

UK Retail Product Fair Value Summary

Product group	Courier
Date fair value summary completed	September 2023

Introduction

Gallagher has completed Fair Value Assessment work on those products it manufactures. This may be based on groupings of products which may be similar in features and are intended to be distributed to similar target markets. There was only one property in this group. This summary is not intended to replicate a full fair value assessment but sets out the approach taken, elements considered and high level findings. If any distributors require additional information about this product, please contact us using the details on the webpage.

Product information

This product is designed for commercial customers to provide insurance cover for businesses that transport goods for customers, helping to protect against the financial impact of loss or damage. The product is designed for small independent couriers, undertaking single pick-ups, in England, Wales, Scotland, Northern Ireland, the Channel Islands and the Isle of Man, working/contracting for larger network courier and delivery firms. This product is not suitable for those customers who are not involved in the trade or business as a courier service. The product is also not suitable for “light haulage” risks; where items carried are generally larger, or for those customers who require cover in respect of businesses located overseas.

Distributor remuneration

Gallagher has agreed with the insurer a reasonable commission which is in line with others in this sector. Gallagher then pays distributors out of this commission. It is our view that the amount paid to distributors is aligned to the activity and the service they provide (as distinct from the activity carried out by Gallagher as product manufacturer), and that distributors are able to evidence this.

We believe that distributor remuneration is reasonable and represents an appropriate remuneration when considered in the context of the premium amount for this volume business. This view is contingent upon whether any additional costs are added by distributors and we have written to our network of distributors to monitor this. In the case of this product, we have not seen any evidence of disproportionate administration fees being added. No ancillary products are sold alongside this product.

How Gallagher mitigates risks to fair value

Our commission structure is designed to ensure that it reflects product features and benefits and the services offered by Gallagher.

We have taken steps to validate that distributor commissions are charged within a reasonable range and in line with usual market practice in order to ensure the value of our products is not diluted. We have also written to retail distributors to gather information about administration fees and any other costs which might be added by distributors, such as charges for premium finance and any ancillary products sold alongside this product. Finally we have reviewed claims data, complaints data, product features and also considered other feedback from our businesses.

Does this product type provide fair value?

This product is a specialised which would only be sold to a particular group of policyholders. We note that small and micro enterprises which might be vulnerable might be amongst the policyholders.

Our review of the available claims and complaints data in the context of total number of policies sold supports our view that claims are being successfully made and paid which in turn helps to demonstrate value, and the fact that policyholders are able to successfully make claims against the product. We note that there are low complaints numbers with no systemic issues being flagged.

We believe, based on a review of information in respect of sales practices and services, claims, complaints and market intelligence, that this product provides fair value to policyholders. We carefully review the value and suitability of our products in conjunction with the Target Market Statements (TMSs); and subject to products being sold in line with the direction of our TMSs, there is no evidence that would lead us to believe that the product is not suitable for the policyholders it is intended to be distributed to.

How we assess value

Our product governance and oversight process requires a full review of all product groups at least annually to determine if the product offers fair value to the policyholders.

These reviews consider the target market, distribution strategy, remuneration, marketing, product information, product performance, product design (including wordings), and any feedback received from distributors or policyholders. We also consider sales, claims and complaints data, and risk metrics related to these factors.