

# EATON GATE

## PRODUCT GOVERNANCE AND PRICING INFORMATION FACT SHEET

In light of increased recent regulatory scrutiny into pricing practices and value measures, Eaton Gate has carried out a mapping assessment of the following regulations:

ICOBS 2&6

SYSC 19F.2

PROD, particularly PROD 1.4, PROD 4.2, PROD 4.3 and PROD 4.2.5

MS 14/1 (Market Study into general Insurance add-ons)

FG 19/5 (The general insurance distribution chain: Guidance for insurance product manufacturers and distributors - revoked by PS 21/5)

MS 18/1.3 (Market Study Final Report)

PS 20/9 (General insurance value)

PS 21/5 (General Insurance pricing practices market study: Feedback to CP 20/19 and final rules)

PS 21/11 (General insurance pricing practices - Amendments)

The firm has critically assessed its processes and a review was undertaken in a timely fashion to ensure the implementation deadlines for the enhanced product governance procedures were met.

This information fact sheet has been produced to provide details and assurance of Eaton Gate's product governance, pricing, and fair value processes and to assist in meeting the requirements of the FCA PROD rules (PROD 4.2.29 R and PROD 4.2.14P) relating to information exchange.

Topics	Responses
<b>Product governance arrangements</b>	
Manufacturer and distributor responsibilities	<p>Eaton Gate acts as an agent of various appointed insurers in its capacity as a product manufacturer (and jointly with the insurers as a co-manufacturer) under binding authority agreements which regulate undertakings and limits of authority delegated to Eaton Gate by the insurers.</p> <p>Eaton Gate also acts as a distributor in relation to ancillary covers which together with its core property and liability covers are packaged products provided to customers as a single 'unbreakable bundle' in the sense that there is no optionality for the customer once any decision is made to purchase the selected products.</p>
Product risk assessment and risk appetites for each product	<p>The firm's conduct risk internal control policy requires each new product to be submitted to a product risk assessment, pursuant to which the product in question will be assessed to establish whether or not it should be classified as "high", "medium" or "low" risk. Each assessment considers:</p> <ul style="list-style-type: none"> <li>(a) the target market of the product;</li> <li>(b) the sale and distribution of the product;</li> <li>(c) the suitability of the product in scope and clarity (in view of the target market); and</li> <li>(d) product servicing issues (including claims and complaints)</li> <li>(e) customer challenge - from a customers perspective</li> </ul> <p>Annual conduct risk assessments are carried out and the results are reported to the Board. Remedial actions are identified where necessary.</p> <p>The firm has a product governance internal control policy in place. In addition to the new product undertakings, all existing products are subject to product risk reviews. When reviewing products, the approach will be determined by the nature, risk and complexity of the product</p> <p>Product performance MI is assessed in the form of complaints, retention, and claims repudiations which is overseen by the Board. The Board will ensure potential instances of customer detriment are identified, indicated by:</p> <ul style="list-style-type: none"> <li>(a) average expected claims ratios</li> <li>(b) gross incurred claims ratio at an aggregated level</li> <li>(c) reserve releases and strengthening</li> <li>(d) average premiums levels across the product</li> </ul>
Identified target market	<p>Target markets are considered in the overall product description and structure including customer base, sales and distribution structure. New products are assessed where:</p> <ul style="list-style-type: none"> <li>(a) the risks are fundamentally different from those covered under any existing product;</li> <li>(b) the product is being designed to meet different customer needs;</li> <li>(c) the target market for the product has materially different characteristics from existing policyholders</li> </ul> <p>Target market summaries are available and can be supplied on request</p>

Testing of insurance products	Management assess quarterly the performance of the Groups products in reviews reported to the Board and consider this to be an appropriate interval for the review of testing measures
Product documentation	<p>Product features, benefits and wordings have been extensively reviewed and have been validated against market competitor products. Product information is freely available to customers and their representatives at all instances before, during and after the quote and bind process and accessible online at all times via Eaton Gate's broker portal</p> <p>Product features, policy summaries and product information documents are available and can be supplied on request</p>
Ongoing monitoring of products	<p>Products offered by Eaton Gate are established, generic and mainstream. Surge capability of the firms providing outsourced claims handling services are also tested by Eaton Gate, with ongoing monitoring of the performance of its distributors, to help minimize the impact of a broker failure</p> <p>Details of the products reviewed include benefits provided, their quality and any limitations, consideration of scope of cover, exclusions, excesses and other features. From reviews conducted, it is evident that products are not significantly limited by exclusions or limits</p> <p>The firm will regularly use claims information such as handling times, frequency, severity of claims costs (including total costs and average per claim), claims ratios, rates of and reasons for claim acceptance/declinature to assess product performance and ongoing fair value. Where available, this will include information expected for the product and/or any actual information from a comparable product</p> <p>Eaton Gate (in collaboration with its insurers) regularly assesses whether the products remain consistent with the needs, characteristics and objectives of the identified target market and whether the products are distributed to the target market or is reaching customers outside the target market</p>
<b>Product Value and Charging Structure</b>	
Intended value to customers	<p>The Eaton Gate Board exercises oversight necessary to ensure products are offering fair value and consumers are satisfied. Value has been considered on the basis of the relationship between the overall price to the customer and the quality of the products and/or services provided. Eaton Gate has conducted comprehensive assessments to ensure its products provide fair value in compliance with the customer's best interest rule. The firm has critically re-evaluated its business plan to take into account the product and pricing regulations to ensure its products, remuneration practices and structure are competitive and offer fair value to customers. Specifically, in this regard:</p> <p>(a) Eaton Gate has undertaken analysis carried out in compliance with regulatory guidance relating to product value and coronavirus in December 2020</p> <p>(b) In August 2021 Eaton Gate reviewed its remuneration practices when manufacturing and distributing general insurance products to demonstrate that these are reasonable and compliant with the customers best interests rule</p> <p>The remuneration review has resulted in proposals being made to the Board in relation to the firm's pricing and distribution strategies under its business plan which were ultimately approved.</p> <p>In assessing whether its packaged products provide fair value, Eaton Gate has considered:</p> <p>(a) the difference between the risk price and the total price paid by the customer</p> <p>(b) the relationship between either the cost to the firm and the price paid by the customer, or the price paid by the customer and product quality or service provided</p> <p>(c) both the components individually and the package as a whole</p>
Product reviews	<p>The Group has planned to undertake reviews of the products it manufactures to ensure the relationship between the overall price and the quality of the product(s) and/or services provided work together to offer fair value to customers. Considering the requirements in PROD 4.2.29R, the reviews also covered the following:</p> <p>(1) all appropriate information on the insurance product</p> <p>(2) all appropriate information on the product approval process; and</p> <p>(3) the identified target market of the insurance product.</p> <p>Products that are in scope for review are as follows:</p> <ul style="list-style-type: none"> <li>Homeplus</li> <li>Prestige Home</li> <li>Standard Home</li> <li>Commercial/Contractors Combined</li> <li>Shop (Retail)</li> <li>Tradesman &amp; Contractors</li> <li>Commercial Property Owners</li> <li>Residential Property Owners</li> <li>Restaurants, Wine Bars, P/Houses, Hotels, B&amp;Bs and Guesthouses</li> </ul>

