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| **Thematic Review****Equity release mortgages: propositions and pricing** |
| Submission guidance and questionnaire for consultancies |
|  | 2 December 2021 |



Thank you for taking part in this review. Your input is very valuable to the IFoA. If you have further queries, having reviewed the guidance and questionnaire, please get in touch with the IFoA Review Team (reviews@actuaries.org.uk).

**Objectives**

This review covers the UK Equity Release Mortgages (ERM) market, looking at actuarial involvement at various points, and, in particular, where technical work, and decision‑making, influence the propositions and prices offered to customers. Key areas covered by the review are: product design; ongoing product management; pricing (customer and origination); customer treatment; and application of [Actuarial Profession Standards](https://www.actuaries.org.uk/upholding-standards/standards-and-guidance/actuarial-profession-standards-apss) (APS) and [Technical Actuarial Standards](https://www.frc.org.uk/actuaries/actuarial-policy/technical-actuarial-standards/technical-actuarial-standards-2017-%281%29) (TAS).

The output from the review will be a public report, with non-attributable conclusions and findings, and we will seek to provide private tailored feedback to participants.

**How to take part**

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| **Step 1, Complete questionnaire**  |

Please complete the questionnaire on pages 2 to 5 as fully as possible. Further guidance on completing the questionnaire are included on page 2, below.

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| **Step 2, Select examples** |

As part of the questionnaire we ask for examples of advice or documentation produced or owned by actuaries, which may include papers, reports, presentations or other deliverables. This will help us to carry out a fuller review and provide value-added feedback to participants.

We appreciate there may be commercial concerns about confidentiality and intellectual property and we would reiterate the confidential nature of our reviews. Supply of documentation should be subject to appropriate redaction (see Step 3, below) and we are happy to receive excerpts where context remains clear. We would be happy to discuss any particular concerns with participants, including alternative methods for sharing material (e.g. limited time period for review; separately prepared summary of example documents).

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| **Step 3, Redact examples** |

To maintain confidentiality, organisations should redact documentation before submission, to remove information which could lead to the identification of a third party (*e.g.* a client of provider) or any individual other than a participant in the review.

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| **Step 4, Set-up secure data transfer** |

We will set up a secure data transfer folder for you on [Egress](https://www.egress.com/). This will allow you to upload files to a secure location to which only the IFoA Review Team and persons selected by you will have access. Egress is more secure than email and very easy to use. You can request an Egress folder from the IFoA Review Team (reviews@actuaries.org.uk).

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| **Step 5, Sign Confidentiality Undertaking** |

The IFoA will put in place a [Confidentiality Undertaking](https://www.actuaries.org.uk/documents/review-confidentiality-undertaking) for each organisation sharing information for a thematic review. The undertaking also covers future reviews, so any undertaking given for a previous review continues to apply. If you have not already received a pre-signed Confidentiality Undertaking please get in touch at reviews@actuaries.org.uk.

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| **Step 6, Upload documents** |

Once the above steps have been completed, the organisation will be ready to upload the following materials to Egress:

* countersigned confidentiality undertaking
* completed questionnaire, with all relevant documents attached

The Review Team will automatically be notified of the upload, so there is no need to contact the IFoA separately.

**Completing this questionnaire**

Please complete the following questionnaire as fully as possible responding with respect to ERM work at your organisation throughout. Where questions ask for a “who”, please provide the relevant job title or senior management role (rather than the name of a specific individual).

We acknowledge that there are different operating models across the sector, implying different levels of actuarial involvement across functions and processes. On that basis, we would still value partial responses, as you deem appropriate.

If there is more than one sufficiently autonomous firm or brand within your wider group then please complete a separate form for each, where possible. Where the approach is deemed to be fundamentally similar across the firms within a group, please complete the form on a group basis.

Please note that if multiple users will be contributing the completion and review of this questionnaire **you can use tracked changes** for text entered into form fields.

If you have further questions please get in touch with the Review Team (reviews@actuaries.org.uk).

