



LMA9198 - Product Value - Information Exchange Template GUIDANCE

The Product Value – Information Exchange Template (LMA9197) is designed to assist product Manufacturers and Distributors in meeting the requirements of the FCA PROD rules (PROD 4.2.29 R and PROD 4.2.14 P) relating to information exchange which are shown in the blue boxes below.

Manufacturers and Distributors

The term “Manufacturer” refers to a firm substantially involved in creating, developing, designing and/or underwriting a contract of insurance. As such, managing agents/insurance companies will always be product manufacturers. They may be co-manufacturers with a Distributor when the Distributor also meets the definition.

Generally a Distributor will be some form of intermediary, either authorised or exempt by the FCA. A Distributor would also include introducers.

Requirements and Responsibilities

The fair value assessment is the responsibility of the Manufacturer of a product, which will typically be the insurer unless otherwise agreed with the intermediary in a formal agreement.

Value means the relationship between the overall price to the customer and the quality of the product(s) and/or services provided. In order for the Manufacturer to conduct a fair value assessment, information on remuneration and services provided in the chain will need to be provided by Distributors to the Manufacturer.

Upon request from the Manufacturer it is each Distributor’s responsibility to feed the “required information” via the checklist up the chain. Distributor 1 should be the Distributor in direct contact with the Manufacturer and the highest Distributor number should be the Distributor in direct contact with the customer. “Reasonable steps” should be undertaken to request this information from the chain and the first Distributor will provide to the manufacturer, including an outline of any omissions.

Distributor 1 is responsible for the exchange of information with the manufacturer/underwriter (lead underwriter where there is more than one).

In Scope Products

Contracts of insurance that are not contracts of large risk or reinsurance.

Out of Scope Products

Contracts of large risk:

1. (a) railway rolling stock, aircraft, ships (sea, lake, river and canal vessels), goods in transit, aircraft liability and liability of ships (sea, lake, river and canal vessels);
2. (b) credit and suretyship, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;

3. (c) land vehicles (other than railway rolling stock), fire and natural forces, other damage to property, motor vehicle liability, general liability, and miscellaneous financial loss, in so far as the policyholder exceeds the limits of at least two of the following three criteria:
 1. (i) balance sheet total: €6.2 million;
 2. (ii) net turnover: €12.8 million;
 3. (iii) average number of *employees* during the financial year: 250.

Reinsurance contracts

Bespoke products:

Bespoke products are out of scope and could be considered to be those:

1. which begin with a blank sheet of paper; and
2. where there is no existing 'product' used as a base for the product; and
3. where the customer, Distributor(s) and Manufacturer(s) actively work to construct a bespoke product.

Manufacturer Information

4.2.29 R A *firm* which *manufactures* an insurance product, must make available to a *distributor*:

- (1) all appropriate information on the insurance product
- (2) all appropriate information on the product approval process; and
- (3) the identified target market of the insurance product.

4.2.29A G For a *non-investment insurance product*, the information required by *PROD* 4.2.29R should include:

- (1) all appropriate information to enable the *distributor* to understand the intended value of the insurance product established by the *firm*;
- (2) any effect the *distributor* may have on the intended value that has not been fully taken into account by the *firm* when assessing value, and therefore which the *distributor* should take into account; and
- (3) any type of *customer* for whom the insurance product is unlikely to provide fair value.

To comply with this requirement insurers/managing agents (and MGAs and brokers where they are Manufacturers' ("Carriers")), should look to supply to the distributor the following types of information for products:

- on a standalone basis; and where relevant
- as part of a package.

- Summary information on the POG process and what factors were influential in the Carrier gaining comfort for itself that the product offers fair value. The document should not merely replicate information in the relevant policy summary or IPID, although it must be consistent with that document
- Bundling of products – in order to make the product review and information exchange a manageable task, the FCA allows Carriers to group together “similar” products.
 - By “similar”, the FCA means products which provide similar, rather than identical, cover and outcomes.
 - This is particularly useful when considering open market risks which could usefully be grouped, e.g. high net worth policies.
- Unless there are special circumstances, it is suggested that Carriers should consider adopting a proportionate approach which focuses on UK consumers, overseas consumers, then SMEs, before looking at larger commercial risks.
- The information provided by Carriers is likely to be more granular for new products and more concise for existing products. It should be reassessed on a regular basis, particularly if there are any material changes to the product information considered.
- Where Carriers are co-manufacturers, the Carrier should decide who is best placed to complete the template. However, the Carrier must always be comfortable with the information the template contains.
- Where Carriers provide premium finance, or arrange for others to do so, they should consider whether, and to what extent, such finance may affect the product value.
- To complete a full fair-value assessment, Carriers will need the data from distributors which may be received after the initial assessment. However, a starting position that Carriers could take would be to provide product-specific value measures, particularly where such data can be leveraged from their regulatory reporting.
- An example of the type of information that could be included in the template is provided in appendix 1. Examples of completed templates are provided in appendix 2. These are meant as examples only and what is appropriate information will vary from product to product. The Carrier will need to make this assessment, perhaps in discussion with the Distributor.

