

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



Insurance Product	LEI - Commercial Legal Expenses Insurance (Embedded)
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
Mixed - Commercial & SME

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

Target Market Statement

What is this product?
 This is a Commercial Lines add-on product which is included alongside a Commercial package or policy and is suitable for commercial customers.

What customer need is met by this product?
 This is a packaged product designed for businesses who are seeking insurance protection against unexpected legal and professional costs, expenses and in certain cases damages awarded to employees.

Who is this product designed for?
 This product is designed for businesses to help them pursue or defend a variety of legal proceedings including property protection, employment, tax and contract disputes.

Who is this product not designed to support, or are there any features that you should be aware of when offering this product to your customers?
 Customers who are not involved in running a commercial business.

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.

Further investigations will be carried out to ascertain any causes of concern relating to the complaints metrics which are above our standard tolerance.

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

0.290%

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

✓	68.08%
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Average Cost Per Claim

The average cost per claim for accepted claims

£3,078.32

Claim Acceptance Rate

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

85.44%

* 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

8.47%

Retail Complaints Ratio

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

No Conduct Risk MI - Commercial Customer

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.

60%

Justified Claims Complaints Ratio

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

2.88%

Cancellation Ratio

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

No Conduct Risk MI - Commercial Customer

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

2.72%

Service Levels Met

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

79.05%

Average Calls Per Matter

The average number of Legal Advice Helpline calls per matter.

0.02

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

3. Costs & Charges

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 ?

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

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

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