



Pib-insurance.com



Product Governance Product Value and Consumer Duty Information Exchange statement

May 2023

Product Value and Consumer Duty - Information Exchange Document – April 2023

Background

To ensure the FCA regulated entities that comprise PIB Group meet the requirements of Distributors under the FCA PROD rules (PROD 4.2.14 P) in relation to information exchange, we have prepared this document which follows the structure and content set out in the 'LMA9197 - Product Value – Information Exchange Template' as created by BIBA, IUA, LIIBA, LMA and MGAA.

Scope

This product information exchange document has been prepared in relation to the following regulated entities by colleagues responsible for product governance within those entities. When exchange information refers to 'we' or 'us' it refers to all the entities shown below; exceptions will be identified in the relevant section below.

PIB Risk Services Limited (FRN 308333)
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Methodology and Approach

PIB operate within a robust Product Governance and control framework which is designed to meet our obligations under PROD as a distributor of insurance products.

We remain committed to ensuring that the products we distribute offer fair value to our customers throughout the lifecycle of the policy as part of a process committed to providing good customer outcomes which recognises the requirements of forthcoming Consumer Duty Regulation.

This is embedded within our Product Governance Framework and our Code of Conduct and Sales Conduct policies and procedures. Putting customers first is at the heart of everything we do and our approach to distribution value assessments is designed to support that commitment.

Our product distribution reviews form part of our overall Product Governance Framework and are designed to ensure that:

- we undertake a review on products we distribute at least annually;
- we undertake an annual assessment for ourselves and the distribution chain between us and the end customer where one exists;
- the assessment we undertake includes certain mandated elements relating to the FCA's value measures rules;
- we ensure Product Manufacturer's Fair Value Assessments and Target Market Statements are understood to enable appropriate distribution;
- we report value measures related data to the FCA via their periodic reporting; and
- we make all reasonable efforts to ensure that firms in the distribution chain comply with requests for information from us.

Consumer Duty

Following publication of the final rules, we have conducted reviews of our policies, processes, communications and governance, as well as our ability to implement the new Consumer Duty, all in line with the overarching plan approved by the company's Exec. Our findings are that the work we have specifically completed in relation to Consumer Duty combined with that previously completed for PROD has supported a position in line with the new rules.

Whilst our formal Consumer Duty Implementation Plan is a confidential internal document, we can confirm that this was in place and Board approved ahead of the October 2022 FCA deadline, and that the table of contents is as follows:

- PLAN PURPOSE, SCOPE & OWNERSHIP/ACCOUNTABILITY.
- PLANNING PRINCIPLES & PROCESS.
- PLAN – KEY ACTIVITIES/DELIVERABLES.
 1. GOVERNANCE, RISK & COMPLIANCE.
 2. SMCR.
 3. AWARENESS & TRAINING.
 4. ASSURANCE, QA & MANAGEMENT INFORMATION.
 5. PRODUCT GOVERNANCE (key focus: product & services + price & value outcomes)
 6. SALES (key focus: product & services + price & value + consumer understanding outcomes)
 7. POST-SALES (key focus: consumer support + consumer understanding outcomes)
 8. Appointed Representatives (Including Introducer Appointed Representatives)
- PLAN – GOVERNANCE.
- ANNEX A – UK GROUP COMPLIANCE POLICIES.
- ANNEX B – DIVISIONAL COMPLIANCE POLICIES & STANDARDS.

Each of Sections 1 through 8 are broken down into several actions, each having appropriate ownership allocated and start/end dates assigned to the work to ensure full delivery in line with the FCA implementation date.

Adherence to those deadlines is monitored by our Consumer Duty Steering Group, to ensure work remains on track – and monthly status updates are provided to the PIB Board.

Information Exchange Data

Distribution Arrangements – Advised and non-advised

In most cases, we distribute directly to customers on an advised basis either face to face, via telephone or distance sale.

This follows a formal process laid out in our Broking Standards procedures, taking due account of client demands and needs, referencing insurer Target Market Statements, Fair Value Assessments and providing recommendations accordingly.

Some policies are distributed on a non-advised basis, predominantly where a third party is involved in the distribution chain. In circumstances where commission is ceded to a third party this does not impact the insurance premium paid by the customer. As part of our annual downstream distribution assessment, we obtain details of any additional remuneration arrangements such as fees and require an attestation that any such arrangements or any supplementary services or products supplied or provided by those parties do not detract from the core product value received by the end customer.

Certain products are offered under a delegated authority arrangement which are subject to a defined governance framework and distributed as above.

As part of the services offered to customers it is usual for us to provide claims services including FNOL and ongoing claims support where required and appropriate.

