



## **LMA9197 - Product Value - Information Exchange Template**

The Product Value – Information Exchange Template is designed to assist product Manufacturers and Distributors in meeting the requirements of the FCA PROD rules (PROD 4.2.29 R and PROD 4.2.14 P) relating to information exchange which are shown in the blue boxes below.

### **Manufacturers and Distributors**

The term “Manufacturer” refers to a firm substantially involved in creating, developing, designing and/or underwriting a contract of insurance. As such, managing agents/insurance companies will always be product manufacturers. They may be co-manufacturers with a Distributor when the Distributor also meets the definition.

Generally, a Distributor will be some form of intermediary, either authorised or exempt by the FCA. A Distributor would also include introducers.

### **Requirements and Responsibilities**

The fair value assessment is the responsibility of the Manufacturer of a product, which will typically be the insurer unless otherwise agreed with the intermediary in a formal agreement.

Value means the relationship between the overall price to the customer and the quality of the product(s) and/or services provided. In order for the Manufacturer to conduct a fair value assessment, information on remuneration and services provided in the chain will need to be provided by Distributors to the Manufacturer.

Upon request from the Manufacturer, it is each Distributor’s responsibility to feed the “required information” via the checklist up the chain. Distributor 1 should be the Distributor in direct contact with the Manufacturer and the highest Distributor number should be the Distributor in direct contact with the customer. “Reasonable steps” should be undertaken to request this information from the chain and the first Distributor will provide to the manufacturer, including an outline of any omissions.

**Distributor 1 is responsible for the exchange of information with the manufacturer/underwriter (lead underwriter where there is more than one).**

### **In Scope Products**

Contracts of insurance that are not contracts of large risk or reinsurance.

### **Out of Scope Products**

Contracts of large risk:

1. (a) railway rolling stock, aircraft, ships (sea, lake, river and canal vessels), goods in transit, aircraft liability and liability of ships (sea, lake, river and canal vessels);
2. (b) credit and suretyship, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;

3. (c) land vehicles (other than railway rolling stock), fire and natural forces, other damage to property, motor vehicle liability, general liability, and miscellaneous financial loss, in so far as the policyholder exceeds the limits of at least two of the following three criteria:
  1. (i) balance sheet total: €6.2 million;
  2. (ii) net turnover: €12.8 million;
  3. (iii) average number of *employees* during the financial year: 250.

Reinsurance contracts

Bespoke products:

Bespoke products are out of scope and could be considered to be those:

1. which begin with a blank sheet of paper; and
2. where there is no existing 'product' used as a base for the product; and
3. where the customer, Distributor(s) and Carrier(s) actively work to construct a bespoke product.

### **Manufacturer Information**

4.2.29 R A *firm* which *manufactures* an insurance product, must make available to a *distributor*:

- (1) all appropriate information on the insurance product
- (2) all appropriate information on the product approval process; and
- (3) the identified target market of the insurance product.

4.2.29A G For a *non-investment insurance product*, the information required by *PROD* 4.2.29R should include:

- (1) all appropriate information to enable the *distributor* to understand the intended value of the insurance product established by the *firm*;
- (2) any effect the *distributor* may have on the intended value that has not been fully taken into account by the *firm* when assessing value, and therefore which the *distributor* should take into account; and
- (3) any type of *customer* for whom the insurance product is unlikely to provide fair value.

To comply with this requirement insurers/managing agents (and MGAs and brokers where they are Manufacturers' ("Carriers"), should look to supply to the distributor the following types of information for products:

- on a standalone basis; and where relevant
- as part of a package.
- Summary information on the POG process and what factors were influential in the Carrier gaining comfort for itself that the product offers fair value. The document should not

merely replicate information in the relevant policy summary or IPID, although it must be consistent with that document

- Bundling of products – in order to make the product review and information exchange a manageable task, the FCA allows Carriers to group together “similar” products.
  - By “similar”, the FCA means products which provide similar, rather than identical, cover and outcomes.
  - This is particularly useful when considering open market risks which could usefully be grouped, e.g. high net worth policies.
- Unless there are special circumstances, it is suggested that Carriers should consider adopting a proportionate approach which focuses on UK consumers, overseas consumers, then SMEs, before looking at larger commercial risks.
- The information provided by Carriers is likely to be more granular for new products and more concise for existing products. It should be reassessed on a regular basis, particularly if there are any material changes to the product information considered.
- Where Carriers are co-manufacturers, the Carrier should decide who is best placed to complete the template. However, the Carrier must always be comfortable with the information the template contains.
- Where Carriers provide premium finance, or arrange for others to do so, they should consider whether, and to what extent, such finance may affect the product value.
- To complete a full fair-value assessment, Carriers will need the data from distributors which may be received after the initial assessment. However, a starting position that Carriers could take would be to provide product-specific value measures, particularly where such data can be leveraged from their regulatory reporting.

