



For intermediary use only

FAIR VALUE (PS 21/5) September 2022

What is fair value?

The FCA introduced new rules under Policy Statement (PS) 21/5 to make sure that manufacturers (those responsible for designing products) and distributors (those responsible for selling them) always consider what's fair value for the customer.

The term 'fair value' has become a focal point for the FCA. Their proposed rules define value as the relationship between the overall price to the customer and the quality of the product(s) and/or services provided.

Who needs to demonstrate fair value?

Isle of Man Assurance Limited ("IOMA") is an authorised product manufacturer. IOMA is a private limited company incorporated in the Isle of Man with company number 3792C and is regulated and authorised by the Isle of Man Financial Services Authority. IOMA's registered address is IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP.

There are regulatory requirements for a manufacturer of any insurance product, to maintain, manage and review how it approves its products. As part of that approval process, we need to show how the product provides fair value to customers in each target market.

We carry out a fair value assessment based on the FCA Rule PROD 4.2.29. This requires the manufacturer to obtain sufficient information to demonstrate clearly that all distribution channels offer fair value and don't compromise any customers in the target market.

Fair value assessments are completed and approved by IOMA's administrator, Compass Underwriting.

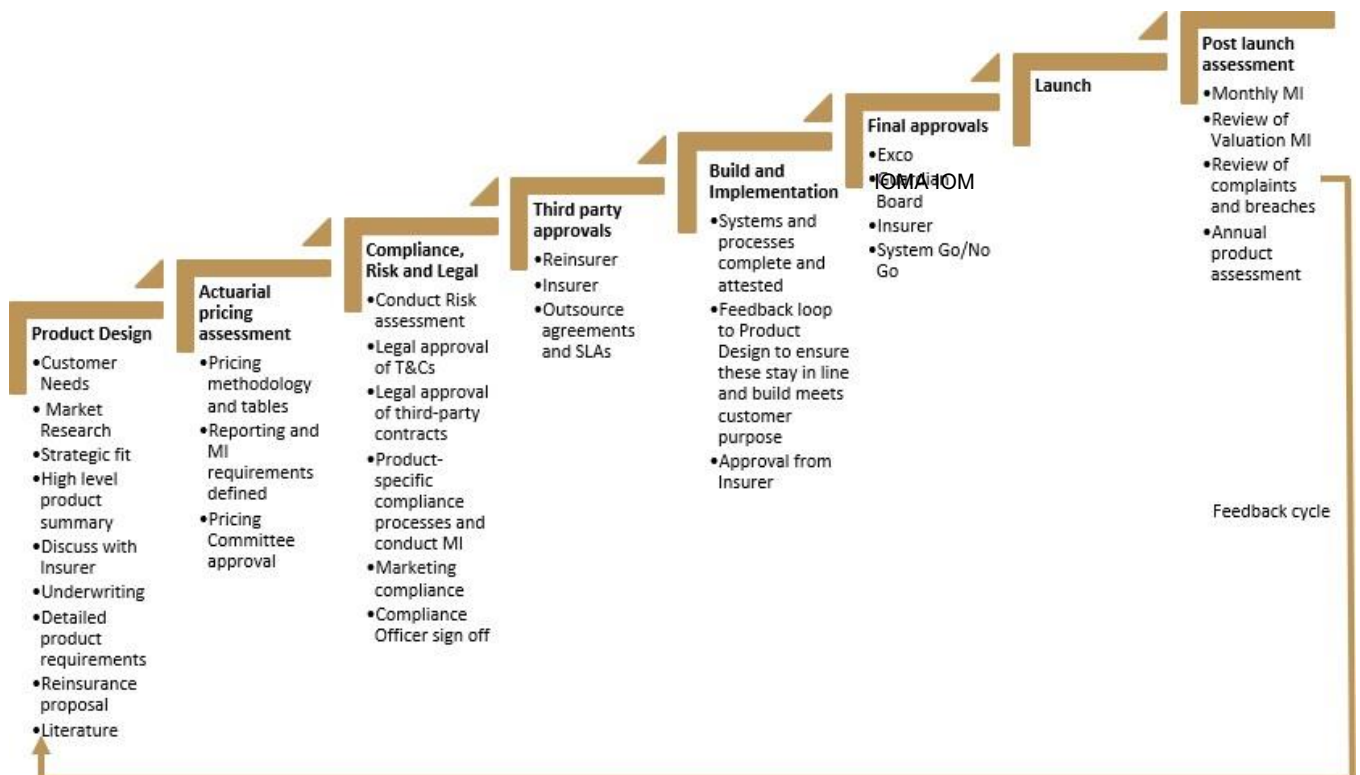
Compass Underwriting is a trading name of Vivet Limited which is a private limited company registered in England (No. 07632781) with registered address at 35 Ballards Lane, London, England, N3 1XW. Vivet Limited is authorised and regulated by the Financial Conduct Authority (FCA Register No. 565079) and is a member of the Managing General Agents' Association. ViVet is a part of the elseco group.

