funeral Directors

A person is able to take out a contract whereby they pay in advance for funeral services. The payment is paid to the Trust and is termed a Pre-paid Sum. Fees, as detailed in the information provided to prospective plan holders, are paid to Open Prepaid Funerals Limited by the Trust.

When a Planholder dies, the Pre-paid Sum, with accumulated income, is paid to a Nominated Funeral Director. Income is intended to reflect investment returns over the period that the Pre-paid Sum is held by the Trust.

The expectation of the Planholder and the Nominated Funeral Directors is that the payment of the Pre-paid Sum on death will be sufficient for the Nominated Funeral Director to carry out services agreed with the Planholder in respect of the funeral.

If, as a result of inflation or rising costs, funeral costs exceed the Pre-paid Sum, the expectation is that funeral would still go ahead as planned. Whilst this may not be a direct risk within the Trust itself, it must be noted that there is a risk that Nominated Funeral Directors may not be willing or able to carry out funerals because of low amounts of money being paid from the Trust. The expectations of Planholders may not be met in these circumstances.

I understand that the Company does not guarantee that the third-party costs redemption value will fully secure the intended funeral without additional payment. However, the Company should satisfy itself that Planholders are aware of potential additional costs.

A Planholder is entitled to cancel their Plan and receive a refund of payments made, though an administration fee may be deducted if they are cancelling after 30 days.

Plan values

The provisions regarding the addition of income and gains (or losses) to Pre-paid Sums are set out in the document governing the Trust.

The Trustees have interpreted these provisions by applying a stable annual return over the term of each plan and have not adjusted proceeds to reflect day to day movements in investment markets. The return over the term of matured policies has not, therefore, precisely mirrored the return on the Trust over the period of investment. When investment markets are depressed, the proceeds could exceed the amount that the Planholder should receive based on a strict allocation of all income, gains and losses over the period of investment, and vice versa.

The smoothing of investment returns means that the Nominated Funeral Directors do not receive a lower amount when investment markets are depressed; a situation that might mean that it would become more likely that the Nominated Funeral Director would be unable to provide the agreed funeral services solely from the Pre-paid Sum.

Taxation

Following investigation by the trustees of the Open Prepaid Funerals Trust post-regulation, the trustees sought extensive legal advice and opinion from two independent King's Counsel. The conclusion of this advice was that the Open Prepaid Funerals Trust was identified as being discretionary trust biased and therefore is subject to taxation at appropriate rates.

Following this advice, the taxation amount for the tax periods ending/ 2022, 2023,2024 and 2025 have been calculated and paid. A calculation has been completed for the 2026 tax year as well and has been taken into account in this SAR. The tax treatment of the fund is still being reviewed and therefore, may be subject to change in the future.

Company considerations

It is sensible for the Company to monitor periodically the Pre-paid Sums with investment returns added by comparing these against the current costs of the relevant funeral plans to ensure that the Pre-paid Sums remain sufficient for the Nominated Funeral Director to carry out the funeral.

It is important that the Trustees are, as far as possible, always in a position to pay full refunds, should they be requested, either from the existing assets of the Trust or from a capital injection from the Company.

Planholder data

We have been provided with details of the membership as used by the Company. This Solvency Assessment Report has been based on this data, which is summarised below for Plans still in force at 31 March 2026.

Payment method	Plans	Cancellation value (£m)	Value using income to be added to Plans up to 31 March 2026 (£m)	Average Cancellation value (£)	Average value with income (£)
Single payment	**7,528**	**25.16**	**26.87**	**3,340**	**3,570**
Instalment payments fully paid	**887**	**3.03**	**3.36**	**3,420**	**3,790**
Instalment payments not fully paid	**273**	**0.73**	**0.77**	**2,670**	**2,820**
Total	**8,688**	**28.92**	**31.00**	**3,330**	**3,570**

The cancellation values shown above are based on the amounts that would be paid to Planholders on cancellation if no income were given, and if no cancellation fee were charged. The accounts refer to this amount as the 'Liability for unfulfilled plans' (LFUP).

