



# **Residential Let Property Insurance Fair Value Assessment**

Distributor Information Pack

September 2023



## Introduction

You are receiving or viewing this document because you are involved in the distribution of an insurance product manufactured by a Bspoke Group business. In accordance with PROD 4.2.29 to 4.2.32 this document provides:

1. all appropriate information on the insurance product
2. all appropriate information on the product approval process; and
3. the identified target market of the insurance product.

It includes

1. all appropriate information to enable you to understand the intended value of the insurance product established by us.
2. any effect you may have on the intended value that has not been fully taken into account by us when assessing value, and therefore which you should take into account; and
3. the intended target market for the product and any type of customer for whom the insurance product is unlikely to provide fair value.

## Product Oversight and Governance

This section contains important information about the manufacturer, product and associated product approval process and fair value assessment.

### Manufacturer

Bspoke Insurance Group comprises regulated entities as detailed below who manufacture general insurance products in conjunction with various insurers and insurance undertakings as Co-Manufacturers. Details of each regulated entity and insurance undertaking will be listed in each Fair Value Assessment.

Registered Company Name	Registered Office	Company No.	FRN
Bspoke Lifestyle Limited	7 Pullman Court, Great Western Road, Gloucester, GL1 3ND	11429456	820727
Bspoke Underwriting Limited	Brookfield Court, Selby Road, Leeds, West Yorkshire, LS25 1NB	04506493	310101
Bspoke Commercial Limited	Brookfield Court, Selby Road, Leeds, West Yorkshire, LS25 1NB	09284678	709456
Bspoke Private Clients <sup>1</sup>	Brookfield Court, Selby Road, Leeds, West Yorkshire, LS25 1NB	NA	709456
Bspoke Sports and Leisure <sup>1</sup>	Brookfield Court, Selby Road, Leeds, West Yorkshire, LS25 1NB	NA	709456
Provego Underwriting <sup>2</sup>	Brookfield Court, Selby Road, Leeds, West Yorkshire, LS25 1NB	09366935	671437

1 = Trading name of Bspoke Commercial Limited

2 = AR of Bspoke Commercial Limited

### Product Review and Approval Process

In line with the FCA regulations outlined in PROD 4 Bspoke Group operates a Product Oversight and Governance (POG) process. In accordance with this process the product detailed in this document has been reviewed and approved by the firm's Product Forum, and is subject to ongoing monitoring and formal periodic review.

Any significant changes or adaptations to the product are subject to review and approval before being distributed to customers.

### Fair Value Assessment

In accordance with the requirements in PROD 4.2 we have defined what value means for Bspoke in the context of our business model, and have taken into account a range of factors in our assessment including :

- Target market characteristics and needs
- Potential customer vulnerability and any impact or mitigation
- Value measures and KPIs
- Distribution methods and remuneration
- Product risk ratings
- Operational and claims service levels and outcomes

The fair value assessment is conducted as part of the periodic product review with KPIs and metrics monitored on an ongoing basis.

## Product Review and Fair Value Assessment

The following section contains information on the insurance product, details of the review and our assessment of value.

<b>Product Manufacturer Name</b>	Bspoke Underwriting Limited
<b>Product name</b>	Let Property / Residential Let Property
<b>Product type</b>	Retail
<b>Class of business</b>	Property
<b>Insurer / Co-Manufacturer</b>	Watford Insurance Company Europe
<b>Date of Review</b>	September 2023
<b>Period of Review</b>	October 2022 to September 2023
<b>Type of Review</b>	Periodic
<b>Approved by</b>	Bspoke Group Product Manager
<b>Date of next Review</b>	August 2024

### Target market

The target market for this product are owners of property in the UK, that do not occupy the property but rent it to tenants on a formal basis under a tenancy agreement. The product is suitable for:

- Owners of a property in the UK that they let out and do not occupy.
- Individual customers over the age of 16 that require financial protection for catastrophes (such as fire, flooding, and subsidence) for their building and/or contents.
- Any customers who require buildings insurance as part of their mortgage / secured loan used to purchase the property on a buy to let basis.
- Customers who let their property under a formal tenancy agreement
- Owners of a single property or a small number of properties

### Types of customers for whom the product would be unsuitable

- Those not resident in the UK
- Those looking to insure property outside the UK.
- Owners of properties used for commercial activities.
- Owner occupiers of property in the UK that reside in them permanently.
- Those who intend to rent their property infrequently and cannot meet the unoccupancy criteria.
- Those who rent their property on an informal basis.
- Those with CCJ's, adverse credit or criminal convictions.
- Commercial businesses

### Cover information

Let Property insurance is a type of property insurance that protects against losses and damages to a property owned by the policy holder and is split in to two distinct parts; buildings insurance which covers the cost of repairing damage to the fabric and structure of the building; and contents insurance which includes furnishings, fixtures and fittings and other belongings located in the property. In addition, this policy also provides cover for liability against third party property damage and bodily injury that may occur within the property owner's boundaries. Cover includes:



