

MOTOR

FAIR VALUE ASSESSMENT

This document is for reference only and does not contain the full terms and conditions of the product, which can be found in the Policy Summary and Keyfacts documents on our website: <https://uk.cntaiping.com/documents-commercial/>

Target Market

We have been providing Motor insurance in the UK, with a special focus on the Chinese community for the best of 20 years. For this product design, we have drawn upon decades of experience in underwriting this trade, detailed analysis of its typical claims patterns, always with an eye to the market needs and business requirements of our target clients, so as to ensure our products add value and deliver a relevant, bespoke peace of mind and legislation compliance insurance solution to our target market.

Motor is a personal line insurance product designed for individual customers who need to insure their vehicle as per legal requirements.

Our target market is UK based expats, diplomats and Chinese community drivers.

The product is not suitable for:

- Self drive hire
- Motor trade
- Young drivers (18-23 years old) unless otherwise agreed
- Modified vehicles
- Recovery vehicles
- Vehicles over 3.5t
- Caravans, park homes or mobile Homes

Product Design

The product has been designed to provide value to our customers. To ensure we relate to all our customers and our product is clear, we have also designed supporting documents, including IPID, and continue to run a triple English, Mandarin and Cantonese language claim and underwriting service during working hours, so as to allow our customers to speak the language they are most comfortable with in particular during what can be the stressful process of making a claim. As we do not have approved repairers, the insured is able to select a repairer of choice and, as long as within the expected range of cost for the damage suffered and type of vehicle, the claim is considered on that basis.

Fair Value Assessment

We would envisage that fair value may not be provided through this product outside the target market as outlined above.

If any material facts are not correctly disclosed to us, the insured may experience a loss of value as the policy may not respond in full or at all, depending on specific circumstances.

The product is distributed directly by us, with only a very small part being distributed through our broker network.

Where the product is distributed through intermediaries, we ask our brokers to advise us of the level of admin fees charged on our products and revise these amounts yearly against our own acceptability criteria, including any commission charged for intermediated activities, as we recognise that additional charges above what is factored into the product pricing process, as well as the product distributed through different channels, may potentially impact the intended fair value delivered by our product.

We have assessed the Motor product through an analysis of cover and services provided in combination with the premium charged for the insurance, all whilst continuously benchmarking our offering against competitors and both brokers and customer feedback.

The pricing of this product has been derived from a range of factors such as a burning cost analysis on own past claims, both by type and average claimed amounts, ABI car group, driver age and marital status, vehicle security overnight, value of the vehicle, the past and expected targeted loss ratio, split between attritional high frequency low severity claims and low frequency high severity losses, the fixed and variable costs involved in, for example, the provision of the underlying capital, reinsurance, claim and underwriting services as well as infrastructure and IT services, any relevant MID levy, typical average acquisition costs, inflation changes and a desired target profit margin. There are no disguised charges within the product and China Taiping itself does not charge any admin fees or provides any product add-ons at a charge or any premium finance services.

We confirm that the product is not automatically offered on an auto renewal basis, unless the insured selects for this to be their preference, our price does not change as a result and there is no difference in premium for any protected characteristic(s) or vulnerable customers. ENBP is fully embedded and renewals and new business are charged at the same base rate, on a like for like basis.

We have undertaken a product review and assessed the balance of the product costs, price and value as **‘Good’** and we have concluded that this product remains consistent with both the fair value assessment and the needs of the target market and that the intended distribution strategy remains appropriate for a reasonably foreseeable period.

How have we reached this conclusion?

We have combined our analysis with information from our distributors and we continuously monitor our products applying a risk based approach whilst we commit to address any trends we identify with the relevant parties. We expect our distributors to carry out their own fair value analysis to establish whether any costs added onto our risk price, including commission and other charges, offers fair value to the target market.

In order to assess product value we have considered the below:

- Target Market profile and needs
- Claims data such as past and expected frequency and average value, number of repudiations, cancellations and outcome of any referrals to FOS
- Product Performance including loss ratios, retention rate, commission levels, complaints numbers and cause, risk incidents and audit outcomes relevant to this product
- Distribution profile, so as to ensure charges are not duplicated along the chain where the product may be sub-brokered
- Distribution fee charges, to ensure that these are proportionate to the services provided such as:
 - commission levels, so as to establish whether these are in line with the market and are not increased beyond what is agreed with us
 - admin fees
 - premium finance