Where a Planholder was paying regular instalments over a fixed term, and that term extended past the valuation date, those payments were excluded from the accounts and have not been included in the table above. The remaining instalments for Plans at 31 March 2026 totalled £0.47m (an average over 273 Plans of £1,720, with an average 16 months remaining).

The audited 31 March 2026 accounts show the LFUP at the valuation date to be £28.918m

The values using income to 31 March 2026 are what would have been paid if all Plans were paid out at that point, with treatment consistent with deaths in the preceding month.

Whilst we have not carried out a full audit of the data, I am reasonably happy that the data is sufficiently accurate for the purpose of this SAR.

Assets

I have been provided with a copy of the audited accounts as at 31 March 2026.

The accounts show that the total assets at 31 March 2026 were £29.21m. This is a fair value after allowance for deferred taxation and it excludes instalments due after the relevant date.

The Trust assets have increased over the accounting period to 31 March 2026 by £3.98m (allowing for the restatement of the 2025 accounts due to taxation). Investment gain/return (net of investment expenses) was £2.3m, new Plan money (net of Plan charges) was £6.0m, £2.7m was paid out for Plans, £0.45m tax was accrued over the period and other expenses totalled £1.2m.

We have been advised that the split of the assets as at 31 March 2026 between asset sectors and between investment managers was as follows:

Sector	(£m)
Equities	16.96
Bonds	10.79
Alternatives	1.85
Cash	(0.38)
Total	**29.21**

Investment Manager	(£m)
Seven Investment Management (7im)	30.83
Balance	(1.62)
Total	**29.21**

Valuation Methodology and Assumptions

This SAR is required to 'determine, calculate and verify the assets and liabilities of the Trust by applying a best estimate basis.' Best estimate assumptions reflect anticipated experience with no provision for risk of adverse deviation.

The Trust liabilities are based on payment of the Pre-Paid Sum with accumulated income, rather than being based on the cost of providing funeral services including inflation.

To value the liabilities we first estimate future cashflows using assumptions for probabilities of Plan holder deaths and cancellations, expenses, and likely income that will be added on Plan redemption. To get a single present value for the liabilities, we discount those cashflows from the date of the projected payment back to the valuation date allowing for expected future investment returns. We then compare that value with the audited market value of the Trust's assets. To ensure consistency, the discount rate used reflects investment market conditions at the valuation date.

The calculations do not allow for new Plans taken out after 1 April 2026, or payments into existing Plans made after that date.

	Assumption	Comment
Discount rate	3.7%	The expected future investment return, net of investment expenses and non-investment expense, for the assets held at the valuation date.
Base mortality	136% ELT17	The ELT17 table is the latest table based on general population experience. We have scaled the mortality table which gives earlier deaths than the standard table. This adjustment is based on the actual Trust past experience.
Future mortality improvements	CMI_2025 with 1.25% long-term trend	CMI_2023 is a future mortality projection model produced by the Continuous Mortality Investigation.
Cancellation rate per year	0.8% (1.2% in the first 3 years)	Based on recent Trust experience. Once a Plan has been in place for a while it is less likely to be cancelled.
Future Plan growth	2% to 31 March 2027 and nil thereafer	There is no contractual obligation to increase the plan values each year.

More information on the assumptions is set out in the appendix.

