

IELSA

Code of practice guide

The Code of Practice

ELSA members that are product designers, managers or distributors must comply with the required elements of the Code (denoted [R]) and are expected to comply with its guidance (denoted [G]). ELSA members that are not product designers, managers or distributors are expected to encourage the Code's use in the products with which they are associated.

ELSA members certify their compliance with the Code when they apply for membership and annually thereafter. Failure to comply with the Code may ultimately result in the member being asked to resign from the association.

Principles of the Code

Compliance Purchasing policies should be compliant with applicable laws, including those on insurable interest and contestability.

Please see sections B1.1, B1.2 and B1.3.

Consistency Products' risk mitigation features should match their stated objectives.

Please see section B2.1.

Prudence Investors' returns should not be dependent on sources of capital yet to be established.

Please see section B2.2.

Fair valuation Policies and products should be valued as closely as possible to their fair value.

Please see section B3.

Interest alignment Performance fees should be based on actual performance.

Please see section B4.1.

Robustness Products should conform to best practice in asset custody, service provider due diligence, information confidentiality, auditing and life expectancy updating.

Please see sections B4.2, B4.4, B4.5, B4.6 and B4.7.

Principles of the Code

Disclosure

Disclosure at the point of sale and thereafter should include product structure, the purchasing, servicing and medical underwriting processes, pricing and valuation methodologies, details of any liquidity facility, term facility or (re)insurance, all fees and commissions paid by investors, potential conflicts of interest and all other risk factors.

Please see section C2.

Sensitivity analyses

Sensitivity analyses should highlight the impact that changes in model assumptions have on investors' cash flow and returns.

Please see section C2.13.

Reporting

Reporting requirements include key portfolio information, products' status in respect of liquidity and COI increases, actual to expected performance, updates to the sensitivity analyses and any changes in service providers, operational risks or market developments.

Please see section C3.

Transparency

Managers should ensure that distributors provide investors with the material, information, education and answers necessary for them to make an unpressured, fully informed investment decision.

Please see section D.

Reporting on Violations of the Code

What happens if you believe a member of ELSA has violated the Code?

All ELSA members are required to comply with the Code. If a market participant believes a member of ELSA is not following the Code they can inform ELSA by reaching out to

Chris Wells

ELSA's Executive Director
info@elsa-sls.org
+44 (0) 20 3490 0271.

The violation will be reviewed by the association's membership committee and if the violation is upheld the member will be asked to resign from the association.

What happens if a non-member violates the Code?

Non-members have not signed up to the Code and are therefore not required to follow it.

How do I submit suggested revisions to the Code?

The Code is maintained by a dedicated sub-committee that reviews and makes changes to it on a regular basis. If you have a revision you would like to suggest you can reach out to ELSA's Executive Director, Chris Wells, as above.

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