



## Personal Accident Plan Fair Value Document

*For intermediary use only*

June 2024

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### What is fair value?

The FCA introduced new rules under Policy Statement (PS) 21/5 to make sure that manufacturers (those responsible for designing products) and distributors (those responsible for selling them) always consider what's fair value for the customer.

The term 'fair value' has become a focal point for the FCA. Their proposed rules define value as the relationship between the overall price to the customer and the quality of the product(s) and/or services provided.

### Who needs to demonstrate fair value?

Hive Insurance Services Limited (registered in England No 3179382) is authorised and regulated by the Financial Conduct Authority, registered number 308655 and a co-manufacturer of the Personal Accident Plan. Registered office: Unit 4 Bredon House, Almondsbury Business Centre, Bradley Stoke, Bristol BS32 4QH.

There are regulatory requirements for a manufacturer of any insurance product, to maintain, manage and review how it approves its products. As part of that approval process, we need to show how the product provides fair value to customers in each target market.

We carry out a fair value assessment based on the FCA Rule PROD 4.2.29. This requires the manufacturer to obtain sufficient information to demonstrate clearly that all distribution channels offer fair value and don't compromise any customers in the target market.

If Hive Insurance Services Limited identifies that any distribution activity is detrimentally affecting the intended value of the insurance product, it will take appropriate remedial measures.

### How do you approve products?

We follow the process below when developing new products. This process considers whether each development is a new type of cover or potentially a 'significant adaptation' as described within the PROD rules. If the proposed development meets these definitions, then a fair value assessment will be carried out as part of the product development process.

1. Product design
  - a. Customer needs
  - b. Market research
  - c. High level product summary
  - d. Discuss with insurer/MGA
  - e. Detailed product requirements
  - f. Literature
2. Pricing

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- a. Discuss with insurer/MGA to agree
  - b. Pricing approval from insurer/MGA
3. Compliance, Risk & Legal
  - a. Conduct risk assessment
  - b. Review policy wording
  - c. Policy wording approval from insurer/MGA, including legal sign-off
  - d. Product specific compliance processes and MI
  - e. Marketing compliance
  - f. Final internal approval
4. Third party approval
  - a. Final approval from insurer/MGA
5. Build and implementation
  - a. System and processes, tested and complete
  - b. Internal approval
6. Launch
7. Post launch assessment (leads back to Step 1, Product Design)
  - a. Monthly MI
  - b. Review of complaints and breaches
  - c. Annual product assessment
  - d. Insurer feedback

We also carry out product reviews every year to make sure the product is performing as designed, and this review includes a Fair Value Assessment.

### **What products are available and who's the target market?**

Individuals between the ages of 4 and 70 who want to insure themselves against short-term financial hardship in the event of an accident. The payment could cover medical costs, time off work allowing financial liabilities such as mortgage/ rent and every-day bills to be maintained, and other expenses and inconvenience incurred as a result of the injury.

Cover is offered for 12 months, on a rolling 12 month renewal basis.

See appendix 1 for details of when each product is suitable, or not suitable.

### **What are your main product features?**

- Fracture Benefits
- Dislocation Benefits
- Hospitalisation Benefit

Please see the product policy wording for more information.



### **How do you assess fair value?**

As part of the annual review process, we assess the value received by customers, referred to as the 'Fair Value Assessment'. The Fair Value Assessment considers a range of factors that contribute to the overall value provided to our customers.

These include:

- Claims to premiums ratio – a comparison of the value of claims we expect to pay out to customers against the value of premiums we expect customers to make to us. This includes all expected payments throughout the lifetime of the policy.
- Service – making sure service levels meet the quality we have led customers to expect
- Complaints – analysing customer complaints to identify and resolve root causes especially where the product has failed to deliver the expected outcomes
- Communications – making sure customers receive ongoing communications that are clear and transparent.

### **What are the results of the Fair Value Assessment?**

Date of latest assessment: June 2024

Result of latest assessment: Pass

### **When do you carry out fair value assessments?**

The fair value assessment is completed as part of our annual product review which includes:

- Market review (target market, cover type and customer age – actual vs expected, fair value assessment, review of competitors, distribution and pricing)
- Core covers (a review of each of the covers)
- Functionality (Intermediary and customer experience, complaints and system functionality)
- Claims (including declined claims)

The annual product review actions are monitored through the Customer Services, MI and Product Development Team, reporting to the CEO.

In addition, there are a number of monthly reports from the MI team which monitor performance between the annual reviews. These reports are discussed and if any potential issues are identified then we take action.

### **What will happen if the result of the assessment or the annual product review identifies an issue?**

We regularly review our new and existing products to ensure they continue to deliver the value for money to our customers that they should provide. If we found a divergence from this, the action we would take would depend on the nature of that divergence.

In the context of new business such action could include reviewing the premium levels for the product in question, reviewing the benefits offered, or closing the product altogether.



Other actions could also mean reviewing the premiums through certain distribution channels to ensure that the premium paid by customers is reflective of the nature and quality of business sold through those distribution channels.

**Are there additional costs such as premium rate phone numbers or charges for making changes to the policy?**

No. We don't use premium rate phone numbers and we don't charge additional costs for making changes.

Customers can contact us through their regulated insurance intermediary, or direct by phone or email.

All premiums are payable on an interest free monthly basis by direct debit and we don't offer the option of premium finance.

**What is your distribution strategy?**

We partner with independent regulated insurance intermediaries who have experience of selling protection and are therefore comfortable in marketing the Personal Accident Plan to their clients on a non-advised or advisory basis.

We also sell directly to consumers through our advisers and appointed representatives.

## **APPENDIX 1**

The Personal Accident Plan is suitable for:

- People who participate in sports, have an active lifestyle or a job involving manual labour where there is risk of accidental injury
- People who want and have a requirement for a lump sum if they suffer from an accident
- People who are not willing or able to self-insure, or who don't have funds elsewhere
- People who need cover between their 4th and 70th birthdays

The Personal Accident Plan is NOT suitable for:

- People looking for long-term protection
- People who want guaranteed premiums beyond 12 months
- People looking for life insurance
- People looking for a product to pay a lump sum if they're diagnosed with an illness
- People looking for business protection to cover the loss of a key person
- People looking to provide finance to purchase shares of a director or partner in the event of their death
- People looking to cover an interest-only business loan
- People looking to protect themselves for the rest of their life
- People looking for a plan that offers a surrender value at anytime