



2022 Annual Product Review and Fair Value Assessment Outcomes Overview

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1.1 Purpose

AXA XL has established a product governance process to oversee the design, approval and review the fair value of all our products in line with the requirements of the FCA's PROD rules.

The purpose of this document is to provide distributors with the outcome of the annual product review and fair value assessment of the AXA XL products we have determined to be in scope of the FCA Product Governance Review.

On conducting your own review as a distributor, where issues are identified that are not identified within our review, please contact us so we can consider the impact on the product in our capacity as carrier.

In order to ensure that fair value assessments are graded consistently the following guidance was used to assess whether each product is providing fair value to customers.

Product Review Outcome	Guidance
No product values issues identified	<ul style="list-style-type: none"> → The product review indicates that the product provides fair value. → The product should be subject to ongoing monitoring as per BAU.
Potential emerging product value issues identified	<ul style="list-style-type: none"> → The review did not identify crystallised product value issues which require immediate attention or remediation. There are potential emerging product value issues. As a result, the product will be monitored closely
Product value issues identified	<ul style="list-style-type: none"> → The product review identified value issues that have crystallised and action must be taken immediately to rectify.

1.2 Product Review and Fair Value Assessment Approach

The annual product review comprises a data-led quantitative assessment of product value supported by a qualitative assessment considering both Delegated Underwriting Arrangements and Open Market distribution methods (where appropriate). The review has focused on the previous year(s) data and the high-level approach for both aspects is outlined below.

Approach to quantitative assessment	Approach to qualitative assessment
<p>The quantitative assessment considers:</p> <ul style="list-style-type: none"> → Over 20 product review metrics consisting of the FCA's General Insurance Value measures as well as further product performance metrics, pricing and distribution metrics and key risk indicators (KRIs) → A subset of these metrics also have agreed standardised thresholds applied to enable the approach to flag potential product value issues. 	<p>The qualitative assessment considers:</p> <ul style="list-style-type: none"> → The product coverage and suitability for the target market, → Customers' expectations of product performance, → Need for product and product utility (e.g. peace of mind cover), → Remuneration and services of the parties in the distribution chain, → Any additional service elements that contribute to the value of the product, → External/market factors impacting the value of the product.

1.3 Product Grouping Principles



Under FCA PROD rules, a firm may group similar products together where this does not detrimentally affect the firm's ability to conduct a fair value assessment. Where products have been grouped, AXA XL have done so according to below principles.

Principles	Guidance
Products must have similar target markets	The nature of the target market and existing customer base for each product group must be similar. For example, it may be that a local plumber and hairdressers are considered to be within the same target market as they both own small businesses.
Products must be intended to deliver similar cover and outcomes	The type of cover provided must be similar and should have similar policy wording. For example, depending on how the policy wording differs, Casualty may be classed as a single product, rather than being split into 4 separate products.
Distribution Arrangements must have a similar impact on value	The nature and type of distribution arrangements for each product must have a similar impact on the value of the product. For instance, the level of any acquisition cost received by a Broker or Third Party must be considered alongside the service it provides.
Product Performance	If the product review identifies value issues which may make it inconsistent to review that product alongside others, e.g. specific indicators of customer harm, we will withdraw that product from the group and review it separately.
Product Complexity	The level of complexity must be similar for products within a group. For example, a product that has a broad range of cover and high degree of optionality might make it too complex to be reviewed with products offering cover for one element with no or few options.

1.4 Product Performance Metrics and KRIs

The table below outlines an indicative list of product review metrics that were selected, and broad approach taken to assess fair value of products in the reviews.

Product Review Metrics	Definition
Average Claims Pay-out	Total claims pay-out cost divided by the number of claims (where all or part of the claim has been accepted and a pay-out has been made and/or benefits provided, and the claim is closed at the end of the reporting period).
Average Claims Settlement Time	The average number of days it takes between a customer making a claim and the claim being paid out.
Average Complaints Settlement Time	The average number of days it takes between a customer making a complaint and the complaint being resolved.
Average Premium	The average premium paid by customers. Total premium received/Total policies in force
Cancellation Frequency	The percentage of customers that cancel their policy, calculated as the total number of policies cancelled against the number of policies in force.



Claims Complaints as % of total claims	The number of claims complaints divided by claims registered (multiplied by 100).
Claims Frequency	The number of claims registered divided by the total number of policies in force.
Claims Reportable Complaints	The number of complaints received from eligible complainants that relate to claims matters.
Claims Repudiation Rate	Total number of claims rejected against the total number of claims received.
Combined Operating Ratio	Total incurred losses and expenses divided by total premium.
Complaints upheld by FOS	The percentage of complaints referred to FOS that are upheld by FOS.
Complaints upheld by Lloyd's	The percentage of complaints referred to Lloyd's that are upheld by Lloyd's.
Estimated number of policies annually	The number of policies in force.
Gross Loss Ratio	Claims paid plus adjustment expenses divided by total earned premiums.
Gross Written Premium	The total amount of gross written premium, based on the premiums charged to the end consumer (excluding insurance premium tax) in relation to policies sold during the reporting period.
Number of cancellations	Total number of cancellations
Total Acquisition Ratio	The total cost incurred to acquire business (e.g., commission paid to actors in supply chain who aid with bringing in business such as a broker or coverholder) as a percentage of premium.
Total Claims pay-out	Total pay-out for claims (internal and external)
Upper Commission Limit	The maximum amount of commission a distributor can receive.
UW/Sales Reportable Complaints	The number of complaints received from eligible complainants that relate to sales or underwriting matters.

1.6 Contact Us

For more information on any of the topics in this document, please contact, annualprodreview@axa.com.



AXA XL Insurance Company UK Limited
20 Gracechurch Street, London, EC3V 0BG, United Kingdom

Telephone: +44 (0)20 7626 0486 Fax: +44 (0)20 7623 9101 axaxl.com

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