



## Non Standard Residential Property Owners

Date Fair Value Outcome Completed	Quarter 3 2024
Expected Date of Next Assessment	Quarter 3 2025

### Outcome of the Product Review and Fair Value Assessment

As a result of the product governance activities undertaken across this product we can confirm:

1. The outcome of the fair value assessment found that this product provides fair value, which is based on Pen’s review of information related to sales practices and services, claims, complaints and market intelligence.
2. There is no evidence that the product is not suitable for the customers it is intended to be distributed to.
3. The intended distribution strategy remains appropriate, subject to distributors not charging customers additional fees that bear no reasonable relationship to the service(s) provided, or the overall cost of the product.

### Target Market Statement

<b>Product Type</b>	This product is for residential property-owners where the risk has non-standard features including tenant type (such as Housing of Multiple Occupancy ‘HMO’, bedsits, holiday let, individual flats) unoccupancy (either short term or long-term) and small refurbishment/renovation works.
<b>What demands and needs are met by this product?</b>	This product is designed to provide cover for material damage to Buildings and/or Contents either whilst the property is tenanted or unoccupied. Cover can also be provided for Rent Receivable (occupied properties only) and Legal Liability to the public, as owner of the property.
<b>Who is this product designed for?</b>	This product is for residential property owners with properties that may be unoccupied either short term or long term (up to 3 years); including small refurbishment/renovation works and non-standard residential tenant types (Housing of Multiple Occupancy, bedsits, holiday let, individual flats).
<b>Who is this product not suitable for?</b>	This product is not suitable for standard residential homes, owner occupied properties, commercial properties, commercial landlords or premises outside of UK, Channels Islands and the Isle of Man.





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**How do we expect this product to be distributed?**

This product is suitable to be distributed via a variety of sales channels, such as face to face, via telephone, email, or by postal application by a Broker.

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**What are the distributor value considerations?**

We expect all distributors in the chain to consider the following when selling Pen's products:

- The impact on product value of offering other products alongside this one, especially those with proportionally greater remuneration. For example, an ancillary product, elements of which may duplicate existing cover, or premium finance charged at an elevated rate of APR.
- Additional commission, fees or charges added as part of distribution processes must be proportionate to the service provided, in line with those charged elsewhere, and not affect the overall value offered by the product.
- Distributors must ensure there is no duplication of cover as a result of any add-on products sold, including premium finance cover, where appropriate cover is already provided by the policy.
- Distributors should consider the Consumer Duty requirements when dealing with policyholders.

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**Scope**

This document is intended to provide an indicative summary of the target market for this product and is not a summary of coverage. Please refer to separate policy documentation for full details of the coverage provided by your product.

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## Fair Value Outcome Statement

### Product Fair Value Outcome – Methodology

Pen has completed Fair Value Assessment work on products we manufacture. This is based on groupings of products which may be similar in features and are intended to be distributed to similar target markets. This Product Fair Value Outcome Statement is not intended to replicate our Fair Value Assessments, but sets out the approach taken and the outcome of the assessment.

### Product Information

This product is for residential property-owners where the risk has non-standard features including tenant type (such as Housing of Multiple Occupancy 'HMO', bedsits, holiday let, individual flats) unoccupancy (either short term or long-term) and small refurbishment/renovation works.

#### Key coverage

- Material Damage to Buildings and / or Contents
- Rent Receivable (for occupied properties only)
- Legal Liability to the Public as owner of the property
- There are different levels of cover available:
  - Loss of rent up to 25% of buildings sum insured (for occupied risks)
  - Short period policies available
  - 3 levels of cover to be selected by the broker on unoccupied properties as follows:
    - LEVEL 1 - Fire and resultant smoke damage, lightning, explosion, earthquake and aircraft and other flying devices falling from them (FLEEA)
    - LEVEL 2 - Level 1 cover plus storm, flood or weight of snow, collision by vehicle or animal, breakage or collapse of fixed radio & television aerials, satellite dishes and their fixtures and fittings, subsidence or heave of the site upon which the buildings stand or landslip (unless undergoing any structural refurbishment)
    - LEVEL 3 - Level 1 and 2 covers, plus escape of water resulting from damage to fixed water apparatus or pipes, escape of oil from a fixed domestic oil fired heating installation and smoke damage caused by a fault in any fixed domestic heating installation, theft or attempted theft, malicious damage, falling trees, telegraph poles or lamp-posts

