

## UK Retail Product Fair Value Summary

Product group	Unoccupied Property
Date fair value summary completed	September 2022

### Introduction

Gallagher has completed Fair Value Assessment work on those products it manufactures. This may be based on groupings of products which may be similar in features and are intended to be distributed to similar target markets. There was only one property in this group. This summary is not intended to replicate a full fair value assessment but sets out the approach taken, elements considered and high level findings. If any distributors require additional information about this product, please contact us using the details on the webpage.

### Product information

This product is a specialist one designed to provide cover for unoccupied residential properties for loss or damage to the property and/or its contents. It is specifically designed to protect empty homes under the following circumstances; the property is unoccupied due to the owner passing away, the property is unoccupied due to the owner moving into care and the property is unoccupied due to the owner moving in with family members. The key features are there is £5,000,000 property owners' liability cover and £5,000 landlords' contents cover for white goods, curtains, carpets and blinds included with the buildings insurance for residential areas. We estimate that in some cases, this product may be used by commercial customers (for example, solicitors) but equally, we expect that some, if not all policyholders may be in a position of vulnerability.

### Distributor remuneration

Gallagher has agreed with the insurer a reasonable commission which is in line with others in this sector and pays distributors out of this commission. It is our view that the amount paid to Gallagher and distributors is aligned to the activity and the service they provide, and that distributors are able to evidence this.

We believe that distributor remuneration for this product is reasonable, especially in the context of the average cost of this product and the nature of the risk under the circumstances. This view is contingent upon whether any additional costs are added by distributors and we have written to our network of distributors to monitor this. In the case of this product, we have not seen any evidence of disproportionate administration fees being added. No ancillary products are sold alongside this product.

### How Gallagher mitigates risks to fair value

We have taken steps to validate that distributor commissions are charged within a reasonable range and in line with usual market practice in order to ensure the value of our products is not diluted.



# Gallagher

Our remuneration approach is governed by controls internally, such as policies and referral controls. We have also written to retail distributors to gather information about administration fees and any other costs which might be added by distributors, such as charges for premium finance and any ancillary products sold alongside this product. Finally we have reviewed claims data, complaints data, product features and also considered other feedback from our businesses.

#### Does this product type provide fair value?

This product is a specialised one sold to a particular group of policyholders requiring protection in a particular circumstances. Policyholders may be particularly vulnerable, but we expect this product often to be sold by specialists (for examples, solicitors). Given the particular circumstances, the product would be unlikely to be sold to someone not requiring it.

Our review of sales, cancellation, claims and complaints data supports our view that sales and retention rates of the product demonstrate its value, and the fact that policyholders are able to successfully make claims against it. We note a higher than usual rate of cancellation but this is an inherent characteristic of this type of specialist product which is only required for limited periods. We note that premiums can be marginally higher than for household policies for comparable property but this is a result of the elevated risk profile of this type of risk.

We believe, based on a review of information in respect of sales practices and services, claims, complaints and market intelligence, that this product provides fair value to policyholders. We carefully review the value and suitability of our products in conjunction with the Target Market Statements (TMSs); and subject to products being sold in line with the direction of our TMSs, there is no evidence that would lead us to believe that the product is not suitable for the policyholders it is intended to be distributed to.

#### How we assess value

Our product governance and oversight process requires a full review of all product groups at least annually to determine if the product offers fair value to the policyholders.

These reviews consider the target market, distribution strategy, remuneration, marketing, product information, product performance, product design (including wordings), and any feedback received from distributors or policyholders. We also consider sales, claims and complaints data, and risk metrics related to these factors.