Distributor Information

4.2.14P R A firm must obtain from any person in the distribution arrangements all necessary and relevant information to enable it to identify the remuneration associated with the distribution arrangements to allow it to assess the ongoing value of the product, including at least:

- (1) the type and amount of remuneration of each person in the distribution arrangement where this is part of the premium or otherwise paid directly by the customer, including in relation to additional products (other than where this relates to another non-investment insurance product for which the firm is not a manufacturer);

(2) an explanation of the services provided by each person in the distribution arrangements; and

(3) confirmation from any firm in the distribution arrangements that any remuneration is consistent with their regulatory obligations including SYSC 19F.2 (IDD remuneration incentives).

The information provided should include the type and amount of remuneration (including commission and fees) of each Distributor – see definitions below for further guidance.

Definitions

Commission paid for the product. Do not include any commission whereby the carrier is already in possession of the data including, but not limited to, additional commission such as work transfer or any other commissions.

Fees - whereby an additional fee is paid above the policy level commission by a client such as an administration fee. A finite figure should be provided e.g. £15 administration fee or administration fee ranging from £10-15. Do not include fees that are paid in lieu of commission and agreed with customers. Fees whereby a carrier provides a net quote should not be included.

Reasonable steps - The definition of reasonable steps depends on a distributor's risk appetite but should be sufficient for the distributor to discharge their regulatory obligations.

Ancillary product – is a product that is not sold in isolation, is offered by the same carrier and where the cost is included as part of the core premium.

Where an ancillary product is sold alongside a core product but has a separate premium this should not be included.

Premium finance will either be dealt with under the Distributor section or Carrier section depending on which party is responsible for the arrangements.

Required information – is the information needed for the manufacturer to complete a fair value assessment and is limited to the descriptions above and the information outlined in the checklist

Guidance

- To add value for the Carrier, data reported should not be that which the Carrier already holds, e.g. total commission.
- Where there is distribution via more than one legal entity in the same group, the commissions and services should be split according to legal entity.
- Information on remuneration should relate to those charged in connection with the specific product(s).
- It is recognised that there may be limitations on the data that distributors can provide, particularly where there are non-UK distributors in the chain due to local legal restrictions, type of distribution chain, etc. Therefore, it is accepted that Distributor 1 will provide the data after taking reasonable steps to obtain full information. Where not all information is

available, Distributor 1 should assist the Carrier by providing an explanation as to the limitations on the information available.

- Where a Distributor distributes the same product from the same Carrier to multiple Distributors, it may be prudent to ask for a confirmation from the multiple distributors that their fees are not more than a certain amount, rather than requesting numerical data.

Appendix 1 - Product Value - Information Exchange Template (Example information)

Carrier name	
Broker name	
Product name	
Reference/UMR [Binder]	
Reference [Class of Business]	
Date	

Carrier Information
<p><i>The fields below should be completed by the carrier. The information provided should be sufficient for distributors in the chain to understand the value of the product, the intended target market and those to whom the product should not be marketed. Other information should be included (if relevant) to advise distributors of how their known or expected actions might affect the value of the product.</i></p>
Product information
<p>This section should include:</p> <ul style="list-style-type: none"> • Details of the POG approval process and any relevant MI (e.g. claims/complaints) which set out how the Carrier maintains oversight of the product. • A short summary of the product (not merely reference to, or reproduction of, IPID or policy). • Any key factors and benefits of the product which support and enhance its benefit to customers. <p>Other information could include:</p> <ul style="list-style-type: none"> • Where/how the claims/complaints will be handled (e.g. DCA, carrier, etc.) • How the referral process will work – who is accountable and what SLAs are in place – the onus being on managing customers’ expectations on timescale when a risk is referred. • Is the product territory specific? In what territories the product is/is not available? • How the product will be renewed and when a renewal notice will be issued. • Any research which has been undertaken to ensure that there is customer demand for this product. • Any carrier fees and charges in place (Open Market).
Target market