1. Loss or damage to buildings
2. Perils include fire, flood, storm, theft, malicious damage.
3. Loss of damage to landlords' contents options available
4. Loss of keys or replacement locks
5. Property owners' liability

#### **Any notable exclusions or circumstances where the product will not respond**

1. Insured must be a permanent resident in England, Scotland, Wales, Isle of Man or Northern Ireland.
2. The property must be in the UK.
3. A tenancy agreement must be in place, in writing, made between the insured and the tenant, which is an Assured Shorthold Tenancy Agreement, within the meaning of the Housing Acts 1988 and 1996, or a Short-Assured Tenancy or an Assured Tenancy as defined in the Housing (Scotland) Act 1988, or a tenancy agreement in which the tenant is a limited company.
4. If unoccupied during the period 1st October to 30<sup>th</sup> April all water systems must be drained or any heating system in place must be maintained at a constant temperature of 15 degrees Celsius and the loft hatch must be left open.
5. Insured must notify your agent if the buildings as specified in the schedule are to be become unoccupied.
6. All boilers and other heating systems at the property, that are 10 years old or more, must be serviced annually or in accordance with manufacturer's guidelines and insured should keep all service documentation in case it is needed when they make a claim.
7. There must be evidence of forcible or violent entry or exit for a claim for theft.
8. No cover for loss or damage caused by domestic pets, insects, or vermin

#### **Features you should be aware of when considering this product**

Your sales journey should identify the eligibility of customers and ensure that information is presented to them in a way that supports them through the process and enables them to make an informed decision whether the product meets their needs.

Where there are different underwriting and cover options available for this product customers should consider which option best suits their needs and circumstances.

Your customer journey and interactions should highlight and identify any customers with potential areas of vulnerability and address them accordingly.

#### **Intended method of Distribution**

The product should be sold by an authorised insurance intermediary, in line with FCA regulation and has been approved for retail distribution whether advised or non-advised. The sale of the product can be via online, telephone or face-to-face channels.

If the product is distributed to the customer via more than one broker (including ARs) then the second tier broker:

1. should not have their own agency with any Bspoke entity.
2. must deal directly with the end customer rather than through a third-tier broker.

#### **Distribution costs, fees and remuneration**

The product supports the payment of commission to distributors within the ranges detailed in your Agreement with Bspoke (or our approved representative). If fees are charged to the customer for new business or renewal they should be at a level that ensures the total remuneration is less than 50% of the overall price the customer pays. Where fees are charged that

take the overall % above this level you should ensure this does not erode the value of the product and is commensurate with the work done in the Distribution chain.

Where a policy is cancelled mid term and outside the cooling off period the return premium to the customer must be at a gross level and include the proportion of commission paid.

#### **Other information which may be relevant to distributors**

We are satisfied that the pricing, the cover, the design of the product, the claims settlement process, and the distribution methods we have chosen result in a product that represents fair value to our end customers.

We have noted the impact of weather events in the last 12 months and the challenges this has created in the claims management and supply chain, in particular relating to UK property. We have action plans in place with our claims service providers to ensure that customer outcomes and value are being protected and the impact of delays are being minimised.

As part of the process of assessment, we have reviewed, amongst other things:

- General market pricing
- Our pricing in relation to the product loss ratio
- Product value over a reasonably foreseeable future period
- Renewal retention
- Mid-term cancellations rates
- Customer complaints
- Distributor feedback
- The commission we pay to distributors and the general distribution costs of our broker panel as disclosed to us.
- Customer needs and any changes in the last 12 months

We have also considered the pricing and premiums in relation to FCA regulations in PS21/5, ICOBS 6B and Consumer Duty and are satisfied we comply with the necessary requirements.

This product does not adversely impact vulnerable customers and delivers outcomes that are the same as those for customers with no characteristics of vulnerability.

As part of our assessment, we concluded that time will not diminish the value of the product to the end customer. The customer may report a claim on the last day of the policy period and receive a settlement that would not be distinctly different to the settlement he would have received had he reported the claim on the first day of the period of insurance. The product also contains provisions to protect against the erosion of value over subsequent renewals and policy periods.

Where this product is sold alongside another insurance product that we do not manufacture (for example Legal Expenses or Home Emergency) you should consider the overall value of the package to the customer as well as the individual component parts as per PROD 4.3.6 A, B and E.

Where this product is provided with the option to pay the premium using Premium Finance arrangements you should ensure that this is taken into account in your own assessment of value as per PROD 4.3.6 A and C.

As part of our assessment, we have not considered the specific distribution costs of any one firm. You should therefore assure yourself that your own fee structure is compliant with your regulatory obligations.

If you have any concerns over the impact that your fee structure, Premium Finance arrangements or other products sold as a package may have on our products, then please contact us.

This document should be read in conjunction with the Policy Wording and Insurance Product Information Document (IPID) for the product.

#### **Statement of Demands and Needs**



This product meets the needs of residential landlords and property owners wishing to insure their property against the loss or damage to their property (including fixtures and fittings) against a range of events or instances, as well as their legal liability as the owner of the property.