#### Product Limitations

- Up to £3m Building declared value
- Property Owners Liability £2m as standard (with the option for cover up to £5m)

#### Excesses:

- Fire, Smoke, Explosion, Lightning, Earthquake, Aircraft - £150 (Level 1), £250 (Level 2), £500 (Level 3)
- Any other Loss - £150 (Level 1), £250 (Level 2), £500 (Level 3)
- Subsidence - £1,000
- Escape of Water - £500



### **Key exclusions**

- This is an insured peril based product and not an all risks basis
- Damage arising from war, wear and tear, faulty design or specification
- Damage caused by contractors working on the premises or liability arising from any major works they are carrying out
- Any reduction in value of the property following repair or replacement
- Subsidence damage to solid floors within the property, unless the building is damaged at the same time and by the same event

### **Optional Products**

No products are sold alongside this core product by Pen.

Further details can be found in our policy wordings available to brokers/ cover holders.

### **Distributor Remuneration**

Pen agrees commission rates with each distributor and as part of the Fair Value Assessment process has requested details of any additional fees that may be added in the distribution chain. The fee details received have been analysed and if Pen considers these could impact the value of the product this would be raised directly with distributors.

All distributors should be able to:

- Confirm annually that the commissions and fees they charge are reasonable relative to the service(s) they provide and the total cost of the product to the customer; and
- Justify that commissions and fees they charge are fair, and support the intended value of the product.

### **How Pen Mitigates Risks to Product Fair Value**

Pen's commission structure is intended to ensure that it reflects product features and benefits and the services we provide, which support product fair value. Pen does not benefit from distributors increasing or decreasing their own commissions/fees.

Pen has taken steps to validate that distributor commissions/fees charged are within a reasonable range and in line with usual market practice, in order to ensure the value of our products is not diluted.





### How Pen Assesses Value

Pen's product governance and oversight process requires a full review of all product groups at least annually to determine if the product offers fair value to the customer.

These reviews consider the following areas:

Target market	<ul style="list-style-type: none"> <li>• Target market reviewed to ensure the product meets the needs of the customer and will continue to do so for the life of the product</li> <li>• Identify the impact on vulnerable customers where applicable</li> </ul>
Distribution strategy	<ul style="list-style-type: none"> <li>• Appropriateness of the distribution channel, services offered and remuneration</li> <li>• Remuneration does not negatively impact the overall value offered by the product</li> </ul>
Market assessment	<ul style="list-style-type: none"> <li>• Market scrutiny to ensure the product aligns with current market trends</li> </ul>
Product design/lifecycle	<ul style="list-style-type: none"> <li>• Pricing</li> <li>• Regulatory requirements</li> <li>• Fees and charges</li> <li>• Product documentation</li> <li>• Performance of the product</li> <li>• Product changes</li> </ul>
Customer journey	<ul style="list-style-type: none"> <li>• Quality Assurance</li> <li>• Feedback from distribution</li> </ul>
Claims	<ul style="list-style-type: none"> <li>• Frequency and trends</li> <li>• Loss ratio trends</li> </ul>
Complaints	<ul style="list-style-type: none"> <li>• Feedback is reviewed to ensure the product continues to offer good benefit for customers</li> <li>• Reasons for complaints and volumes</li> <li>• Outcomes of complaints: whether they are upheld, not upheld</li> <li>• Identification of trends and root causes</li> <li>• Redress payments: volume and timescales</li> <li>• Financial Ombudsman Service: volume and outcomes</li> </ul>

### Multi-Occupancy Building Insurance

Where it has been identified that this product applies to residential multi-occupancy buildings, Pen will provide the required disclosure information to the Intermediary for passing onto the policy stakeholder (Residential Leaseholders) via the insured.

