

Pen Underwriting Product Fair Value Outcome

Target Market Statement	Standard Home
Date Fair Value Summary Completed	Q3 2022

Product Fair Value Summary – Methodology

Pen has completed Fair Value Assessment work on products we manufacture. This is based on groupings of products which may be similar in features and are intended to be distributed to similar target markets. This Product Fair Value Summary is not intended to replicate our Fair Value Assessments, but sets out the approach taken and the outcome of the assessment.

Product Information

This product is designed for personal lines customers who require cover for a normally occupied, standard domestic residential home and its contents against physical loss or damage.

This product is not suitable for commercial properties, or residential homes which are not normally occupied or of non-standard construction.

This product could be sold to vulnerable customers so care must be taken in the sales process.

Optional Products

No products are sold alongside this core product by Pen.

Distributor Remuneration

Pen agrees commission rates with each distributor and as part of the fair value assessment process has requested details of any additional fees that may be added in the distribution chain. The fee details received have been analysed and if Pen considers these could impact the value of the product this would be raised directly with distributors.

All distributors should be able to:

- Confirm annually that the commissions and fees they charge are reasonable relative to the service(s) they provide and the total cost of the product to the customer; and
- Justify that commissions and fees they charge are fair, and support the intended value of the product.

How Pen Mitigates Risks to Product Fair Value

Pen's commission structure is intended to ensure that it reflects product features and benefits and the services we provide, which support product fair value. Pen does not benefit from distributors increasing or decreasing their own commissions/fees.

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

Does this Product provide Fair Value?

The outcome of the fair value assessment found that this product provides fair value, which is based on Pen's review of information related to sales practices and services, claims, complaints and market intelligence. This is subject to distributors:

- Not charging customers additional fees that bear no reasonable relationship to the service(s) provided, or the overall cost of the product; and
- Ensuring that there is no duplication of cover as a result of any add-on products sold, including premium finance cover, where appropriate cover is already provided by the policy.

Pen carefully review the value and suitability of products in conjunction with the Target Market Statements (TMSs). Subject to Pen's products being sold in line with the direction of our TMSs, there is no evidence that the product is not suitable for the customers it is intended to be distributed to.

How Pen Assesses Value

Pen's 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 customer.

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 customers. We also consider sales, claims and complaints data, and risk metrics related to these factors.