

# Fair Value Assessment (FVA) – Emergency Assistance



Product Development

<b>Product names</b>	Home Emergency Residential Landlords' Emergency Solutions Business Emergency Solutions Holiday Home Emergency
<b>References</b>	HES1000PW.12-23 HES1000BERPW.12-23 HES500PW.12-23 RLES500PW.12-23 RLES500PW.12-23 NoRoofDamage RLES500PW.12-23 WithRoofDamage BESPW.12-23 HHESWOPW.12-23
<b>Reviewer</b>	Abi Green
<b>Date Fair Value Assessment was completed</b>	01/09/2024
<b>Product</b>	Existing Product
<b>What type is the proposal</b>	Annual Review of Existing Product

## Summary

These products have been subject to ARAG's FVA process and have been reviewed and signed off by ARAG's Underwriting & Claims Committee 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.

Products have been grouped in accordance with FCA PROD guidelines.

## 1. Product Design

### 1.1 Target Demographic

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

- Home Emergency Solutions is designed for owner-occupiers of private dwellings used for domestic purposes situated in the United Kingdom, Channel Islands and Isle of Man.
- Residential Landlords' Emergency Solutions is designed for landlords of residential dwellings used for domestic purposes situated in the United Kingdom.
- Business Emergency Solutions is designed for owners of buildings used for commercial purposes with less than 2500 square feet located in the United Kingdom, Channel Islands and the Isle of Man.
- Holiday Home Emergency Solutions is designed for owners of holiday homes, park homes and caravans which are located in the United Kingdom, Channel Islands and 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 part of product development. No issues have been identified that would change this.

### 1.3 Market Research

Provide the research that has been completed and explain how it demonstrates the customer's need for these products.

- These are existing products which have been designed around the demands and needs of the target market segment.
- Whether they continue to meet these demands can be evidenced by performance metrics and claims data.

### 1.4 Are the Product Fair and Reasonable?

How have we ensured the products are fair and reasonable? Is the products' literature correct/ clear fair and not misleading?

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

Refer to the Product Oversight and Governance Policy:



Product Oversight and Governance 04.2:

### 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 needs and expectations maintained?

- Products are exposed to climate risk; claims handling capacity is not a concern.
- ARAG have a business continuity plan in place in case of any disruptive incidents whereby we can continue our usual operations successfully.

### 1.6 Key Features

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

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

Refer to our Insurance Product Information Document or POS document:



IPID\_HES500PW.02-2  
4 (2).pdf



Business Emerg  
BESWPOS.12-23.pdf



IPID\_RLES500PW.06-  
22 (3).pdf

### 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?

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

Refer to our Insurance Product Information Document or POS document:



IPID\_HES500PW.02-2  
4 (2).pdf



Business Emerg  
BESWPOS.12-23.pdf



IPID\_RLES500PW.06-  
22 (3).pdf

### 1.8 Commissions

Are commissions and fees all appropriate and justified?

Commissions and fees are reviewed in line with the fair value framework. Commission thresholds are reviewed on a monthly basis by our compliance committee. If any commission levels are found to be outside of our thresholds, they are individually investigated, and appropriate actions are taken.

### 1.9 Core Policy Documents

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

All core policy documents have been created and reviewed by Product Development and then approved by all the relevant parties in accordance with the Product Oversight and Governance Policy.



Product Oversight  
and Governance 04.2:

## 2. Sales Process

### 2.1 Marketing

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

Products are marketed to customers on a business-to-business basis (B2B). Marketing material is therefore aimed at the correct customer base for the individual 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 are the products sold and is the process appropriate for the target market?

- Sold as an optional or bundled add-on to home insurance.
- Embedded as a section of a primary home insurance product – either as an optional section or mandatory inclusion.

- Distributed through intermediaries (i.e., insurance brokers, MGAs or insurance companies). Intermediaries must act with the customer's 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 will have an impact on our products.

- Cost of living crisis and inflation impacting actual value of product.
- Political uncertainty, e.g., worldwide conflicts and Labour government.
- Hybrid working became more popular (post Covid-19 pandemic) and therefore people spend more time at home. This has resulted in a decrease in claims, possibly due to customers being more likely to notice issues sooner and less office space is likely to be needed.
- Consider the growth of renewable energy sources.

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

- The requirement for boiler servicing and age have been removed from core wording for new business for all residential products from 1<sup>st</sup> Jan.

## 6. Actions and Recommendations

Recommendations to the company based on this review process, R/A/G scale to show Immediate, scheduled and/or business as usual.

- • Continue to review the new non-urgent change log and implement changes if required.
- • Continue to consider the effect of Consumer Duty on products.
- • Continue to improve data sources following DAS integration.