

RESIDENTIAL HOME 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 Home insurance in the UK, with a special but not limited focus on the Chinese community for the best of 35 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.

Home is a personal line general insurance product designed for individual customers who are home owner occupiers and tenants in the UK that require insurance for Contents, Buildings and Liability.

Our target market is UK based property owners or tenants including temporary expats sent by foreign companies to the UK who may need Contents and All Risks cover. The product is suitable for standard construction non listed private dwellings with a good track record of claims and not unoccupied or undergoing refurbishment and not unduly exposed to flood or subsidence.

The product is not suitable for:

- Homes outside the United Kingdom
- Landlords who rent the property out or who have live in tenants
- House of Multiple Occupations (HMOs) or commercial use properties (other than clerical work at home with no storage of stock or goods)
- Properties in the course of erection, significant refurbishment or conversion
- The proposer or anyone at the risk address being convicted or charged but not tried of any offence (other than motoring offences) unless 'spent' under the terms of the Rehabilitation of Offenders Act, having recorded CCJs or having been declared bankrupt in the past, or having had a policy refused, cancelled or voided by any insurer
- Properties with any prior or current subsidence, sinkhole, landslip or cracking signs
- Properties in the course of being repossessed or being unoccupied just after a repossession
- Caravans, park homes or mobile Homes
- Flats unless Contents only cover or in Scotland where the necessary Building insurance is required

Product Design

The product has been designed to provide value to our customers through its package design, with covers for your Buildings and Contents against damage from a broad range of causes (e.g. fire,

explosion, lightning, earthquake, theft, malicious acts, storm or flood) as well as your normal legal liability risks for injury to persons other than your immediate family. All Risks cover for personal possessions and cover for Frozen Food deterioration may be selected if required. Working in partnership with Cyberscout, the product also includes access to a 24/7 bespoke cyber protection support and relevant educational services to help the insured avoid becoming a victim of a cyber incident or deal with the aftermath of a cyber attack. The service is also offered in Mandarin language, with a call back arrangement possible if no available handlers speak the language, depending on the time of call.

To ensure we relate to all our customers and our product is clear, we have also designed supporting documents, including IPID and Statement of Facts, and continue to run a triple English, Mandarin and Cantonese language claim 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. Outside of working hours, we provide a 24/7 claims service supported by our trusted loss adjusters.

Fair Value Assessment

We would envisage that fair value may not be provided through this product to homes outside the target market as outlined below or where disproportionate admin fees or premium finance is charged by our distributors.

A conflict may be experienced by customers who regularly make a high number of attritional claims as this may impact the terms offered at subsequent renewals. 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 through insurance intermediaries or directly from the company to our customers. We monitor the customer outcome and fair value delivered by the product through different channels during the product review process.

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 Home 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, the specific area the premises are in for its crime/flood/subsidence/storm exposure, 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, claim and underwriting services as well as infrastructure and IT services, any relevant 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, and our price does not change as a result and there is no difference in premium for any protected characteristic(s) or vulnerable customers.

Where the product is distributed through intermediaries, we only select distributors that have the necessary knowledge, expertise and competence to understand the features of this product and the identified target market.

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