

Fair Value Assessment (FVA) – Commercial

Product Development



Product names	Essential Business Legal Absolute Business Legal Employment Practices Liability
References	EBLPW.12-23 ABLPW.12-23 EPLPW.12-23
Reviewer	Abi Green
Date Fair Value Assessment was completed	01/05/2024
Product	Existing Product
What type is the proposal	Annual Review of Existing Product

Summary

This product has been subject to ARAG's FVA process and has 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.

1. Product Design

1.1 Target Demographic

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

- Businesses 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 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's 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 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?

- 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?

- 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.

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?

All cover is relevant to a commercial customer's needs as these are all perils a commercial entity could face. Key features reflect the needs and demands of the target market.

Refer to the Point of Sale documents:



Essential Business
Legal EBLPOS.12-23.p



AbsoluteBusinessLeg
al ABLPOS.12-23.pdf



EmploymentPracticeL
iability EPLPOS 12-23

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 the Point of Sale documents:



Essential Business
Legal EBLPOS.12-23.p



AbsoluteBusinessLeg
al ABLPOS.12-23.pdf



EmploymentPracticeL
iability EPLPOS 12-23

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 biannual 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 product 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 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?

- Our products are sold as a stand-alone or as an optional or bundled add-on to commercial insurances.
- Embedded as a section of a commercial 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 which 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 upcoming general election.

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

- The non-urgent change log changes have been made to the policy wordings and POS documents alongside a literature design refresh.
- The claims procedure information has been updated to include reference to the new Claims Portal.

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.
- • Although there has been a significant decrease in claims declined for unspecified reasons, this still requires further investigation.