

**ARC LEI - MOTOR LEGAL PROTECTION (EMBEDDED)  
 PRODUCT OVERSIGHT AND GOVERNANCE (POG) REVIEW AND FAIR VALUE ASSESSMENT**



Insurance Product	LEI - Motor Legal Protection (Embedded)
Review Date	26 July 2022
Next Review Due	26 July 2023
New or Existing Product ?	Existing product to Arc and market – no change

**1. Product Risk - Proportionality & Appropriateness**

The complexity of the insurance product  
**Simple - Limited options for sums insured only. Simple wordings, few benefits / exclusions.**

Product Type  
**Add-On (insurance sold alongside a primary insurance product)**

Sales Method  
**Mandatory - {unbreakable bundle, included with other insurance or non-insurance sale}**

Policy Period  
**Annual renewable - By invitation**

Level of Underwriting Authority  
**No Discretion - {No discretion on Rates}**

Claims  
**No Delegation**

Complaints  
**No Delegation**

**2. Target Market**

End Customer Types  
**General public - {includes Vulnerable customers}**

Insured Residence / Domiciled Territories  
**UK, Channel Islands and Isle of Man**

Identified Target Market

What customer need is met by this product?  
 This product is designed to provide personal legal advice and funding to pursue compensation and recovery of uninsured losses following a non-fault motor accident and in some cases other specified motoring related legal disputes .

Who is this product designed for?  
 All motor vehicle owners and registered keepers who would like the security of having legal assistance in place to be able to pursue a claim for themselves and family members following a non-fault motor accident involving their insured vehicle.

Key Eligibility Criteria:

- Included with motor insurance policies when purchased with comprehensive or third party motor.

Who is this product not designed to support, or are there any features that you should be aware of when considering this product for your customer?

- Customers who do not wish to purchase legal expenses cover in advance or who would be willing to fund such expenses that their insurance did not cover themselves.
- Customers who have cover elsewhere.

Can this product be sold with or without advice?  
 This product can be sold with or without advice depending on your preference and in line with FCA regulations.

How can I offer this product to my customer?  
 We would suggest that this product can be sold face to face, via telephone or online.

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### 3. Fair Value Assessment

What assessments have been carried out relating to the performance and risk/reward profile of the product to ensure it meets the identified needs, objectives and characteristics of the target market?

The following metric based assessment has been carried out to determine whether or not the product continues to meet the identified needs, objectives and characteristics of the defined target market.

Based on the following results, it is evident that the product continues to provide fair value to customers and can therefore continue to be sold in accordance with the target market statement and distribution strategy set out in this product review.

#### Claim Frequency

% of policies which result in a claim being reported

0.08%

#### Average Cost Per Claim

The average cost per claim based on claims accepted

£34.00

#### Net Loss Ratio

The combined Underwriter and Arc loss ratio across Years 2016-2020

✓ 136.00%

#### Agent Commission Tolerance

A tolerance for total agent's commission based on typical costs associated with distributors' roles and responsibilities in the distribution chain.

£30.00

#### Claim Acceptance Rate

Accepted claims as a % of accepted and declined claims. Reasons for declination are policy exclusions apply, policy conditions not met, claim within waiting period or claim within policy excess.

✓ 99.53%

#### Claim Complaints Ratio

% of claims which resulted in a complaint to Arc or FOS

✓ 0.54%

#### Justified Claims Complaints Ratio

% of claims which were justified/upheld by Arc or FOS

✓ 0.16%

#### Retail Complaints Ratio

% of retail sales which resulted in a complaint to the distributor about the sale of the product (2021 Conduct Risk Data)

✓ 0.00%

#### Cancellation Ratio

% of retail sales which resulted in policy being cancelled either during the cooling off period or thereafter (2021 Conduct Risk Data)

✓ 5.48%

Does the insurance product remain consistent with the needs of the identified target market ?

Yes - see Fair Value Assessment

We are still assessing the impact of the Civil Liability Reforms which came into effect on 31st May 2021 which resulted in a change in the premium and cost structure of Motor LEI. This will impact the FVA metrics for 2021 and beyond. With the reduction in the small claims court limit for RTA injuries and the resulting inability for solicitors to recover their costs, Motor LEI is now more important than ever before.

### 4. Pricing

Financial Promotions

No

Broker Remuneration

Within Arc's Authority

Are the costs and charges of the product compatible with the needs, objectives and characteristics of the target market ?

The cost of the product is proportionately low when compared to the cost of the core product to which it attaches to. This is reflective of the typical lower frequency but relative (to premium) higher severity of claims. A typical customer is prepared to pay an additional premium which is typically between £10 and £25 to cater for the possibility of a legal dispute with the product offering a typical per claim limit of £50,000 or £100,000.

Is the charging structure of the product appropriately transparent for the target market, such as that it does not disguise charges or is too complex to understand ?

The product is normally offered as an optional extension to a core product with the premium clearly identifiable in a customer's quotation or renewal invitation.

In some cases, the product will be embedded into the core product booklet to form part of the wider core product benefits. In this scenario, no individual breakdown of charges will be provided to the customer.

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Do the charges undermine the return expectations of the insurance product?

A customer will typically be charged between £10 and £25 for the product. Considering the compensation awarded following a successful claim for Personal Injuries and a claim limit of £50,000 or £100,000, the premium charged is easily justifiable and proportionate.

**5. Distribution**

Distribution Chain

**Short / simple - {Coverholder / Broker > Customer}**

Distribution Method

**Website - Broker / Retail Broker**

What are the distribution channels for this product and how does Arc ensure that they are appropriate for the target market?

We have selected the following distribution channels based on their closeness to the target market and as a result their understanding of the customer;

- Insurance Intermediaries
- Managing General Agents
- Insurance Companies

Does the intended distribution strategy remain appropriate and consistent with the target market ?

Our products are intended to be distributed alongside a core motor insurance policy where it is being offered to the identified target market.

Our distribution channels remain the most appropriate strategy in terms of reaching the target market and being of adequate standards to identify the customers who are compatible with the target market's needs, characteristics and objectives.

What reasonable steps will Arc take to ensure the product is distributed to the target market ?

We carry out analysis of internal complaints and cancellation data supplied by our distributors to identify trends which may imply that the product is not being distributed to the target market. Where trends are identified, corrective actions are provided to the distributor to rectify the situation. If necessary we will impose sanctions including cancellation of agencies.

We encourage distributors to partake in product training to assist them in identifying customers in the target market.

**6. Check List**

Has Arc made available all appropriate information about the product including features, exclusions, risks, costs and conflicts of interest to all distributors ?

**Yes**

Has Arc made available all appropriate information about the product approval process to all distributors ?

**Yes**

Has Arc made available information regarding the identified target market of the product and target market assessment to all distributors ?

**Yes**

Conflicts of Interest

**Not applicable**