

**ARC LEI - HOLIDAY HOMES LEGAL EXPENSES INSURANCE  
PRODUCT OVERSIGHT AND GOVERNANCE (POG) REVIEW AND FAIR VALUE ASSESSMENT**



Insurance Product	LEI - Holiday Homes Legal Expenses Insurance
Review Date	01 August 2024
Next Review Due	01 August 2025
Reviewed By	Tim Mullin - Director of Product Governance
New or Existing Product ?	Existing product to Arc and market – no change

**1. Identified Target Market**

End Customer Types  
**Micro Enterprise /Small Business / SME**

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

Target Market Statement

**Customer Needs & Objectives**  
 This is a commercial product designed to attach to a holiday home or second home insurance package for owners seeking insurance protection against unexpected legal costs and expenses.

**Key Eligibility Criteria**  
 Professional and part-time property owners who own a holiday or second home which is used for personal use and/or made available for short-term holiday lets for all or part of the year.

**Target Market**  
 This product is designed for owners of holiday home properties.

**Non target-market**  
 Property owners with long term tenants or where the property is the customer's primary place of residence.

Does the insurance product remain consistent with the needs of the identified target market ?  
 Yes as evidenced in the Fair Value Assessment.

**2. 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. As part of this assessment remuneration, commission, fees and distribution strategy have been considered

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

Customer vulnerability has been considered as part of the review – no specific issues have been identified within the target market

**2a. Insured Performance Value**

**Reported Claim Frequency**  
 % of policies which result in a claim being reported  
 0.201%

**Net Loss Ratio**  
 The combined Underwriter and Arc loss/cost ratio  
 61.07%

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### Average Cost Per Claim

The average cost per claim for accepted claims

£3,130.21

### Claim Acceptance Rate

Accepted claims as a % of 'accepted' and 'declined' claims.

56.25%

\* Reasons for declination are policy exclusions apply, policy conditions not met, claim within waiting period or claim within policy excess.

\*\* Excludes 'other' erroneously reported claims e.g. no policy in force or no section of cover.

## 2b. Conduct Risk MI

### Claim Complaints Ratio

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

8.57%

### Retail Complaints Ratio

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

0.00%

### Agent Commission Tolerance

Arc's tolerance for total Agent's commission based on typical costs associated with a distributors' roles and activities in the distribution chain.

£15.00

### Justified Claims Complaints Ratio

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

0.00%

### Cancellation Ratio

% of sales which resulted in policy being cancelled either inside or outside 14 day cooling off period (Conduct Risk Data)

5.46%

## 2c. Legal Advice Helpline Value (applicable to most LEI products)

### Legal Advice Helpline Frequency

% of policies which result in a call to the Legal Advice Helpline

6.26%

### Service Levels Met

% of calls where advice was provided within 1 hour of initial notification.

82.19%

### Average Calls Per Matter

The average number of Legal Advice Helpline calls per matter.

2.48

\* A matter is defined as a single issue where a customer may call multiple times.

## 3. Costs & Charges

Financial Promotions

No

Broker Remuneration

Please Select

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

Remuneration and commissions throughout the distribution chain are subject to continuous evaluation and oversight by Arc's Conduct Team to ensure they are commensurate to the costs associated with the roles and responsibilities of each distributing party so that they are appropriate and justifiable.

Where a distributing agent's commission is above Arc' commission tolerance, a full justification must be provided to Arc's Conduct Team who will carry out an assessment to ensure there is no potential customer detriment. Arc reserves the right to withdraw authority from distributors who do not meet our fair pricing requirements.

Arc do not apply any fees for mid-term adjustments, however it is up to the distributor if they choose to charge fees which must be appropriate and reasonable and subject to oversight by Arc's Conduct Team. Fees may also apply to the core insurance product to which our add-on attaches.

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 ?

Where our product attaches to the core insurance offering as an optional add-on, the charging structure will be clearly identifiable as an optional extension in a customer's quotation or renewal invitation.

Where our product is embedded into the core insurance offering forming part of the wider core product benefits, no individual breakdown of charges will be provided to the customer.

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

No, Arc's Conduct Team ensure commissions and remuneration continue to be commensurate to each party's roles and responsibilities in the distribution chain.

## 4. Product Risk - Proportionality & Appropriateness

The complexity of the insurance product

Simple - Limited options for sums insured only. Simple wordings, few benefits / exclusions.

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Product Type

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

Sales Method

**Customer selects product**

Policy Period

**Annual renewable - By invitation**

Level of Underwriting Authority

**No Discretion - {No discretion on Rates}**

Claims

**No Delegation**

Complaints

**No Delegation**

## 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

Recommended Distribution Strategy:

This product can be sold with or without advice depending on your preference and in line with FCA regulations. We suggest that this product can be sold face to face, via telephone or online.

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

Yes, our distribution strategy remains 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 ?

Arc carry out a comprehensive onboarding process with distributors for all new products before they can be sold. This includes a TCF scorecard to ensure the product is being distributed correctly and to the identified target market. Additional checks are carried out as part of every scheme renewal.

Arc's Conduct Team also carry out analysis of Conduct Risk MI including claims complaints as well as sales and cancellation data supplied by distributors to identify any trends which may indicate potential customer detriment.

Distributors are encouraged to partake in product training to assist them in ensuring the product is sold to customers in the identified 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**