



**XL Insurance**

**AXA XL Consumer  
Duty Implementation  
Update  
April 2023**

# Contents

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- Purpose of document..... 3
- Background and Context ..... 3
- AXA XL approach..... 4
- What this means for you..... 4
- Contact Us..... 5

## Purpose of document

AXA XL, as product manufacturer, is required to review existing products and services against the FCA's Consumer Duty outcomes and share this with distributors to meet obligations under the Duty.

This document is intended for distributors and parties delivering services on behalf of AXA XL that may impact customer outcomes. This includes, but is not limited to, Coverholders, Brokers and Third Party Administrators ('TPAs'). The purpose of the document is to provide an update of our progress with implementing the Consumer Duty requirements, due to come in force on 31 July 2023 and 31 July 2024 for open and closed products respectively.

This document includes:

- Background and context, outlining the key FCA Consumer Duty requirements
- What this means for you as a distributor or party delivering services on behalf of AXA XL
- How to get in touch for more information and provide feedback

Please note that this document:

- Is provided in line with the Consumer Duty requirements for AXA XL as product manufacturer and is not suitable for customer distribution; and,
- Should be read in conjunction with Fair Value Assessment outcomes and target market statements (TMS) provided in September 2022 [Product Fair Value Assessment & Target Market Statement | AXA XL](#) in line with the implementation of the FCA's enhanced product governance rules under chapter 4 of the FCA's Product Intervention and Product Governance Sourcebook (known as PROD 4) which became effective on 1 October 2021.

## Background and Context

The FCA's Consumer Duty sets higher and clearer expectations of consumer protection across financial services, including the parties involved in manufacturing and distributing insurance product and services. The rules apply to all parties in the distribution chain and cover all customers except contracts of large risks sold to commercial customers and reinsurance. The key requirements include:

- A Consumer Principle that requires firms to act to deliver good outcomes for customers which reflects the overall standard of behaviour the FCA requires from firms.
- Cross-Cutting Rules providing greater clarity on the FCA expectations under the Consumer Principle and helping firms interpret the four outcomes (below).

The four outcomes which are a suite of rules and guidance, setting more detailed expectations for firms in the following areas:

- 1) Products and Services
- 2) Price and Value
- 3) Consumer Understanding
- 4) Consumer Support

Working closely with our distributor network in our capacity as product manufacturer, we completed our first round of fair value assessments ("FVAs") in September 2022. As per FCA guidance, this satisfies requirements under outcomes 1 and 2 of the Consumer Duty.

## AXA XL approach

We are making enhancements as per Consumer Duty rules and guidance, with a key focus on:

- Our existing product governance and fair value assessments linked to the Products and Services and Price and Value outcomes. These changes will be captured and communicated in our next round of FVA distributor communications;
- Our approach to outcomes 3 and 4 of the duty (Consumer Understanding and Consumer Support).
- The Management Information (MI) we require to effectively monitor customer outcomes; and,
- How we work collaboratively with parties across the distribution chain and customer journey to deliver good customer outcomes.

## What this means for you

As part of our Consumer Duty implementation efforts, we will be making changes that potentially impact our distributors and parties that deliver services on behalf of AXA XL. As product manufacturer, we will regularly review existing products and services against the Duty outcomes and share this with distributors to ensure obligations under the Duty are being met.

We note distributors and parties delivering services on behalf of AXA XL will also be implementing changes in line with the requirements of the duty. In connection to this, the FCA has commented that it is vitally important that all firms along the distribution chain are pulling in the same direction to produce good outcomes for consumers. Our expectation is that this will include being accountable for any services, communication, including online and marketing material, and support provided to end-customers. This includes having adequate testing and monitoring processes to ensure good outcomes are being delivered in line with the Consumer Duty requirements.

As product manufacturer, we have outlined the key actions we will be taking to ensure the delivery of good customer outcomes in line with the Consumer Duty expectations and ensure we can monitor and test customer outcomes effectively.

- Setting out revised expectations for our Coverholders in line with Consumer Duty requirements. These changes will be set out in our Coverholder handbooks and Binding Authority Agreement, reflecting 'what good looks like' in terms of complying with the Consumer Duty and also determining responsibilities.
- Implementing changes to our ongoing due diligence arrangements to ensure Consumer Duty requirements are being met. This will include revising our audit scope for Coverholders and parties with delegated authority.
- Agreeing and implementing enhancements to contractual agreements with a focus on Consumer Duty requirements. We will be enhancing our current Service Level Agreements (SLAs) and Service Level Expectations (SLEs) where appropriate.
- Enhancing our current arrangements for monitoring and oversight of customer outcomes (e.g. Quality Assurance and Customer Outcomes monitoring and testing).
- We are in the process of documenting further guidance notes to assist in providing appropriate levels of support to customers. Where relevant, this will be shared with you to ensure expectations are clear.
- Enhanced annual product review approach including revised target market statements and expectations where emerging and value issues are identified, including remedial actions.

- Ongoing collaboration with our distribution network to ensure the delivery, monitoring and testing of good customer outcomes in line with the Consumer Duty requirements.

### **Provision of Consumer Duty metrics and management information**

The FCA requires firms to regularly monitor customer outcomes and act accordingly where issues are identified. In response, AXA XL have developed a list of proposed metrics to ensure effective monitoring of the outcomes of the Duty. This list incorporates the guidance from the FCA and LMA.

Please note that as part of our annual product reviews, a comprehensive list of quantitative and qualitative MI was considered and reviewed. As per FCA guidance, this satisfies requirements under the Products and Services and Price and Value outcomes so developments for these outcomes is focused on how we capture the data to ensure a more effective and efficient process.

For Consumer Understanding and Support outcomes, we have considered FCA and LMA guidance alongside engagement with a sample of parties that deliver services on behalf of AXA XL. In terms of likely MI, we would expect to receive:

- Quality Assurance assessment scores linked to how customer understands communications and the support provided across the customer journey;
- Customer feedback;
- The percentage of people dropping out due to poor process management;
- The percentage of people that switch to a different product before the initial product expiring;
- How quickly customers are supported e.g., time taken to settle claims or resolve complaints; and
- Root cause analysis linked to customers understanding of products and services and the support provided across the customer journey.

We aim to share the complete list of MI across the four outcomes in the near future. Where MI is already provided, for example by way of bordereaux completion, we will ensure that data is utilised accordingly. We have provided contact details in the contact us section should you wish to discuss further.

## **Contact Us**

We are committed to an open and constructive dialogue with our distribution partners as well as other parties delivering services on behalf of AXA XL. For more information on any of the topics in this document, please contact, [annualprodreview@axaxl.com](mailto:annualprodreview@axaxl.com).

In addition, please share any feedback you have on progress and expectations listed within this document.

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