

COMBINED LIABILITY 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 SME 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 commercial SMEs business, 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.

Combined Liability is a commercial line general insurance product designed for organisations in the UK wishing to insure Employers Liability (legal requirement), Public & Products Liability and Legal Expenses.

Our target market is established UK based sole traders, including individual artisan traders, small to medium enterprises involved in a range of activities such as manufacturing, retail, wholesale or any businesses other than retail catering, property owners, office or shops, for which we offer separate more bespoke products and who separately insure their assets and business interruption.

The product is not suitable for consumers, as a commercial product, or businesses with the below characteristics:

- Based outside the United Kingdom
- Carrying out activities such as motor trading, vehicle breaking, wood working, construction or erection, plastic manufacturers, biofuel and waste or recycling
- A turnover above £50m or requiring a limit of indemnity of more than £10m for Employers, Public and Products Liability, unless agreed by us
- Requiring excess of loss placements
- Unfavourable claims experience or poor management
- Seasonal trading or long term unoccupied premises
- More than 20 premises, unless otherwise agreed by us
- Any company where the proprietor, partner or director of the business, whether in a personal capacity, or as the proprietor, partner or director of any other business, has been served with a CCJ or equivalent, been declared bankrupt, has criminal convictions, has been involved in a business which went into liquidation, administration or voluntary wind up, has had insurance declined, cancelled or special terms applied, has had a fine, remedial or prohibition notice from HSE or under the Fire Safety Order 2005 or has been disqualified from holding a directorship.

Product Design

The product is designed to respond to specific needs of a business or sole trader who may require to only insure their legal liability. All sections are optional, meaning the product is not sold as a package, so that it can be tailored to individual needs.

To ensure we relate to all our customers and our product is clear, we have also designed supporting documents, including Key Facts 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 through our loss adjusters.

Fair Value Assessment

We would envisage that fair value may not be provided through this product to any business outside the target market.

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, 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. 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 this 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 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 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