

# Fair Value Assessment (FVA) – Commercial Property Owners’ Legal Solutions

Product Development



<b>Product names</b>	Commercial Property Owners’ Legal Solutions
<b>References</b>	CPOLSPW.01-22HDI.Digital CPOLSPW.01-22HDI CPOLSPW.01-22SR.Digital CPOLSPW.01-22SR
<b>Reviewer</b>	Abi Green
<b>Date Fair Value Assessment was completed</b>	10/05/2022
<b>Date product review signed off by Underwriting and Claims committee</b>	17/05/2022
<b>Product</b>	Existing product
<b>What type is the proposal</b>	Annual review of existing product

## Summary

This product has been subject to the carrier’s FVA process and has been reviewed and signed off by our FVA panel as representing fair value to customers. This is in light of a review of the following MI:

- Claims and complaints volumes, including FOS referrals
- Declinature rates
- Any impact on vulnerable customers
- Wordings review
- Any developments likely to impact the product in the next 12 months.

## 1. Product Design

### 1.1 Target Demographic

Who is the target demographic and is the proposition aligned to the identified demographic?

- Commercial Property Owners' Legal Solutions is designed for property which is located in the United Kingdom and for residential or commercial let property owners located in the United Kingdom, Channel Islands or the Isle of Man.

### 1.2 Customer Vulnerability

What is the potential for customer vulnerability within the target demographic and how can the product or process be flexed to meet their needs?

- Customer vulnerability is considered pre-inception as a part of product development. No issues have been identified that would change this.
- The product has been aimed at businesses, customer vulnerability therefore needs to be considered at service delivery level, rather than product development.

### 1.3 Market Research

Provide the research that has been completed and explain how it demonstrates the customer need for this product?

- This is an existing product which has been designed around the demands and needs of the target market segment.
- Whether it continues to meet these demands can be evidenced by performance metrics and claims data.

### 1.4 How is the Product Fair and Reasonable

How have we ensured the product is fair and reasonable? Is the product literature correct/ clear fair and not misleading?

Refer to the Product Oversight and Governance Policy:



Product Oversight and Governance 11.

Literature is fair, clear and not misleading. ARAG operate a robust sign off process for all new products and material product changes.

### 1.5 Customer Needs and Demands Expectations

Give consideration to any scenario that could affect customer needs and expectations. How will this be managed and customer need expectations maintained?

- Catastrophe risk is minimal.
- ARAG have a business continuity plan in place in case of any disruptive incidents whereby we can continue our usual operations successfully.
- The pandemic has highlighted the need for legal protection.

### 1.6 Key Features

What are the key features of the product and why are you comfortable they are appropriate for the proposed customer base?

Please refer to our Point of Sale document:



Comm Property  
CPOLSPOS 01-21.pd

We are comfortable that the key features reflect the demands and needs of our target market.

### 1.7 Exclusions

What are the exclusions, are there any deferred periods and how have you deemed them to be appropriate for the customer base?

Please refer to our Point of Sale document



Comm Property  
CPOLSPOS 01-21.pd

We have reviewed the exclusions and we have not identified any cause for concern.

### 1.8 Commissions and Fees

Are Commissions all appropriate and justified

This is within agreed thresholds.

### 1.9 Core Policy Documents

Have all core policy documents been created, and reviewed and approved by all the relevant parties?

Refer to the Product Oversight and Governance Policy:



Product Oversight  
and Governance 11.

All core policy documents have been created and reviewed by Product Development and then approved by all the relevant parties.

## 2. Sales Process

### 2.1 Marketing

How will the product be marketed and is there scope for the marketing go outside the target market?

Products are marketed on a business-to-business basis (B2B), marketing material is therefore aimed at the correct customer base for the products. The distribution of our products is down to intermediaries. No issues or concerns have been identified as part of our review.

### 2.2 Distribution

How is the product sold and is the process appropriate for the target market?

- Sold through an insurance intermediary as an add-on to or included within, commercial property owner insurance.

Intermediaries must act with the customers best interests in mind, they will work with customers throughout the new business and renewal process to ensure that their needs have been taken into account.

### 2.3 Process Controls

How is the process controlled?

- Broker training.

- Audits.
- We collate feedback from the Sales and Claims teams and the FOS, and make changes where required.

### 3. Claims Process

#### 3.1 Fairness

Is the claims process fair and does it present any barriers to claiming?

Having reviewed the data relating to the claims process, in our opinion:

- we consider the process to be fair, and
- there are no obvious barriers to claiming.

### 4. Complaints

#### 4.1 Fairness

Is the complaints process fair and does it present any barriers to complaining?

Having reviewed the data relating to the complaints process, in our opinion:

- we consider the process to be fair, and
- there are no obvious barriers to lodging a complaint.

### 5. Additional Notes and Comments

Any notable global and national news from the last 12 months which will have an impact on the products.

- The Welsh government has announced its intention to implement the Renting Homes (Wales) Act 2016 on 15<sup>th</sup> July 2022.
- The Renters' Reform Bill - Tenants will be protected through the abolition of 'no fault' evictions and a new Ombudsman for private landlords will allow disputes to be resolved more easily without going to court.
- Tail end of Brexit effecting business - uncertainty of the situation with NI.
- Inflation and the cost of living crisis is impacting people's ability to pay rent, bills etc.
- The Covid-19 pandemic brought a host of changes and/or challenges for our customers:
  - employment effected with furlough, redundancy risks, tribunals etc,
  - Covid-related job losses/reduced incomes would have impacted people's ability to pay rent, thus effecting recovery of rent arrears, repossession claims etc,
  - holiday home contract disputes may have been effected/increased due to Covid-related holiday cancellations.
- The move to working from home has blurred the lines between commercial and family insurance.
- Brexit Freedoms Bill - Gives ministers new powers to overhaul EU laws copied over after the UK left the EU. Changes need to be monitored as up to 1,400 'messy' EU laws could be torn up.
- The Data Reform Bill - This replaces EU rules on data protection laws. This may spell the end of GDPR. Impact on wordings will need to be considered.

Have any changes been made to the policy wordings in the last 12 months?

- A cyber affirmative clause has been added.
- A sanctions exclusion has been added.

### 6. Actions and Recommendations

Actions to be taken following this review process, R/A/G scale to show immediate, scheduled and/or business as usual.

- Review products in line with ongoing Brexit developments.
- Continue to review the non-urgent change log and implement changes if required.
- Review references to documentation within wordings as a result of change of provider of legal documents.