If IOMA identifies that any distribution activity is detrimentally affecting the intended value of the insurance product, it will take appropriate remedial measures.



How do you approve products?

We follow the process below when developing new products. This process considers whether each development is a new type of cover or potentially a 'significant adaptation' as described within the PROD rules. If the proposed development meets these definitions, then a fair value assessment will be carried out as part of the product development process.



- Prior to each product launch a pack is produced which includes Product Governance, Pricing Report and Conduct Risk Assessment.
- The products, including performance against target market, are then monitored monthly and will be formally reviewed on an annual basis.
- If the product MI, actuarial valuations or any other factors such as market movement, issues, breaches, customer queries or complaints highlight a potential issue then an interim review will be undertaken.

We also carry out product reviews every year to make sure the product is performing as designed, and this review includes a Fair Value Assessment.



What products are available and who's the target market?

5-YEAR LIFE PROTECTION

Individuals, couples and families between the ages of 18 and 50 who have pre-existing medical impairments plus financial commitments (such as a mortgage, rental payments, dependents) and who want to insure themselves and their dependents against financial hardship in the event of their death. The payment would allow them to maintain payments on financial liabilities such as mortgage or rent: and/or pay off a large debt such as a mortgage.

5-YEAR COMBINED LIFE AND CRITICAL ILLNESS PROTECTION

Individuals, couples and families between the ages of 18 and 50 who have pre-existing medical impairments and financial commitments (such as a mortgage, rental payments, dependents) and who want to insure themselves and their dependents against the financial impact of their death or diagnosis of a defined list of critical illnesses. The payment would allow them to maintain payments on financial liabilities such as mortgage or rent: and/or pay off a large debt such as a mortgage; and/or pay for medical treatment or adjustments to their home.

See appendices 1-3 for details of when each product is suitable, or not suitable.

What are your main product features?

Guaranteed acceptance up to £100,000 for term life and 50% for Critical Illness

Please see the appropriate product policy wording for more information

Life Protection Product Wording

Combined Life and Critical Illness Product Wording



How do you assess fair value?

As part of the annual review process, we assess the value received by customers from each product; referred to as the 'Fair Value Assessment'.

The Fair Value Assessment considers a range of factors that contribute to the overall value provided to our customers.

These include:

- Claims to premiums ratio – a comparison of the value of claims we expect to pay out to customers against the value of premiums we expect customers to make to us. This includes all expected payments throughout the lifetime of the policy.
- Service – making sure service levels meet the quality we have led customers to expect
- Complaints – analysing customer complaints to identify and resolve root causes especially where the product has failed to deliver the expected outcomes
- Communications – making sure customers receive ongoing communications that are clear and transparent.

What are the results of the Fair Value Assessment?

Cover	Date of latest assessment	Result of latest assessment
Life Protection	December 2022	Pass
Life and Critical Illness Protection	December 2022	Pass

When do you carry out fair value assessments?

The fair value assessment is completed as part of our annual product review which includes:

- Market review (target market, cover type and customer age – actual v expected, fair value assessment, review of competitors, distribution and pricing)
- Core covers (a review of each of the covers)
- Functionality (Intermediary and customer experience, complaints and system functionality)
- Claims (Life and critical illness claims especially denied claims)

The annual product review actions are monitored through the Customer Services Department reporting to the Head of Accident and Health.

In addition, there are a number of monthly reports from the Customer Services team which monitor performance between the annual reviews. These reports are discussed and if any potential issues are identified then we take action.



What will happen if the result of the assessment or the annual product review identifies an issue?

We regularly review our new and existing products to ensure they continue to deliver the value for money to our customers that they should provide. If we found a divergence from this, the action we would take would depend on the nature of that divergence.

In the context of new business such action could include reviewing the premium levels for the product in question, reviewing the benefits offered, or closing the product altogether.

Other actions could also mean reviewing the premiums through certain distribution channels to ensure that the premium paid by customers is reflective of the nature and quality of business sold through those distribution channels.

Are there additional costs such as premium rate phone numbers or charges for making changes to the policy?

No. We don't use premium rate phone numbers and we don't charge additional costs for making changes.

Customers can contact us through their regulated insurance intermediary, or direct by phone or email.

All premiums are payable on an interest free monthly basis by direct debit and we don't offer the option of premium finance.

What is your distribution strategy?

We partner with independent regulated insurance intermediaries who have researched the UK market for guaranteed life products and are therefore comfortable in marketing the IOMA product to their clients on a non-advised basis. We don't sell directly to consumers.

What other information should distribution partners consider as part of their own assessment?

Distributors should consider if any additional fees are being charged that are not funded by the premium paid for the product.