### **Distributor Information**

4.2.14P R A firm must obtain from any person in the distribution arrangements all necessary and relevant information to enable it to identify the remuneration associated with the distribution arrangements to allow it to assess the ongoing value of the product, including at least:

- (1) the type and amount of remuneration of each person in the distribution arrangement where this is part of the premium or otherwise paid directly by the customer, including in relation to additional products (other than where this relates to another non-investment insurance product for which the firm is not a manufacturer);
- (2) an explanation of the services provided by each person in the distribution arrangements; and
- (3) confirmation from any firm in the distribution arrangements that any remuneration is consistent with their regulatory obligations including SYSC 19F.2 (IDD remuneration incentives).

The information provided should include the type and amount of remuneration (including commission and fees) of each Distributor – see definitions below for further guidance.

### Definitions

**Commission** paid for the product. Do not include any commission whereby the carrier is already in possession of the data including, but not limited to, additional commission such as work transfer or any other commissions.

**Fees** - whereby an additional fee is paid above the policy level commission by a client such as an administration fee. A finite figure should be provided e.g. £15 administration fee or administration fee ranging from £10-15. Do not include fees that are paid in lieu of commission and agreed with customers. Fees whereby a carrier provides a net quote should not be included.

**Reasonable steps** - The definition of reasonable steps depends on a distributor's risk appetite but should be sufficient for the distributor to discharge their regulatory obligations.

**Ancillary product** – is a product that is not sold in isolation, is offered by the same carrier and where the cost is included as part of the core premium.

Where an ancillary product is sold alongside a core product but has a separate premium this should not be included.

Premium finance will either be dealt with under the Distributor section or Carrier section depending on which party is responsible for the arrangements.

**Required information** – is the information needed for the manufacturer to complete a fair value assessment and is limited to the descriptions above and the information outlined in the checklist

### Guidance

- To add value for the Carrier, data reported should not be that which the Carrier already holds, e.g. total commission.
- Where there is distribution via more than one legal entity in the same group, the commissions and services should be split according to legal entity.
- Information on remuneration should relate to those charged in connection with the specific product(s).
- It is recognised that there may be limitations on the data that distributors can provide, particularly where there are non-UK distributors in the chain due to local legal restrictions, type of distribution chain, etc. Therefore, it is accepted that Distributor 1 will provide the data after taking reasonable steps to obtain full information. Where not all information is available, Distributor 1 should assist the Carrier by providing an explanation as to the limitations on the information available.
- Where a Distributor distributes the same product from the same Carrier to multiple Distributors, it may be prudent to ask for a confirmation from the multiple distributors that their fees are not more than a certain amount, rather than requesting numerical data.

## Product Value - Information Exchange Template

Carrier name	Liberty Mutual Insurance Europe SE & Liberty Managing Agents Limited t/as Liberty Specialty Markets
Broker name	Various
Product name	Professional Indemnity – Primary and XOL cover
Reference/UMR [Binder]	Various
Reference [Class of Business]	Professional Indemnity
Date	Q4 2024

### Manufacturer Information

*The fields below should be completed by the carrier. The information provided should be sufficient for distributors in the chain to understand the value of the product, the intended target market and those to whom the product should not be marketed. Other information should be included (if relevant) to advise distributors of how their known or expected actions might affect the value of the product.*

#### Product information

This product has been through the carrier’s Conduct Risk Framework which reviews the full lifecycle of the product to ensure it is providing good outcomes for our customers, including fair value.

It has been reviewed and signed off by the carrier’s Conduct team as representing fair value to customers.

The following aspects are included in the review:

- Claims and complaints volumes
- Declinature rates / walkaways
- Loss ratios
- Average premium: average (and largest) claims
- Wordings review (technical and Plain English) to ensure accessibility

Product provides primary excess of loss PI cover for a variety of SME professions and some large companies.

Professional indemnity insurance is designed to meet the needs of Professionals and Commercial Customers who wish to cover their liability to other people following negligence or breach of contract in the performance of their business duties.

Professional Indemnity insurance is recommended for all types of businesses which require cover for their professional services. Cover is written on a claims-made basis but can include negligence, defamation, breach of confidence and infringement of intellectual property rights.

Underwriters have reviewed products offered by competitors and found that average premiums on Liberty products are competitive and that our coverage is generally in line with our peers in the market. We believe that our set-apart is the breadth of our underwriting appetite / capability and our claims handling services.

Claims are outsourced to appropriate third parties who are monitored by our in-house claims team. Where claims are in scope for Consumer Duty we have a rigorous suite of MI that is sought

from external claims handlers. Eligible complaints are handled in house if our claims handlers cannot resolve them informally to the customers' satisfaction.

The product is offered to customers in the UK, Channel Islands and the Isle of Mann.

The product runs for 12 months, and renewal is processed in line with local regulations. Policies do not automatically renew. Underwriters have confirmed that there is no detriment to renewing customers – no dual pricing in place.

#### Target market

Policyholders are SMEs and larger companies and aimed at specific trades.

Trades:

Accountants Architects & engineers, design & construction, IFAs, insurance and mortgage brokers, marketing & media, recruitment consultants, solicitors & surveyors.

LSM also have a more generic miscellaneous PI product that is aimed at customers offering professional services who might be exposed to claims from customers for negligence but who might be working in the non-traditional professional service areas.

