

HOUSE GUARD

Value Statement

This document is created for advisers and distributors to provide a summary of our annual Fair Value Assessment, and the outcome of that review.

Fair Value Assessments are conducted using a number of metrics to determine value; including loss ratios, claims and complaints frequency. Ageas's intent is for this document to meet the requirements under the FCA PROD rules.

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The House Guard product is predominantly distributed online and via a call centre. The product is sold via many different brokers. House Guard is a core Ageas product where Ageas controls the policy wording. Ageas acts as the manufacturer of the household insurance but does not provide any add-ons which are sourced separately by the brokers.

The customer profile (target market) for this scheme/product is mass market for customers requiring up to £1million Buildings cover £150,000 Contents cover. There is an indication that there is a low level of vulnerability as shown by the Ageas internal Vulnerability Score. Whilst the score is low, there may well be vulnerability related to financial resilience (which would be managed by the broker). There is no indication that the product is being sold outside the target market.

House Guard is offered to customers both on annual payments and monthly via a Premium Finance facility. However, Ageas is not the Lender for the Premium Finance, with this being managed by the distributor. The APR charged by the Premium Finance is managed between the broker and Premium Finance provider and whilst Ageas is not responsible, for those customers that receive an APR greater than 30%, a reminder is given to the broker on ensuring that the product offers value to customers, and their responsibility to ensure that this is assessed and any appropriate actions taken, has been provided.

Policy sales increased in line with expectations as the restructure of product to the model was finalised, the cancellations remained consistent. There is not a concern that the product is not meeting the customer needs.

The gross loss ratio, claims frequency, claims repudiation, and claims acceptance all evidence that the policy is serving customers well when they want to claim, and are all areas that are performing above the average for similar products. This is coupled with a low level of complaints, also a positive. During the claims process customers walkaways have decreased slightly since the previous year of however, with household insurance often customers make contact to check the cover in place, but then proceed to not make a claim after discovering the value to repair or replace is inexpensive, thus not requiring insurance. This is not an indicator that the claims journey or process is not providing value and raises no concerns regarding the value of the product at this stage.

The average premium that customers pay is £184.85 with an average claim pay out of £5,466.91. For those customers that need to utilise the benefits of the product, the premium is good value, as it will take 20 years to recoup to the amount of an average claim pay out vs average premium, and average tenure is only two years on Ageas household products.

As detailed above the product is distributed by a variety of brokers who add a commission to make up the street price, and charge fees. The average commission charged is 23.9% with a boundary in place of 15-30% to avoid customers being charged excessive commission. The combined operating ratio for the product shows that it offers good value to customers.

The household product, with the overall level of remuneration (includes fees, commission) being taken is rated Green, within tolerance. Given the average premium, claims experience, and remuneration, the product offers value, as the customer is not being charged more for the product than the benefits being derived, and the COR is evidencing that no excessive profit is being made. Whilst the fees for the core product are very low, it is very likely that brokers carry their own fees. Ageas works closely with the brokers to ascertain that this can be appropriately justified, and not excessive.

Overall, customers are receiving good outcomes in relation to being able to utilise the product at point of claim, as evidenced by the metrics mentioned. The distribution chain is not complex, and the costs versus insurance product commission is not excessive, to the point that the customer is paying an overinflated price. The premium finance APR, whilst Ageas is not responsible, should offer value and the brokers have been reminded that they need to ensure this is the case.

Based on the information above the product demonstrates fair value. Ageas are comfortable for this product to continue to be distributed for the next 12 months.