If clients are being charged additional fees by anyone in the distribution chain, this could impact the outcome of the fair value assessment. Some producing intermediaries charge an administration fee of no more than 10% or £24 but this is fully disclosed at the point of sale.



Appendix 1

GUARANTEED LIFE PROTECTION IS SUITABLE FOR:

- People who have a pre-existing medical condition and are either unable to find a life policy that will cover them or they cannot afford the premium rate being charged.
- People who want a lump sum if they die during the term of the policy
- People who want certainty that their premiums are guaranteed not to change during this 5 year period.
- People who are not willing or able to self-insure, or who don't have funds elsewhere.
- People who need cover between their 18th and 50th birthdays (inclusive) but want the policy to continue onto their 68th birthday
- People who need cover for a fixed period of 5 years.

Level Cover is suitable for:

- People looking to protect an interest-only mortgage with cover that pays out the same lump sum throughout the life of the policy.
- People looking for certainty that their amount of cover is fixed for the life of the policy.

LIFE PROTECTION IS **NOT** SUITABLE FOR:

- People looking for a product to pay a regular income if they're unable to work for a period of time as a result of an accident or sickness.
- People looking for a product to pay a lump sum if they're diagnosed with a critical illness.
- People looking for business protection to cover the loss of a key person.
- People looking to provide finance to purchase shares of a director or partner in the event of their death.
- People looking to cover an interest-only business loan.
- People who want their premiums to be reviewable.
- People who don't have any financial dependants.
- People who are looking to protect themselves for the rest of their life.

Level Cover is not suitable for:

- Covering any rising costs to keep up with inflation as the amount of cover will be worth less in the future.



Appendix 2

COMBINED LIFE AND CRITICAL ILLNESS PROTECTION IS SUITABLE FOR:

- People who have a pre-existing medical condition and are either unable to find a life policy that will cover them or they cannot afford the premium rate being charged.
- People who want a lump sum on the earlier of their death or diagnosis of a specified critical illness during the term of their policy.
- People who want certainty that their premiums are guaranteed not to change during the 5 year policy term.
- People who are not willing or able to self-insure, or don't have funds elsewhere.
- People who need cover between their 18th and 50th birthdays (inclusive).
- People who need cover for a fixed period of 5 years.

Level Cover is suitable for:

- People looking to protect an interest-only mortgage with cover that pays out the same lump sum throughout the life of the policy.
- People looking for certainty that their amount of cover is fixed for the term of the policy.

COMBINED LIFE AND CRITICAL ILLNESS PROTECTION IS **NOT** SUITABLE FOR:

- People looking for a product to pay a regular income if they're unable to work for a period of time as a result of an accident or sickness.
- People looking for business protection to cover the loss of a key person.
- People looking to provide finance to purchase shares of a director or partner in the event of their death.
- People looking to cover an interest-only business loan. People who want their premiums to be reviewable.
- People who are looking to protect themselves for the rest of their life.

Level Cover is not suitable for:

- Covering any rising costs to keep up with inflation as the amount of cover will be worth less in the future.



Sports Accident Plan Fair Value Document

For intermediary use only

March 2023

What is fair value?

The FCA introduced new rules under Policy Statement (PS) 21/5 to make sure that manufacturers (those responsible for designing products) and distributors (those responsible for selling them) always consider what's fair value for the customer.

The term 'fair value' has become a focal point for the FCA. Their proposed rules define value as the relationship between the overall price to the customer and the quality of the product(s) and/or services provided.

Who needs to demonstrate fair value?

Hive Insurance Services Limited (registered in England No 3179382) is authorised and regulated by the Financial Conduct Authority, registered number 308655 and a co-manufacturer of the Sports Accident Plan. Registered office: Unit 4 Bredon House, Almondsbury Business Centre, Bradley Stoke, Bristol BS32 4QH.

There are regulatory requirements for a manufacturer of any insurance product, to maintain, manage and review how it approves its products. As part of that approval process, we need to show how the product provides fair value to customers in each target market.

We carry out a fair value assessment based on the FCA Rule PROD 4.2.29. This requires the manufacturer to obtain sufficient information to demonstrate clearly that all distribution channels offer fair value and don't compromise any customers in the target market.

If Hive Insurance Services Limited identifies that any distribution activity is detrimentally affecting the intended value of the insurance product, it will take appropriate remedial measures.

How do you approve products?

We follow the process below when developing new products. This process considers whether each development is a new type of cover or potentially a 'significant adaptation' as described within the PROD rules. If the proposed development meets these definitions, then a fair value assessment will be carried out as part of the product development process.

