

OPTIMA PLUS

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 Optima Plus (Private Car) product is predominantly distributed through intermediaries and is digitally traded via multiple platforms. The product is sold via many different brokers. Optima Plus is a core Ageas product where Ageas controls the policy wording. Ageas acts as the manufacturer of the private car 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 aged 30-75 years looking for comprehensive cover for a privately owned car valued up to £250,000. 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.

Optima Plus 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.

Based on the full review, there are no indications that the product or sales journey were not meeting the expectations of customers, or potentially driving the wrong sales behaviours. The cancellation frequency is above the average for products sharing a similar target market, where the product does not include cancellation fees, it is evident that customers do not face barriers when looking to cancel and therefore there are no value concerns here.

The loss ratio, claims frequency, claims repudiation, and claims acceptance rates strongly evidence that the policy is serving customers well when they want to claim. This is coupled with a low level of complaints, also a positive. Review of claims process and claims journey raises no concerns.

The average premium that customers pay is £558.00, with an average claim pay out of £8,269.09. For those customers that need to utilise the benefits of the product, the premium is good value, as it will take 14 years to recoup to the amount of an average claim pay out vs average premium, and average tenure is only two years on Ageas Motor products.

As detailed above the product is distributed by a variety of brokers who add a commission to make up the street price, and also charge fees. The average commission taken by brokers is 15%.

The core 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.