



Contractors Annual Insurance

Review Type:	Product Approval (Year 1)
Review Completed:	Jan 23
Review Period:	2021/22
Next Review:	2023



Product Target Market Statement (TMS) (1/2)

Contractors Annual Insurance

What is this Product?

- Contractors Annual Insurance is a Commercial Lines Product designed to provide Contractors' All Risks cover for Damage to Permanent and Temporary Works normally associated with a construction project.
- Cover is arranged on an annual basis to cover all of the Customer's contracting activity falling within the annual period of insurance regardless of when a Contract commences or completes.
- Cover is provided for all Works within the Business Description and up to the Estimated Contract Price.
- Depending on the Customer's requirements, cover can be extended to include:
 - Employers' Liability;
 - Public Liability;
 - Owned and Hired in Contractors Plant;
 - JCT 6.5.1 Insurance; and/or
 - Terrorism.

What Customers need is met by this Product?

- This Product is designed for Contractors or Employers wanting to protect their Contract Works exposure against Damage. This may be a requirement under a formal contract or simply to reduce their own financial exposure.

Who is this Product designed for?

- This Product is designed for Customers who are Contractors or Employers:
 - Contractors wanting to insure against losses on construction projects being undertaken where they are responsible for Damage to Works and the insurance thereof (usually under contract).
 - Employers who need to frequently employ contractors for construction, extension, alteration, maintenance, or repair of their Property.

Who is this Product not designed to support, or are there any features that you should be aware of when offering this Product to Customers?

- Customers wanting to insure one specific Contract as terms are considered on a Contractors Specific Policy.
- Customers wanting to insure Contracts incorporating activities outside the usual Business Description or Contract Values / Periods over the Policy Limits. A Contractors Specific Policy would be more suitable for these risks.
- Customers wanting to insure Contracts located outside the United Kingdom of Great Britain and Northern Ireland, the Channel Islands, and the Isle of Man.
- Consumers (private individuals).
- Customers that have an existing policy in place providing the same cover and whereby purchasing this Product would give dual cover.
- Customers subject to any Economic Financial or Trade sanctions imposed by the European Union or United Kingdom or any other prohibition or restriction imposed by law or regulation of the country of which the Policy is issued or would otherwise provide cover.

Can this Product be sold with or without advice?

- The Product can be sold with or without advice depending on the Distributor's preference and in accordance with the FCA regulations.
- This Product is supported by a Policy Summary.

How can this Product be sold?

- This Product can be sold face to face, via telephone or email by a Broker.
- The sales journey must identify Customer eligibility and that the Product, and any optional elements, are consistent with Customer's demands and needs. The sales journey must also ensure that key risk details are presented to the Customer in a timely manner that allows informed decisions to be made.

Product Target Market Statement (TMS) (2/2)

Contractors Annual Insurance

Eligibility and conditions, exclusions and excesses that may impact the outcomes that Customers may reasonably expect

- The Distributor must always consider whether they have the correct product to meet the Customer's needs.
- RSA will overlay eligibility and risk acceptance criteria that will restrict access to certain risks that the Product may be suitable for however are outside of RSA's current strategy and risk appetite.
- Policies for this Product are individually underwritten, so cover is restricted to those activities described in the Business Description stated in the Policy Schedule, and subject to Policy Limits, exclusions, and excesses.

How is the value of this Product assessed?

- We assess Product Value using quantitative (i.e. metrics) and qualitative information (e.g. processes and controls), including data from our Distributors relating to service and remuneration¹, as appropriate.
- This Product has been approved in line with RSA's Product Governance processes, including consideration of:
 - the value of the RSA Product: this includes: (i) Cover – whether the level of benefits and relevant exclusions offers value to the Customer, (ii) Utility – whether the Product is being used by the Customers of the intended target market, and (iii) RSA Service – whether the type and quality of services being provided is reasonable for the Customer.
 - the impact of distribution on the value: this includes whether Distributor remuneration is appropriate and bears a reasonable relationship to the services provided to the Customer by the Distributor. If there are concerns, RSA will follow up with the relevant Distributors to agree remedial action.

Based on the assessment performed, we have established that this Product is compatible with the objectives, interests and characteristics of Customers of the intended target market and that the distribution strategy is not detrimentally impacting overall Product Value. We have therefore concluded that this Product provides fair value to Customers.

What are the obligations of our Distributors?

- Manufacturer notification – all intermediaries must review their product distribution arrangements at least every 12 months and consider the impact of remuneration against the intended value of their products. Distributors must notify the Manufacturer as soon as practically possible if there are any value concerns for which remedial action is required.
- Remuneration – Distributors must ensure that any remuneration received for an insurance product does not result in the product ceasing to provide fair value to the Customer.
- Provision of information – if so requested, Distributors must provide the Manufacturer with: (i) information on the Distributor's remuneration in connection with distribution of the insurance product; (ii) information on ancillary products or services that may impact the intended value of the Manufacturer's primary insurance product; and (iii) confirmation that the distribution arrangements are consistent with the obligations of the firm under the FCA Handbook including SYSC 10 (Conflicts of Interest) and SYSC 19F.2 (IDD Remuneration).
- Price optimisation – if the Distributor is a price-setting intermediary, unless there is a reasonable basis, firms should not increase the price of the insurance product based on: (i) policies being subject to auto renewal compared to policies that are not subject to auto renewal; (ii) the Customer's vulnerability or any protected characteristics (unless the firm can rely on them under the Equality Act 2010); and (iii) where Customers purchase the policy using Retail Premium Finance.

