

# Fair Value Assessment Outcome

**PRODUCT** Mercia Property Owners Insurance Scheme

**DATE OF ASSESSMENT** June 2022

**Product Intended Value Statement:** The intended product value of Mercia Property Owners Insurance Scheme is to enable customers to manage and reduce the risks associated with owning property, from which the customer earns a rental income from 3rd party tenants who occupy the property. Let properties can be residential, commercial or mixed-use properties.

Our Fair Value Assessment and Product Review process has been designed to ensure that this value statement remains true for the foreseeable period in line with PROD 4 rules.

**Having reviewed all of the below information, we are satisfied that this product provides fair value when sold appropriately to the target market.**

This statement should be read in conjunction with our Target Market Statement which shows the needs, characteristics and objectives of the target market and the benefits the product is intended to provide.

	Assessment Data/Approach	Outcome and key actions
<b>PRODUCT METRICS AND COVER</b>	<p>We undertake an in-depth analysis of key data including the following:</p> <ul style="list-style-type: none"> <li>▪ Gross written premium and policy count</li> <li>▪ New business and retention rates</li> <li>▪ Loss ratio and claims frequency</li> <li>▪ Complaints data</li> <li>▪ Claims repudiations and ex-gratia payments</li> <li>▪ Cancellations in the cooling off period</li> <li>▪ Customer tenure</li> </ul> <p>As this product has a number of optional sections of cover, we have assessed the components individually as well as the product as a whole.</p> <p>As part of our approach we have also reviewed available customer, broker and market feedback and taken our competitive positioning in to consideration.</p> <p>We have assessed the product with the target market in mind, including any vulnerability considerations.</p>	<p>Having undertaken a qualitative and quantitative review of the product using all available information, we confirm it provides ongoing fair value for the intended target market.</p> <p>We have made an update to our Target Market Statement to ensure clarity of product suitability.</p>

**For broker use only.**

This information is intended for insurance professionals only and is not intended for distribution to the public.

	<b>Assessment Data/Approach</b>	<b>Outcome and key actions</b>
<b>SERVICE</b>	<p>We have reviewed the services we provide to customers alongside this product including:</p> <ul style="list-style-type: none"> <li>▪ Underwriting and Claims</li> <li>▪ Complaints handling</li> <li>▪ Third party services and helplines</li> </ul> <p>Metrics include (but are not limited to):</p> <ul style="list-style-type: none"> <li>▪ Operational service levels</li> <li>▪ Complaints handling times</li> <li>▪ Customer satisfaction</li> </ul>	<p>We have reviewed the quality of services provided to the customer and confirm it does provide ongoing fair value for the intended target market.</p> <p>We have taken this opportunity to further improve the service associated with this product.</p>
<b>PRICING AND PREMIUM FINANCE</b>	<p>We review the pricing model used to calculate the risk premium for the initial policy term and the rate change in subsequent years to ensure ongoing fair value.</p> <p>Metrics include (but are not limited to):</p> <ul style="list-style-type: none"> <li>▪ Portfolio rate strength</li> <li>▪ Commission</li> <li>▪ Expenses</li> <li>▪ Expected loss ratio</li> <li>▪ Cost of retail premium finance</li> </ul>	<p>We have reviewed the pricing measures and confirm they do provide ongoing fair value for the intended target market.</p>
<b>DISTRIBUTION</b>	<p>We review how the intended distribution arrangements support, and will not adversely affect, the intended value of the product.</p> <p>We have issued a questionnaire to all distributors of this product to understand:</p> <ul style="list-style-type: none"> <li>▪ Fees and charges</li> <li>▪ Services provided</li> <li>▪ Products sold alongside</li> <li>▪ Other distributors in the chain</li> </ul> <p>We have undertaken a review to ensure that all commission paid is within our Remuneration Framework.</p> <p>We review the product sales to ensure that it has been sold to the target market.</p>	<p>As manufacturer, we have obtained information from the broker to support this assessment of value.</p> <p>We have reviewed the information received so far and have found the arrangements support, and do not adversely affect, the value of the product. If there are any instances where we have a concern, we have contacted those distributors to discuss impact on value.</p> <p>We will continue to contact those distributors who are yet to respond to our questionnaire.</p>

**The assessment of this product was ratified by our internal sign off process in line with our Product Oversight and Governance policy.**

**We expect that all distributors who distribute this product will also be meeting their regulatory requirements and will continue to provide us with the information we require to carry out our assessments in a timely manner.**

### **For broker use only.**

This information is intended for insurance professionals only and is not intended for distribution to the public.