<ul style="list-style-type: none"> The customer type(s) that this product has been designed for and any research, etc. which has informed that decision. 	
Types of customer for whom the product would be unsuitable	
<ul style="list-style-type: none"> Where a product is sold across customer types or sub-sets, consideration should be given to its suitability for those types. The likelihood of customers already having coverage through other products or benefits. Specific groups for which exclusions or characteristics make the product unsuitable. 	
Any notable exclusions or circumstances where the product will not respond	
<ul style="list-style-type: none"> Define any new or unusual time periods/restrictions that may be applied to the claim's notification period. If there is a key factor in the product design, that may reduce the risk to the managing agent then then should be clearly labelled as such. If the product does not respond in the event of local, national, or global events then make this explicitly clear in this section and the corresponding policy wording. If there are criteria that a customer must satisfy as a term of cover being agreed and live for the policy term, then this must be included here along with what evidence of this the managing agent expects to be provided and timescales for this. 	
Other information which may be relevant to distributors	
<ul style="list-style-type: none"> Whether the carrier needs to have received all necessary information to ensure it can offer the product. Useful contacts. 	
Date Fair Value assessment completed	
Expected date of next assessment	
<i>The following should only be completed <u>after</u> the Broker Information section below has been completed and provided by Distributor 1.</i>	
Total commissions	
Total fees	
Total other Distributor remuneration	

Broker Information	
<p><i>The fields below should be completed for all distributors in the chain. Distributor 1 should be the distributor in direct contact with the carrier and the highest distributor number should be the distributor in direct contact with the customer. The information provided should include the type and amount of remuneration (including fees and commissions) of each distributor, where this is part of the premium or otherwise paid by the customer, for the product.</i></p>	
Distributor 1 – [insert name]	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	

Direct – The product is distributed directly to insureds. The broker’s role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
Wholesale - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
Advised – the product is sold on an advised basis	Yes/No
Non-Advised – the product is sold on a non-advised basis	Yes/No
Claims – the broker provides claims first notification of loss	Yes/No
Other – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product’s value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
Information on how the selected products above affect the product’s value	
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 1.	Yes/No
Distributor 2– [insert name]	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
Direct – The product is distributed directly to insureds. The broker’s role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
Wholesale - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
Advised – the product is sold on an advised basis	Yes/No
Non-Advised – the product is sold on a non-advised basis	Yes/No
Claims – the broker provides claims first notification of loss	Yes/No

Other – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product's value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
Information on how the selected products above affect the product's value	
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 2.	Yes/No
Distributor 3– [insert name]	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
Direct – The product is distributed directly to insureds. The broker's role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
Wholesale - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
Advised – the product is sold on an advised basis	Yes/No
Non-Advised – the product is sold on a non-advised basis	Yes/No
Claims – the broker provides claims first notification of loss	Yes/No
Other – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product's value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No

Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
Information on how the selected products above affect the product's value	
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 3.	Yes/No
Distributor 4– [insert name]	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
Direct – The product is distributed directly to insureds. The broker's role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
Wholesale - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
Advised – the product is sold on an advised basis	Yes/No
Non-Advised – the product is sold on a non-advised basis	Yes/No
Claims – the broker provides claims first notification of loss	Yes/No
Other – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product's value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No

Other – please describe	Yes/No
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 4.	Yes/No
Distributor 5– [insert name]	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
Direct – The product is distributed directly to insureds. The broker’s role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
Wholesale - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
Advised – the product is sold on an advised basis	Yes/No
Non-Advised – the product is sold on a non-advised basis	Yes/No
Claims – the broker provides claims first notification of loss	Yes/No
Other – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product’s value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 5.	Yes/No

Appendix 2 - Product Value - Information Exchange Template (Completed examples)

Carrier name	ABC Syndicates Ltd
Broker name	Broker 123
Product name	Residential Property Owners
Reference/UMR [Binder]	UMR 2468
Reference [Class of Business]	Property
Date	8/10/2021

Carrier Information
<p><i>The fields below should be completed by the carrier. The information provided should be sufficient for distributors in the chain to understand the value of the product, the intended target market and those to whom the product should not be marketed. Other information should be included (if relevant) to advise distributors of how their known or expected actions might affect the value of the product.</i></p>
<p>Product information</p> <p>This product has been subject to the carrier's POG process and has been reviewed and signed off by our POG panel as representing fair value to customers. This is in light of a review of the following MI:</p> <ul style="list-style-type: none"> • Cancellation data • Claims and complaints volumes • Declinature rates • Loss ratios • Ex gratia payments • Wordings review (technical and Plain English) • Breaches of Lloyd's/FCA benchmarks and tolerances • Root cause analysis • This section should include: <p>The product provides property insurance to Landlords and covers damage or loss to the property caused by specified perils. Loss of rent/BI cover is included as standard with no additional premium attached.</p> <p>Claims are handled in-house and by DCAs and coverholders on this product. Complaints are handled in-house. Where claims are handled by third parties specific SLAs are in place to ensure that the best service is provided to our mutual customers.</p> <p>This product is offered to customers in the UK and ROI.</p> <p>The product runs for a duration of 12 months and renewal notices issued in accordance with local regulations.</p>