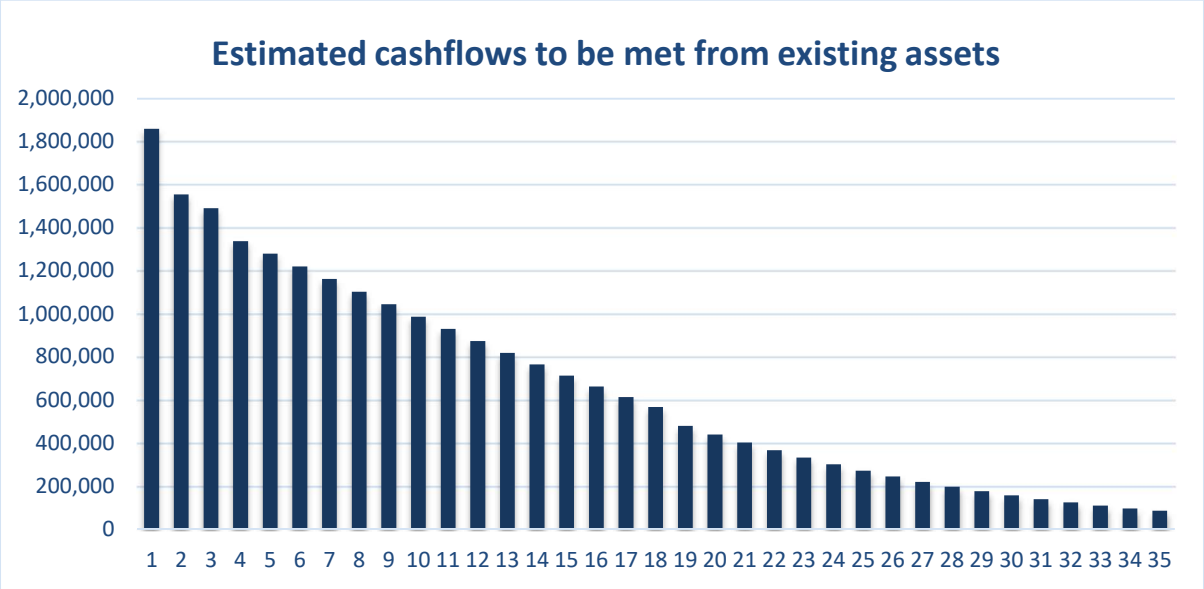
Increase in Plan values

There is no contractual obligation to increase the plan values each year, and as such for this year's SAR we have calculated the liabilities in line with the current level of plan values at 31 March 2026 other than a 2% increase for the 12 months to 31 March 2027. This is a consistent with the previous SAR.

It should be noted that the assumed rate of increase in plan values each year is materially lower than the assumed return on the assets (essentially the discount rate of 3.7%). However, we believe that this is a reasonable assumption of providing a solvency assessment of the Trust and one that is comparable with the approach of similar Trusts and the contractual obligations of the Trust.

It must be recognised that income allocated to Pre-paid Sums at this level is lower than the expected rate of future inflation (assessed by reference to market expectations embodied in the pricing of fixed and index-linked gilts). This, in turn, implies that the Pre-paid Sums will not keep pace with inflation and the potential problems that that this may cause (and the need for Pre-paid Sums from existing plans and current funeral costs to be monitored) have been highlighted earlier in this report.

Using these assumptions, the expected cashflows payable from the Trust for the 30 years after the valuation date are shown below. The cashflows shown are for Plans as they stood at 31 March 2026 and ignore expense outgo.



Whilst, for clarity, we have only shown 35 years of cashflows in the graph (over 95% of the total cashflows), it would be expected that the actual cash flows would continue past 2080. The further into the future a cashflow is, the more time there is for investment returns to help meet it and so require a smaller amount of the current assets. Allowing for this, the weighted average term of the liabilities is 8 years.

The cashflows will not be as smooth as this method implies; by chance you would expect some years to have more or less people dying, and this effect is made more significant by issues such as extreme weather and epidemics.

Valuation Results

Solvency assessment of the Trust in respect of payments already received in respect of live Plans	
£m	**31 March 2026**
Total assets (market value)	**29.21**
Total liabilities	**24.52**
Solvency surplus	**4.69**
Solvency level	**119%**

The above solvency level allows for an income of 2% to 31 March 2027 and no further income thereafter.

It should be noted that the value placed on the Plan liabilities is lower than the value of Plans with income allocated to date. This is because the Plan liabilities represent the discounted value of future payments and the fact that these payments have been discounted at a higher rate than the assumed growth to be added to the Plans.

The solvency level reported at 31 March 2025 was 126%.

Plan growth sensitivity

There is no contractual obligation to increase plan values but the Trust's desired aim is to increase plan values to provide a level of inflationary protection.

In the following table we illustrate the solvency results allowing for 2% per annum growth in plan values after 31 March 2027.

