



## Terrorism

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>	An insurance product providing cover for Buildings and incidental Contents for properties based in the UK, owned by Housing Associations (and similar organisations), Commercial property owners, Businesses and Residential property owners, against loss or damage caused by an Act of Terrorism, including sabotage.
<b>What demands and needs are met by this product?</b>	This product is designed to cover Buildings (various building types, such as: Hostels, Commercial Shops, Residential Lets such as Blocks of Flats, Commercial Offices, Community/Visitor Centres, Playground equipment, Garages) for physical and consequential loss or damage caused by an Act of Terrorism (including sabotage). Cover can include interruption of access and/or prevention of use of the insured premises, as a result of an Act of Terrorism.
<b>Who is this product designed for?</b>	The target market is Housing Associations and similar organisations (which are not-for-profit organisations) that own, rent and manage residential accommodation and commercial properties and usually, but not exclusively, are registered and regulated by the Homes and Community Agency (or any other replacement agency from time to time). As well as Commercial property owners; Business Owners and Residential property owners.
<b>Who is this product not suitable for?</b>	This product is not suitable for standard residential homes or premises outside of the 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 is a commercial lines insurance product covering Housing Associations (and similar organisations) Commercial properties, Businesses or Residential properties against physical and consequential loss or damage caused by an Act of Terrorism (including sabotage).

Risks must be situated in England, Scotland, Wales, Northern Ireland, Isle of Man and the Channel Islands and the Republic of Ireland.

It is suitable for:

- Housing Associations and similar organisations such as housing co-operatives, housing trusts, housing charities, housing partnerships, arms-length management organisations (AMLOs), friendly societies, industrial and provincial societies, DIY shared ownership, housing private finance initiatives (PFI) and housing joint venture initiatives
- Commercial properties
- Residential properties (such as blocks of flats or a portfolio of properties)
- Businesses (commercial businesses, ranging from a sole trader to larger organisations)

### Key Coverage

- Physical and consequential loss or damage caused by an Act of Terrorism
- Terrorism cover can be provided as a standalone policy (as long as the insured has an associated policy)
- Cover can be adapted to insure specific properties within a portfolio, or a portfolio of properties
- Cover can include interruption of access and/or prevention of use of the insured premises (i.e.: when there is no damage to the insured property, but a terrorism event has occurred within 1 mile of the insured property and therefore, prevents use or access to the insured property).

### Product Limitations

- Limit of Liability – up to £50m in total for property damage and financial loss, any one location any one occurrence



### **Key Exclusions**

- Limitations in coverage when loss caused by Chemical, Biological, Radiological and Nuclear (CBRN).
- The exclusions of the underlying policy apply unless cover is expressly provided by this policy
- Damage or Consequential Loss arising directly or indirectly from nuclear detonation, nuclear reaction, nuclear radiation or radioactive contamination
- Damage or Consequential Loss occasioned directly or indirectly by war, invasion or warlike operations
- Damage or Consequential Loss caused by chemical or biological release or seepage and/or discharge of pollutants or contaminants
- Damage or Consequential Loss caused by electronic means
- Damage or Consequential Loss caused by malicious
- Damage, strikes, riots or civil commotion and Vandalism unless Damage is caused directly by an Act of Terrorism
- The excess which is the first part of any claim

### **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.