**Definitions used in this questionnaire**

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| **Propositions** | activities relating to design and management of existing and new products |
| **Pricing** | activities relating to setting of customer prices, or origination prices for third-parties |
| **Distribution** | consumer advice and sales activity |
| **Manufacture** | product design and origination activity |
| **Warehouse** | holding ERM on the balance sheet |
| **Analytical and technical** | roles focused on data and modelling parts of the process |
| **Decision and influence** | managerial and/or director roles with specific proposition or pricing responsibilities |
| **Validation and oversight** | 1st or 2nd line roles with responsibility for review and challenge of proposition or pricing activity |

**Note on indicating “extent” in this questionnaire**

Where a dropdown menu includes “High,” “Medium,” and “Low” options it is intended that answers should be given on a “best endeavours” basis, providing a broad indication of the position at your organisation. An analogous scale might be “Significant/Reasonable/Minimal”.

**Questionnaire**

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| **1. Declaration** |
| In checking the box below I confirm that I am authorised by the Organisation under the terms of the [Confidentiality Undertaking](https://www.actuaries.org.uk/documents/review-confidentiality-undertaking) given by the IFoA to the Organisation to share with the IFoA any and all information about the Organisation pursuant to this review being undertaken by the IFoA and am lawfully entitled to provide the information requested and any personal data supplied on behalf of my Organisation. |
| **Signed (by checking)** |[ ]  **on behalf of** | Click to respond | **(the Organisation)** |
| **Name** | Click to respond |
| **Job title** | Click to respond |
| **Date** | Click here to enter a date |
| **2. Primary contact** |
| This is the individual we will contact with any further questions or feedback on this submission. |
| **Name** | Click to respond |
| **Job title** | Click to respond |
| **Email address** | Click to respond |
| **ARN (if applicable)** | Click to respond |
| **3. Preferences** |
| Following this thematic review a report will be published on the IFoA website. Are you content for the organisation’s name to be included in the report? | Select |
| Please indicate if your organisation is prepared to have a conversation with the Review Team following your submission. In the first instance, arrangements will be made with the primary contact named above. | Select |

