

RETAIL CATERING 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 Retail Catering insurance in the UK, with a special but not limited focus on the Chinese community, since 1985. 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.

Retail Catering is a commercial line general insurance product designed for sole traders, small or medium sized catering establishments or high street retail outlets such as take aways, bakeries, restaurants, gastro pubs and cafes in the UK that require insurance for Contents, Stock, Business Interruption, Legal Expenses, Money, Goods in Transit, Deterioration of Stock, Equipment Breakdown, Loss of License and Public/Products/Employers Liability.

Our target market is established UK based sole traders, small or medium-sized fully occupied catering establishments or high street retail outlets such as take aways, bakeries, restaurants, gastro pubs and cafes that have a food hygiene score of above 2, a good track record of claims, experience in the trade or, if new ventures, a track record in managing similar businesses, and that do not offer any live entertainment, with opening times being no later than 1am.

The product is not suitable for businesses that:

- Are located outside the United Kingdom
- Have opening hours that are later than 1am or offer any form of live entertainment that involves customer participation in physical activities
- Have a Food Hygiene Rating Score below 2 or rated as 'Failed/Improvement Required' in Scotland
- Occupy listed buildings, premises that are long term unoccupied or in a poor state of repair or undergoing refurbishment, not self-contained or without own means of access or where the insured does not have sole control over security
- Have proprietors, partners or directors, whether in a personal capacity, or as the proprietor, partner or director of any other business, with a history of having been disqualified from holding a directorship, served with a CCJ or equivalent, declared bankrupt or having criminal convictions, been involved in a business which went into liquidation, administration or voluntary wind up, or having had insurance declined, cancelled or special terms applied.
- Have received a fine, remediation or prohibition notice from HSE or under the Fire Safety Order 2005

- Do not have, where legally required, a written Fire Risk Assessment or an Electrical Installation Condition report (EIC) issued by an electrical contractor accredited by NICEIC
- Do not professional clean the ducting at least once a year and filters weekly
- Have connections to sanctioned individuals or countries

Product Design

The product has been designed to provide value to our customers through its package design, with minimum set £500,000 Business Interruption sums insured for 24 months indemnity period, automatic covers outlined above and optional sections such as Buildings, Theft by Employee, Personal Accident, Home Content and All Risks Items. Terrorism can also be purchased separately if required. When manufacturing this product, we have taken into account the level of information available to the target market and their financial literacy.

To ensure we relate and adapt to all our customers and our product is clear and transparent, we have designed additional supporting documents, including Proposal Form and Statement of Facts, in Mandarin Chinese, following feedback at product review stage 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.

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.

24/7 claims and legal advice services are also included for our clients to benefit from.

Fair Value Assessment

We would envisage that fair value may not be provided through this product to businesses without own premises, online only retailers, non catering trades, property owners (as opposed to property owners also running the related catering business), retired, dormant or non trading businesses.

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 or any key policy conditions are not met in full, such as the ducting cleaning obligation and the electrical condition etc., 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, including through own B2B online facility, 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.

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 our Retail Catering 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 feedback from both distributors and customers.

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 offered on an auto renewal basis and our price does not change according to customer's vulnerability or any protected characteristic(s).

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
- client fees, where the product is sold on this basis instead, so as to ensure that these are not charged as well as commission and that these are not higher than what commission would have been
- add-on charges, to ensure these are in line with the company's own Fair Value Policy
- Any potential conflicts or barriers to claim, complaint or amend cover mid-term