<p>Consideration of the charging structure proposed for each insurance product</p>	<p>Eaton Gate controls the end customer premium and calculates the placing broker's commission. Eaton Gate has considered the charging structure it has put in place and products are considered to be competitively priced. Arrangements governing the distribution of its products are governed by terms of business agreements established with each producing broker, where the brokerage commission payable is documented and the entitlement to apply additional charges such as fees is restricted without prior written consent from Eaton Gate</p> <p>The firm provides value to its customers following consideration of:</p> <ul style="list-style-type: none"> <li>(a) the nature of the product and suitable cover provided by the underwriting footprint;</li> <li>(b) the type and quality of services provided (such as flexible and responsive underwriting expertise, systems, efficiencies and leading claims and complaint management and support);</li> <li>(c) the cost and pricing of the products, including the overall cost of the insurance product/package as a whole as well as the pricing model used to calculate premium for the initial policy term and any future renewal;</li> <li>(d) the impact of the distribution chain to the total price paid by the customer</li> </ul> <p>No business is offered by Eaton Gate under retail premium finance arrangements although brokers may apply their own arrangements</p> <p>To ensure the products provide fair value, commission, fees or charges passed onto the customer must be proportionate to the service provided and provide fair value.</p> <p><b>Please note:</b> Any Eaton Gate distributor may have an effect on the intended value of its products determined under the product reviews (see above) that may not have been fully taken into account during such assessments and therefore, which the distributor should take into account and [provide] to Eaton Gate. These include:</p> <ul style="list-style-type: none"> <li>(a) any additional fee paid above the policy level commission by a policyholder such as an administration fee, in which case a finite figure or a range should be provided if this has not already been notified to and/or approved by Eaton Gate. 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</li> <li>(b) finance commission – rate may depend on loan size &amp; term.</li> </ul> <p>No products are provided on an auto-renewal basis</p>
<p><b>Distribution chain</b></p>	
<p>Distribution strategy</p>	<p>The firm's distributors have been carefully selected and have the necessary knowledge, expertise and competence to understand the features of its insurance products and the identified target market.</p> <p>Eaton Gate considers its distribution arrangements are market standard with the added benefit of providing greater value.</p> <p>The Groups distribution chain offers increased access to the product for customers in the target market in a way that is proportionate to the additional cost involved and can be considered to be a benefit that could be consistent with fair value.</p> <p>Products are solely distributed through brokers who add expertise and advice and the Group give capacity and low cost access to the UK market based on lower cost base relative to an insurer.</p> <p>As an MGU this avoids duplication of work due to the claims management, actuarial, compliance and underwriting functions. This all provides more competitive pricing to the customer and better service due to being a smaller size business.</p> <p>In considering the costs of its distribution arrangements, Eaton Gate has considered the impact from the costs (including remuneration) of any person in the distribution arrangements or where this is due to the combined costs (including remuneration) of multiple parties involved in the distribution arrangements on the difference between the risk price and the total price paid by the customer.</p> <p>Eaton Gate uses appropriate data and information made available to it specifically from persons in the distribution arrangements. New products are assessed where:</p> <ul style="list-style-type: none"> <li>(a) the product is going to be distributed/administered in a significantly different way to existing products;</li> <li>(b) the product is going to be distributed through a new type of relationship changing the overall distribution risk profile</li> </ul> <p>If the firm identifies that the distribution is detrimentally affecting the intended value of the insurance product, it will take appropriate remedial measures</p>
<p><b>Reporting</b></p>	
<p>Consideration of reporting requirements</p>	<p>The firm is working alongside its carriers to ensure the value measures and general insurance pricing information are reported to the regulators in compliance with the reporting requirements</p>

**Acting in the capacity of Distributor**

Eaton Gate, acting in the capacity of a distributor in relation to ancillary covers, is working to ensure the following FCA requirements under PROD 4.2.14P R are met:

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.
- (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).