	Solvency assessment of the Trust in respect of payments already received in respect of live Plans	
£m	**31 March 2026 (future plan growth 2%)**	**31 March 2026 (future plan growth 0%)**
Total assets (market value)	**29.21**	**29.21**
Total liabilities	**29.10**	**24.52**
Solvency level	**100%**	**119%**

We have analysed the reasons for the change in the solvency position.

Start	126%
Change in discount rate	-
Plan experience/changes in assumptions	1%
Impact of taxation being applied for current and prior year	(8%)
End	119%

Sensitivities

The sensitivity of the results to changes in the most important assumptions are set out below.

Changes in assumption	*Impact on solvency funding level*
0.1% reduction in the discount rate	-1.3%
0.1% increase in future income	-1.3%
10% increase in future mortality rates	-1.0%

Whilst the above table indicates the changes to solvency as a result of using different long-term assumptions, the solvency position would also be impacted by sudden changes in the value of the assets. It should be noted that a fall of more than 19% in the value of the assets (which is not beyond the realms of possibility) might reduce the solvency level to less than 100%. However, a fall in asset values would often be accompanied by at least some change in expected future returns, and so the fall in assets values would probably need to be rather larger than 19% to bring the solvency to 100%.

It should also be noted that, at the valuation date, the assets of the Trust were sufficient to cover just in excess of 101% of the total cancellation values of the Plans. As such, the Trust is vulnerable to the potential for the assets to fall to a level that all cancellation values could not be met. Whilst it may be felt that this is unlikely, a sudden loss of confidence in the Trust (as a result of events relating to the Trust or funeral plans more generally) might lead to significant surrenders. The Company should consider what arrangements they might put in place if there were a large number of surrenders.

Risks

The main risks that we would highlight are:

SUDDEN RISE IN CANCELLATION

This is unlikely to be a problem for the Trust, so long as the value of the assets remains above the total cancellation value of the Plans. Generally, an increase in cancellation will improve the solvency position, particularly in respect of more mature Plans. However, it is important to try and build up the margin of assets over cancellation value (and/or have mitigation plans in place) to protect against the potential for a fall in asset values and the possibility of mass surrenders.

LIQUIDITY OF ASSETS

There have typically been significantly more payments into the Trust in respect of new Plans, than there have been payments out of the Trust in respect of redemptions, cancellations and expenses. This could change, for example, from a sudden rise in cancellations or if there is a significant drop in the level of new Plans. It would then be more important that the assets can be disinvested quickly and without depressing their value. However, I would not expect that there would be a problem meeting the expected cashflow in the year from the April 2024 even if no new Plans were taken out.

FALL IN ASSET VALUES

Generally, the value of liabilities and value of the assets held are in respect of medium to long term cashflows. The asset allocation aims to achieve higher returns for Planholders than could be achieved by investing purely in bonds to match the expected payments from the Trust. However, this does mean that the value of the assets is more volatile relative to fixed liability cashflows.

The liability cashflows are, however, not fixed and can be adjusted by changing the level of income allocated to Plans. In an extreme situation, it would also be possible to reduce income 'accrued' in an earlier period, since income is not formally allocated before a Plan is redeemed. A fall in asset values would not generally be an immediate problem to the solvency, given the flexibility in the allocation of income.

SIGNIFICANT DROP IN NEW PLANS BEING WRITTEN

The high levels of new business recently have improved the solvency position (although the margin over cancellation values has reduced).

A large drop in the level of new business would mean the level of Trust expenses would become more significant, as more of the future expenses would have to be met from the existing Plans, and this would be expected to reduce the solvency position. Expenses would then need to be reduced, or some other action taken, as otherwise the solvency position would fall to 100% over time.

PRE-PAID SUMS INSUFFICIENT TO COVER FUNERAL COSTS

There is a danger that the Pre-paid Sums may, over time, be insufficient to cover the cost of the funeral arrangements that the Planholder expects. Although not a direct risk to the Trust, the potential implications for the Trust of an inability of funeral providers to provide funeral without extra cost to the Planholder should be considered by the Company.

OTHER RISKS

Whilst there are risks that may affect the Trust that we cannot comment upon, such as regulatory or legislative change, or if problems arise in the administrative processes, there are some specific risks we think should be mentioned.