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| **4.** **Your organisation’s business model** |
| **4.1** | Please indicate which elements of the end‑to‑end ERM business model are relevant.Please tick all that apply. | **Distribution** |[ ]
|  |  | **Manufacture** |[ ]
|  |  | **Warehouse** |[ ]
| **4.2** | How many clients have you provided advice to over the last 3 years in relation to ERMs? | Click to respond |
| **4.3** | How many distinct engagements have you worked on over the last 3 years in relation to ERMs? | Click to respond |
| **4.4** | Regarding which of the following products has your organisation provided services or advice to clients?Please tick all that apply. | **Lifetime Mortgages** |[ ]
|  |  | **Home Reversion Plans** |[ ]
|  |  | **Other** |[ ]
|  |  | If “Other,” please specify | Click to respond |
| **4.5** | Is your organisation a member of the [Equity Release Council](https://www.equityreleasecouncil.com/)? | Select |
| **5.** **Involvement of actuaries and other professionals at your organisation in ERM work** |
| **5.1** | **For each of the following please indicate the extent of involvement of:** | 1. **actuaries**
 | 1. **actuaries compared to other insurance professionals**
 |
|  | **Customer treatment and conduct risk** | Select | Select |
|  | **Propositions and pricing** | Select | Select |
|  | **Valuation and capital** | Select | Select |
| **5.2** | What other types of professionals or specialists are involved in ERM work?Please tick all that apply. | **Data science** |[ ]
|  |  | **Banking** |[ ]
|  |  | **Underwriting** |[ ]
|  |  | **Investments** |[ ]
|  |  | **Customer treatment specialist** |[ ]
|  |  | **Other** |[ ]
|  |  | If “Other,” please specify | Click to respond |
| **5.3** | More specifically please indicate the extent of involvement of actuaries in each of the following **elements of propositions and pricing work**. For each element there is a column for different parts of the process. |
|  | **Elements of propositions and pricing work** | **Analytical and technical** | **Decision and influence** | **Validation and oversight** |
|  | **Product design** | Select | Select | Select |
|  | **Managing and reviewing existing products** | Select | Select | Select |
|  | **Property Underwriting**  | Select | Select | Select |
|  | **Customer Pricing** | Select | Select | Select |
|  | **Origination Pricing** | Select | Select | Select |
|  | **Structuring** | Select | Select | Select |
| **5.4** | Please describe an example of key involvement of actuaries for ERM proposition or pricing work at your organisation. | Click to respond |
| **6. Consideration of climate-related risk at your organisation** |
| **6.1** | With respect to ERM work at your organisation what is the extent of: |
|  | overall consideration of climate-related risk? | Select |
|  | the involvement of actuaries in the consideration of climate-related risk? | Select |
| **6.2** | Please expand on reasons for your responses and the involvement of actuaries in the consideration of climate‑related risk with respect to ERM work at your organisation. | Click to respond |
| **7. Actuarial standards and guidance in Equity Release work** |
| **7.1** | [APS X1](https://www.actuaries.org.uk/system/files/field/document/APS%20X1%20%20version%201.1.pdf) and [X2](https://www.actuaries.org.uk/upholding-standards/actuarial-profession-standard-aps-x2) defines **actuarial work** as: *“Work undertaken by a Member in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings, or opinions.”* |
|  | In line with the above definition, which activities are considered **actuarial work** for ERMs at your organisation?Please tick all that apply. | **Product design and management** |[ ]
|  |  | **Pricing** |[ ]
|  |  | **Valuation** |[ ]
|  |  | **Capital** |[ ]
|  |  | **Other** |[ ]
|  |  | If “Other,” please specify | Click to respond |
| **7.2** | [TAS 100](https://www.frc.org.uk/getattachment/b8d05ac7-2953-4248-90ae-685f9bcd95bd/TAS-100-Principles-for-Technical-Actuarial-Work-Dec-2016.pdf) defines of **technical actuarial work**: *“work performed for a user: (1) where the use of principles and/or techniques of actuarial science is central to the work and which involves the exercise of judgement; or (2) which the user may reasonably regard as technical actuarial work by virtue of the manner of its presentation.”* |
|  | In line with the above definition, which activities are considered **technical** **actuarial work** for ERMs at your organisation?Please tick all that apply. | **Product design and management** |[ ]
|  |  | **Pricing** |[ ]
|  |  | **Valuation** |[ ]
|  |  | **Capital** |[ ]
|  |  | **Other** |[ ]
|  |  | If “Other,” please specify | Click to respond |
| **7.3** | In this section we are asking you to provide example documentation (as outlined in Step 2 on page 1, above). Specifically, please provide up to 2 examples of work, which are drafted and/or owned by actuaries. Guidance on how to securely share documentation is provided on page 1, above (“Step 4, Set-up secure data transfer”). If you would like to discuss alternative means of sharing documentation, or you are unclear about what documentation to provide, please contact the Review Team (reviews@actuaries.org.uk). |
|  | In addition to providing documentation, please describe what examples of documentation are subject to [APS](https://www.actuaries.org.uk/upholding-standards/standards-and-guidance/actuarial-profession-standards-apss) and/or [TAS](https://www.frc.org.uk/actuaries/actuarial-policy/technical-actuarial-standards/technical-actuarial-standards-2017-%281%29) assessment (in either valuation/capital functions or propositions/pricing functions) at your organisation. | Click to respond |

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| **7. Actuarial standards and guidance in Equity Release work (*continued*)** |
| **7.4** | How would you describe current actuarial standards and guidance (ethical and technical) for ERMs? | Select |
| Please expand on reasons for your response. | Click to respond |
| **7.5** | As part of thematic reviews the IFoA gives consideration to the suitability of the education and lifelong learning offered to members. Please provide your thoughts or feedback about this offering with respect to ERMs. | Click to respond |

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