Remuneration Arrangements

Our remuneration arrangements are summarised below:

Commission

Our main method of remuneration is via insurer derived commission.

This document does not include specific commission information that you already hold.

Broking fees in lieu of commission ('FIL')

For certain clients we agree not to receive commission from the insurer but rather charge an agreed fee in lieu of commission. This fee reflects the anticipated work involved in servicing the client and is completely transparent being negotiated and agreed with the client at each new business/renewal stage.

As part of our previous Product Distribution review work, we have identified that the average FIL charged across any one product group does not exceed 20%. We do not consider this detracts from product value.

Insurer Services Brokerage ('ISB')

Where it is pre-agreed with the customer that we will be charging a fee in lieu of commission, Insurance Service Brokerage (ISB) may be applicable and is paid by an insurer to reflect the provision of services to support the development and administration of the insurer's insurance business. This is set at a rate of 3.5%.

Broking fees in addition to commission

In some instances, the basic commission level received from the insurer may not be considered sufficient to cover the costs involved in servicing the client. In such circumstances an additional fee is agreed with the customer commensurate with our expected work.

Administration Fees

Where Administration Fees are charged, they are done so in line with the following scale which has been reviewed and agreed by the company's Exec:

For all **Commercial policies** paying up to £12,500 premium (including IPT):

Transaction	Fee
New business	£60
Renewal	£60
Mid-term adjustments (MTA*)	£35
Cancellations	£35

For **Personal lines** policies paying up to £2,500 premium (including IPT):

Transaction	Fee
New business	£60
Renewal	£60
Mid-term adjustments (MTA*)	£35
Cancellations	£35

- > **Administrations Fees** will NOT be charged on any Ancillary products (Legal Expenses, Breakdown, etc unless they are sold as a stand-alone product) nor on cases where a fee in lieu of commission is charged.
- > Administration Fees charged in excess of the standard rate or fees charged in lieu of commission must be agreed with the client.
- > *An MTA is defined as a change in policy cover and / or schedule that results in the production of new or additional insurer documentation.
 - > It does not include a written record (email, letter or otherwise) of oral advice provided.

Other remuneration

Additional remuneration arrangements are in place with certain insurers which are agreed centrally and accounted for at group level.

These are disclosed on customer documentation in line with regulatory requirements.

Such arrangements are structured such that they do not impact product value to customer.

Premium finance

Our principle premium finance arrangements are in place with Premium Credit Ltd.

A matrix of rates at which premium finance is offered is utilised and the rate applicable to any particular customer depends on a number of factors including the amount of premium being funded, the number of instalments and payment date of the premium to us so as to meet insurer payment terms.

A typical example of a £10,000 commercial premium finance arrangement with a 10-month payment profile would equate to a flat rate of 6% (APR 11.6%).

A variable facility fee (min £15) applies dependent upon the premium amount funded.

Finance is offered to customers where there is an obvious benefit to them, for example:

- allows the client to spread the cost of their premiums which improves cashflow and working capital for the client;
- offers the ability to fund multiple policies and admin/broking fees under one agreement;
- fixed interest charges to allow for easy budgeting; and
- offers 'off balance sheet' financing.

Where available, the insurer's own premium finance offering is discussed with the client and a recommendation is made where this is more suitable for the client's needs.

Add-ons/Ancillary products

Optional add-on products can sometimes be offered alongside core products where relevant and only where product value to the customer is enhanced.

The following is not an exhaustive list but most commonly includes:

- Legal Expenses (commercial and personal)
- Motor Legal Expenses / Uninsured Loss Recovery
- Motor breakdown
- Gap Insurance
- Claims assistance – Loss Adjuster services
- Risk Management Services

Product Governance Overview

We undertake annual reviews on the products we distribute on behalf of insurers to identify that the following value statements are correct:

1. The distribution strategy remains appropriate and is likely to do so for the next 12 months.
2. There is no evidence that the product has been distributed outside of the intended target market .
3. The use of any retail premium finance arrangement remains appropriate, provides fair value, and is likely to do so for the next 12 months.
4. Where add-ons are sold alongside this product, each component and the package as a whole provides fair value to customers in line with overall good outcomes.
5. The price of the product and the way it is distributed represents fair value to the customer.
6. Claim frequencies (and other claims metrics where applicable), indicate that value in the distribution arrangement is maintained in line with good outcomes.
7. Complaints and customer feedback do not provide any indication of poor value in the distribution arrangements.
8. Any business / staff incentives throughout the distribution chain do not conflict with our duty to act in the best interests of our customers.

Regulatory confirmation

We confirm that our distribution arrangements remain consistent with our regulatory obligations.

May 2023