1. Remuneration includes: commissions, fees, charges, payments, and other economic or non-economic benefits.



Product Fair Value Assessment (FVA) Cover Page

In RSA's capacity as the **Lead Co-Manufacturer** (as per PROD 4 Rules), we are sharing with you background information relevant to the approved output of our **Product Approval / Review**.

Product Information

	Description
Product Name	Contractors Annual Insurance
Type	Core
Distribution Method(s)	Intermediated, Delegated
Sector	Commercial Lines
Class of Business	Construction, Engineering and Renewable Energy
Manufacturer	RSA Lead Co-Manufacturer
Product Owner	Tom Hardy

Product Approval / Review Information

	Description
Review Type	Product Approval (Year 1)
Date Review Completed	September 2022
Review Period	2021-2022
Review Outcome	Product provides fair value to Customers
Approved by	Mandy Hunt
Next Review Date	2023
Contact Details	prodgovdistribution@uk.rsagroup.com

Product Approval / Review Approach

Where RSA is the Sole or Lead Co-Manufacturer:

- **Enhanced Rules** – We have responded to the FCA's enhanced Product Governance Rules (PROD 4) by updating governance, processes, tools, and data, as needed.
- **Product Mapping** – We have mapped our policy wordings to Products and Product Variations where they are intended to deliver similar cover and outcomes for Customers where the target markets are consistent. This means that we are performing our reviews at an appropriate level to identify potential harm.
- **Fair Value** – We have defined what "value" means for RSA in the context of Product Governance, Distribution and Delegated Arrangements, and also agreed relevant metrics to help us measure value against our defined expectations.
- **Product Risk** – We have used a set of questions to establish the inherent risk (High, Medium or Low) of our products for Year 1 (i.e., October 2021 to September 2022). This included consideration of a number of product risk factors, including target market, product type, and distribution method.
- **Review Schedule** – The Inherent Product Risk Rating informed our Review Schedule for Year 1, with higher risk rated products generally reviewed earlier in the period and lower risk products later in the period. Data availability and RSA subject matter expert capacity also impacted the timing of reviews.
- **Product Approval (Year 1)** – The Product Approval Process is driven by questions that balance the use of quantitative (i.e. metrics) and qualitative information (e.g. processes and controls) to form our conclusion on Product Value. These questions address Product Cover, Product Utility, RSA Service, and Distribution, with further investigation and/or mitigating actions triggered by question responses, as appropriate. All in-scope products will be reviewed and approved in Year 1.
- **Partner Information** – We have defined templates to gather information from Partners / Sub-Brokers in the distribution chain to confirm services, fees and charges and other remuneration to input to our assessment of the impact of distribution on value in Year 1.
- **Reporting Outputs** – We are sharing our completed Product Approval / Review (Product Fair Value Assessment) outputs with Follow Co-Manufacturers and Target Market Statements (including high-level summary of Product Approval) with our Distributors.
- **Product Review (Year 2 and Beyond)** – Subsequent Product Reviews will leverage the question sets and Customer Outcome Monitoring.

Product Fair Value Assessment (FVA)

Summary of Assessment (1/2)

In RSA’s capacity as the Lead Co- Manufacturer (as per PROD 4 Rules), we are sharing with you the approved output of our **Product Approval / Review** for the **Product** component.

Product Cover – Summary

A summary of our assessment as to whether the level of benefits and relevant exclusions offers value to Customers is as follows:

- There are no indicators that the level of benefit and relevant exclusions do not offer value to Customers.
- This Product is not written to excess margin, claims volumes and claims acceptance rates are appropriate, and there are few complaints.
- High retention rates demonstrate the value Customers see in this Product.

Product Utility – Summary

A summary of our assessment as to whether the Product is being used by the Customers of the intended target market is as follows:

- There are no indicators that the Product is not being used by the Customers of the intended target market or that it is being sold to Customers outside the target market.
- There have been a low number of complaints logged against this Product.

RSA Service – Summary

A summary of our assessment as to whether the type and quality of services being provided is reasonable for Customers is as follows:

- Based on a review of key performance indicators that include claims, complaints and service delivery, the type and quality of services being provided for this Product have been assessed as reasonable.

Product – Conclusion

- We are satisfied that there are no indicators that the Product is not compatible with the objectives, interests and characteristics of the intended target market, and offers fair value.



Product Fair Value Assessment (FVA) Summary of Assessment (2/2)

In RSA's capacity as the **Lead Co- Manufacturer** (as per PROD 4 Rules), we are sharing with you the approved output of our **Product Approval / Review** for the **Distribution** component and overall **Fair Value Assessment Conclusion**.

Distribution – Summary

A summary of our assessment as to whether remuneration is appropriate and commensurate with the services provided is as follows:

- Indicators for distributor remuneration are within expectation (this included consideration of data relating to commissions, fees and charges, and other remuneration).
- There is no evidence that the Product is being sold outside of the intended target market and Distributors have confirmed that they are regulated entities.

Distribution – Conclusion

Our review has confirmed that distributor remuneration is appropriate and bears a reasonable relationship to the services provided to our Customers.

Overall – Conclusion

Based on the assessment performed, we have established that the Product is compatible with the objectives, interests and characteristics of Customers of the intended target market and that the distribution strategy is not detrimentally impacting overall Product Value. We have therefore concluded that this Product provides fair value to Customers.

Agreed Actions

#	Theme	Description of action	Owner	Due date
1		Actions identified through the review process are being progressed with impacted parties.		
2				
3				
4				
5				