XOL cover is intended to offer customers an extra layer of protection on top of their primary layer to meet business or contractual requirements.

#### Types of customer for whom the product would be unsuitable

Consumers, or Professionals or Commercial Organisations who do not require Professional Indemnity insurance, or who may obtain this via other memberships or professional associations.

#### Any notable exclusions or circumstances where the product will not respond

- Standard market exclusions apply
- Wordings have been in use for many years and have been reviewed by LSM Wordings teams to ensure they remain accessible to customers. Surveyor/Estate Agent wording meets RICS requirements; Accountant wording meets ICA requirements; Solicitors meet the minimum terms set out by the SRA.

#### Other information which may be relevant to distributors

The carrier has rated this product as Medium Conduct Risk exposed on the basis that SMEs purchase via the coverholder on an advised sale basis. Products also sold to larger companies.

Liberty do not offer premium finance alongside this cover.

Date Fair Value assessment completed	Q4 2024
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Expected date of next assessment	Q4 2025
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*The following should only be completed after the Broker Information section below has been completed and provided by Distributor 1.*

Total commissions	
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Total fees	
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Total other Distributor remuneration	
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#### Distributor Information

*The fields below should be completed for all Distributors in the chain. Distributor 1 should be the Distributor in direct contact with the carrier and the highest Distributor number should be the*

*Distributor in direct contact with the customer. The information provided should include the type and amount of remuneration (including fees and commissions) of each Distributor, where this is part of the premium or otherwise paid by the customer, for the product.*

<b>Distributor 1 – [insert name]</b>	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
<b>Direct</b> – The product is distributed directly to insureds. The broker’s role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
<b>Wholesale</b> - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
<b>Advised</b> – the product is sold on an advised basis	Yes/No
<b>Non-Advised</b> – the product is sold on a non-advised basis	Yes/No
<b>Claims</b> – the broker provides claims first notification of loss	Yes/No
<b>Other</b> – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product’s value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
Information on how the selected products above affect the product’s value	
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 1.	Yes/No
<b>Distributor 2– [insert name]</b>	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
<b>Direct</b> – The product is distributed directly to insureds. The broker’s role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No

<b>Wholesale</b> - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
<b>Advised</b> – the product is sold on an advised basis	Yes/No
<b>Non-Advised</b> – the product is sold on a non-advised basis	Yes/No
<b>Claims</b> – the broker provides claims first notification of loss	Yes/No
<b>Other</b> – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product's value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
Information on how the selected products above affect the product's value	
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 2.	Yes/No
<b>Distributor 3– [insert name]</b>	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
<b>Direct</b> – The product is distributed directly to insureds. The broker's role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
<b>Wholesale</b> - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
<b>Advised</b> – the product is sold on an advised basis	Yes/No
<b>Non-Advised</b> – the product is sold on a non-advised basis	Yes/No
<b>Claims</b> – the broker provides claims first notification of loss	Yes/No
<b>Other</b> – please describe	Yes/No



Information on any ancillary products/activities sold alongside the product which may affect the product's value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
Information on how the selected products above affect the product's value	
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 3.	Yes/No
<b>Distributor 4– [insert name]</b>	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
<b>Direct</b> – The product is distributed directly to insureds. The broker's role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
<b>Wholesale</b> - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
<b>Advised</b> – the product is sold on an advised basis	Yes/No
<b>Non-Advised</b> – the product is sold on a non-advised basis	Yes/No
<b>Claims</b> – the broker provides claims first notification of loss	Yes/No
<b>Other</b> – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product's value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No

Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 4.	Yes/No
<b>Distributor 5– [insert name]</b>	
Retained commission	
Fees	
Other remuneration	
Explanation of activities provided	
<i>Select all that apply:</i>	
<b>Direct</b> – The product is distributed directly to insureds. The broker’s role is to understand the demands and needs of the insured and then obtain quotations from insurers.	Yes/No
<b>Wholesale</b> - The broker works on the producing brokers/Appointed Representative instructions paying due regard to the best interests of the end client.	Yes/No
<b>Advised</b> – the product is sold on an advised basis	Yes/No
<b>Non-Advised</b> – the product is sold on a non-advised basis	Yes/No
<b>Claims</b> – the broker provides claims first notification of loss	Yes/No
<b>Other</b> – please describe	Yes/No
Information on any ancillary products/activities sold alongside the product which may affect the product’s value.	
<i>Select all that apply:</i>	
Legal expenses	Yes/No
Gap cover	Yes/No
Key cover	Yes/No
Emergency home cover	Yes/No
Loss recovery (pays for a loss assessor to act on insureds behalf)	Yes/No
Breakdown cover	Yes/No
Windscreen cover	Yes/No
Courtesy car cover	Yes/No
Risk Management services e.g. health & safety assessment, consultancy	Yes/No
Premium finance (if offered by the same provider)	Yes/No
Other – please describe	Yes/No
It is confirmed that the above remuneration paid by the customer is consistent with the regulatory obligations of Distributor 5.	Yes/No