- The Plan liabilities are in sterling. We understand that there is not a material currency risk from the investments.

- Climate change might affect the Trust. As there may be investment risk for the Trust in the transition to a lower carbon economy, the implications of climate change should be considered and potentially a policy put in place.

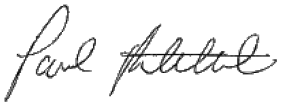
- Increased inflation not met with an increase in investment returns and income given, may increase the cost of funerals relative to the payments from the Trust. As noted above, this would not be a direct problem for the Trust itself. However, higher levels of inflation will increase the future expenses that will need to be paid.

- The SAR relies on the accuracy of the administration data. If there are additional liabilities that we were not aware of then the solvency funding would reduce. We perform checks, and there is an annual audit for the Trust, which should reduce this risk.

Next Steps

This SAR must be passed on to the FCA within 7 days.

The next SAR should be carried out with effect from a date no later than 12 months from the date of this SAR.



Paul Pritchard
30 October 2026
Fellow of the Institute and Faculty of Actuaries

Appendix – Further comment on assumptions

MORTALITY

Past mortality experience for the Trust has been compared against the ELT17 table, and Continuous Mortality Investigation ("CMI") tables on how mortality has been changing. We have used the latest tables available. If the Trust's past experience is assumed to be consistent with mortality being a multiple of mortality from those tables, there is a 95% chance of that multiple being between 131% and 141%, with 136% being the most likely. It seems that the Trust's mortality experience has increased over the last few years, and this may need to be considered further if this is a trend that continues. (More weight has effectively been given to recent experience because of the large growth in the Trust over recent years.)

The socio-economic background of new Planholders might also change with time. We do not expect there will be a significant difference for this Trust between Plans taken out before and after 29 July 2022, when FCA regulation of the funeral plan market commenced.

Future mortality improvements are assumed to be in line with CMI_2025 with a 1.25% long-term trend. The long-term improvement observed over the 20th century was around 1% per year. The rate of improvement increased for much of the last 50 years though there are indications that the improvement has slowed down, at least temporarily.

It is possible that new Planholders will have different mortality experience, particularly in the short-term, compared with other people who do not take out plans. We have made no allowance for such an effect.

EXPENSES

To allow for non-investment expenses, we have averaged non-investment expenses from the last five years in the Trust accounts. Allowing for inflation, that figure represents 1.2% of the asset value at the valuation date. We have allowed for expenses of 1.2% each year by reducing the discount rate by 1.2% for non-investment expenses.

MARKET DERIVED DISCOUNT RATE

A sample of key financial market indicators is provided in the table below.

	Market indicator	31 March 2026
Government fixed interest bond yield	Bank of England – 8 year nominal spot rate	4.73%
Market inflation expectations (RPI)	Bank of England – 8 year spot rate	3.60%
Dividend yield	FTSE All-Share dividend yield	3.00%

We have used a term of 8 years above as this is the weighted average term of the discounted Plan liabilities.

Given that future income payments from bonds are generally fixed, and that the capital payment due at redemption is also usually known, expected future returns on bonds are generally based on current market yields. Allowing for expected outperformance of 0.25% from non-Government bonds being held, a return of 5.0% for bonds has been used.

Estimating future overall returns from return-seeking assets such as equities is a harder process. One possible method is set out below using 31 March 2026 market conditions.

Dividend yield	3.00% p.a.	FTSE All Share dividend yield
RPI inflation	3.60% p.a.	Bank of England 8 year spot rate
Allowance for dividend growth	0.50% p.a.	
Total	7.10% p.a.	

This has been used for investments in equities and alternatives.

The remaining assets held in cash have been given a nominal expected rate of return of 2% p.a.

The expected rate of returns for each asset class have then been applied to the asset allocation, to give a single investment return.

The resultant rate, after deduction of 1.2% to allow for investment charges (based on average investment charges over the previous five years), is 4.9% p.a.

The actual discount rate used at 31 March 2026 is 3.7% after allowance has been made for non-investment related expenses of 1.2% as detailed above.

The discount rate used on 31 March 2025 was also 3.7% p.a.