Target market	
Landlords with a small portfolio of properties. Suited to those running a small business, as well as those who only have one property which they let.	
Types of customer for whom the product would be unsuitable	
<ul style="list-style-type: none"> • Homeowners/those not letting their properties to tenants. • Freeholders, or those owning properties in a freehold/leasehold arrangement. • Landlords with large portfolios of properties. 	
Any notable exclusions or circumstances where the product will not respond	
<ul style="list-style-type: none"> • Standard market exclusions apply. • Notable non-standard exclusion includes the exclusion of internal damage caused by storm/water ingress if external damage is excluded e.g. due to wear and tear. • Communicable disease exclusion included • Conditions precedent are present and feature in the policy documentation, dependent on customer's sophistication it may be appropriate to bring these to the insured's attention at POS 	
Other information which may be relevant to distributors	
<p>Due to Covid, we currently have a number of open BI claims on this product. None are covered due to the presence of a damage trigger. Going forward specific Covid exclusions have and will be applied.</p> <p>Complaints central contact: carriernamecomplaints@carrier.com Underwriting central contact: propertyteam@carrier.com Claims central contact: propertyclaims@carrier.com</p>	
Date Fair Value assessment completed	10/09/2021
Expected date of next assessment	10/09/2022
<i>The following should only be completed <u>after</u> the Broker Information section below has been completed and provided by Distributor 1.</i>	
Total commissions	
Total fees	
Total other Distributor remuneration	

Carrier name	Lloyd's Syndicate Ltd
Broker name	ABC Coverholder
Product name	Scuba Diving Travel
Reference/UMR [Binder]	BNNNAAAAAAAAA
Reference [Class of Business]	P/A Travel
Date	12/10/2021

Carrier Information
<p><i>The fields below should be completed by the carrier. The information provided should be sufficient for distributors in the chain to understand the value of the product, the intended target market and those to whom the product should not be marketed. Other information should be included (if relevant) to advise distributors of how their known or expected actions might affect the value of the product.</i></p>
<p>Product information</p> <p>This product has been subject to the carrier's POG process and has been reviewed and signed off by our POG panel as representing fair value to customers. This is in light of a review of the following MI:</p> <ul style="list-style-type: none"> • Cancellation data • Claims and complaints volumes • Declinature rates • Loss ratios • Ex gratia payments • Wordings review (technical and Plain English) • Breaches of Lloyd's/FCA benchmarks and tolerances • Root cause analysis <p>Leisure travel product, tailored to meet the needs of those scuba diving whilst on holiday. Single tip and annual multi-trip options are available.</p> <p>Specific differences to a general travel product will be higher limits for baggage & equipment and medical limits tailored to risk factors presented by scuba diving – usually excluded from a general product as a high risk activity.</p> <p>For annual products, a winter sports extension is available at an additional premium.</p> <p>For annual products, the period will be 12 months, for single trip period will be up to the end of the trip.</p>
<p>Target market</p> <p>Individuals and groups travelling for the purpose, or with the intention, of participating in Scuba diving.</p>
<p>Types of customer for whom the product would be unsuitable</p> <p>Any individuals or groups who are not planning on Scuba diving.</p>

Any individuals or groups who already have this cover through existing products – NOTE SCUBA DIVING WILL TYPICALLY BE EXCLUDED FROM MOST GENERAL TRAVEL POLICIES

Any notable exclusions or circumstances where the product will not respond

Camera equipment, whilst in use on a diving excursion will not be covered.
Pre-existing medical conditions – Please ensure that these are disclosed at application.
Cancellation cover has exclusions for certain events
Other standard market and travel exclusions will apply.

Other information which may be relevant to distributors

Trend in denied claims / complaints around camera equipment whilst in use. Number of (unfounded) complaints have alleged that customers were unaware of this exclusion. We believe that the policy language is clear, but at point of sale this exclusion should be raised.

Complaints central contact: carriernamecomplaints@carrier.com

Underwriting central contact: UW / or Coverholder@emailaddress.com

Claims central contact: propertyclaims@carrierorTPA.com

Date Fair Value assessment completed	01/08/2021
Expected date of next assessment	01/08/2022