1. Product design
 - a. Customer needs
 - b. Market research
 - c. High level product summary
 - d. Discuss with insurer/MGA
 - e. Detailed product requirements
 - f. Literature
2. Pricing

01454 619500 | www.hiveinsure.co.uk

UNIT 4, BREDON HOUSE, WOODLANDS, ALMONDSBURY BUSINESS CENTRE, BRISTOL, BS32 4QH



- a. Discuss with insurer/MGA to agree
 - b. Pricing approval from insurer/MGA
3. Compliance, Risk & Legal
 - a. Conduct risk assessment
 - b. Review policy wording
 - c. Policy wording approval from insurer/MGA, including legal sign-off
 - d. Product specific compliance processes and MI
 - e. Marketing compliance
 - f. Final internal approval
4. Third party approval
 - a. Final approval from insurer/MGA
5. Build and implementation
 - a. System and processes, tested and complete
 - b. Internal approval
6. Launch
7. Post launch assessment (leads back to Step 1, Product Design)
 - a. Monthly MI
 - b. Review of complaints and breaches
 - c. Annual product assessment
 - d. Insurer feedback

We also carry out product reviews every year to make sure the product is performing as designed, and this review includes a Fair Value Assessment.

What products are available and who's the target market?

Individuals between the ages of 17 and 60 who participate in sports and want to insure themselves against financial hardship in the event of a sporting accident. The payment could cover medical costs, time off work allowing financial liabilities such as mortgage/ rent and every-day bills to be maintained, and other expenses and inconvenience incurred as a result of the injury.

Cover is offered for 12 months, on a rolling 12 month renewal basis.

See appendix 1 for details of when each product is suitable, or not suitable.

What are your main product features?

- Out of Work Benefit
- Hospitalisation Benefit
- Coma Benefit
- Serious Injury Benefits
- Fracture Benefits

Please see the product policy wording for more information.



How do you assess fair value?

As part of the annual review process, we assess the value received by customers, referred to as the 'Fair Value Assessment'. The Fair Value Assessment considers a range of factors that contribute to the overall value provided to our customers.

These include:

- Claims to premiums ratio – a comparison of the value of claims we expect to pay out to customers against the value of premiums we expect customers to make to us. This includes all expected payments throughout the lifetime of the policy.
- Service – making sure service levels meet the quality we have led customers to expect
- Complaints – analysing customer complaints to identify and resolve root causes especially where the product has failed to deliver the expected outcomes
- Communications – making sure customers receive ongoing communications that are clear and transparent.

What are the results of the Fair Value Assessment?

Date of latest assessment: January 2023

Result of latest assessment: Pass

When do you carry out fair value assessments?

The fair value assessment is completed as part of our annual product review which includes:

- Market review (target market, cover type and customer age – actual vs expected, fair value assessment, review of competitors, distribution and pricing)
- Core covers (a review of each of the covers)
- Functionality (Intermediary and customer experience, complaints and system functionality)
- Claims (including declined claims)

The annual product review actions are monitored through the Customer Services, MI and Product Development Team, reporting to the CEO.

In addition, there are a number of monthly reports from the MI team which monitor performance between the annual reviews. These reports are discussed and if any potential issues are identified then we take action.

What will happen if the result of the assessment or the annual product review identifies an issue?

We regularly review our new and existing products to ensure they continue to deliver the value for money to our customers that they should provide. If we found a divergence from this, the action we would take would depend on the nature of that divergence.

In the context of new business such action could include reviewing the premium levels for the product in question, reviewing the benefits offered, or closing the product altogether.



Other actions could also mean reviewing the premiums through certain distribution channels to ensure that the premium paid by customers is reflective of the nature and quality of business sold through those distribution channels.

Are there additional costs such as premium rate phone numbers or charges for making changes to the policy?

No. We don't use premium rate phone numbers and we don't charge additional costs for making changes.

Customers can contact us through their regulated insurance intermediary, or direct by phone or email.

All premiums are payable on an interest free monthly basis by direct debit and we don't offer the option of premium finance.

What is your distribution strategy?

We partner with independent regulated insurance intermediaries who have experience of selling protection and are therefore comfortable in marketing the Sports Accident Plan to their clients on a non-advised or advisory basis.

We also sell directly to consumers through our advisers and appointed representatives.

APPENDIX 1

The Sports Accident Plan is suitable for:

- People who participate in sports where there is risk of accidental injury
- People who want and have a requirement for a lump sum/regular payment if they suffer from an accident
- People who are not willing or able to self-insure, or who don't have funds elsewhere
- People who need cover between their 17th and 60th birthdays

The Sports Accident Plan is NOT suitable for:

- People looking for long-term protection beyond 6 months
- People who want guaranteed premiums beyond 12 months
- People looking for life insurance
- People looking for a product to pay a lump sum if they're diagnosed with an illness
- People looking for business protection to cover the loss of a key person
- People looking to provide finance to purchase shares of a director or partner in the event of their death
- People looking to cover an interest-only business loan
- People looking to protect themselves for the rest of their life