

Product governance: IDD and pathway investments

Chapter 4

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4.5 Additional expectations for manufacturers and distributors in relation to value measures data

Application and definitions

4.5.1 **R** ■ PROD 4.5 applies to a *firm* which *manufactures* or *distributes* a *general insurance contract* product which is the subject of a reporting requirement within ■ SUP 16.27 (General insurance value measures reporting).

4.5.2 **R** In this section:

“value measures product” means	a product which is the subject of a reporting requirement within SUP 16.27, regardless of when that product was first <i>manufactured</i> .
“value measures information” means	both the individual value measures data reported to the <i>FCA</i> by a <i>firm</i> as well as the value measures data relating to other <i>firms</i> published by the <i>FCA</i> , including that based on value measures data reported to it under SUP 16.27.

Manufacturers of value measures products

4.5.3 **R** A *firm* which *manufactures* (in whole or in part) a value measures product must comply with the requirements in ■ PROD 4.5.4R.

4.5.4 **R** The requirements on *manufacturers* referred to in ■ PROD 4.5.3R are:

- (1) that in relation to existing value measures products the *firm* has effective procedures in place to ensure that, on a continuing basis, the product offers fair value to *customers* in the target market, taking into account, among other things:
 - (a) the needs of the target market;
 - (b) the *firm’s* reasonable assessment of the value expectations of *customers* in the target market;
 - (c) the value measures information, within a reasonable period;
 - (d) any particular features of the product or the terms and conditions that may give rise to concerns about poor value;

- (e) appropriate product testing including scenario analysis and testing on *consumers*; and
- (f) the charging structure of the product including examination of whether the costs and charges are compatible with how useful the product is to *consumers* and the transparency of costs and charges.

[**Note:** The requirement in ■ PROD 4.5.4R(1)(c) applies from 1 July 2021, when ■ SUP 16.27 entered into force.]

- (2) that in relation to new products and significant adaptations to existing products, the *firm's* product approval process in ■ PROD 4.2.1R, product testing in ■ PROD 4.2.22UK including considerations in ■ PROD 4.2.25R and the review of products in ■ PROD 4.2.34R also incorporate the procedures and considerations in (1) above.
- (3) *manufacturers* that identify any aspects of a product that may mean the product does not offer fair value, must:
 - (a) take appropriate action to mitigate the situation and/or prevent further occurrences of any possible detriment to customers;
 - (b) inform any relevant distributors promptly about remedial action being taken; and
 - (c) where relevant, not bring new products to market or make any proposed changes.
- (4) *manufacturers* must regularly review the products it offers or markets to ensure they continue to offer fair value taking into account any event that could materially affect whether this remains the case.
- (5) where the *firm* is required to submit a value measures report by ■ SUP 16.27.7R, that the *firm* takes all reasonable steps to set up arrangements with *firms* entering into *contracts of insurance* as principal in relation to those products, to enable it to obtain the value measures data required to be included in the value measures report.
- (6) where there is more than one *manufacturer* they must all outline in writing their mutual responsibilities arising under ■ PROD 4.5.3R and ■ 4.5.4R.

4.5.5 **G** ■ PROD 4.5.4R(1)(f) does not affect the *manufacturers'* freedom to set premiums.

Distributors of value measures products

4.5.6 **R** Where a *firm* distributes a value measures product that it does not manufacture it must comply with the requirements in ■ PROD 4.5.7R.

4.5.7 **R** The requirements on *distributors* referred to in ■ PROD 4.5.6R are:

- (1) that in relation to existing products it distributes, and any new products it proposes to distribute, the *firm* has procedures in place to consider, on a continuing basis, whether the product offers fair value

to *customers* in the target market, taking into account the factors in
■ PROD 4.5.4R(1)(a) to (f);

- (2) where the *firm* is required to submit a value measures report by
■ SUP 16.27.7R, that the *firm* takes all reasonable steps to have
arrangements with the *manufacturer* of the value measures products
and/or *firms* or persons entering into *contracts of insurance* as
principal in relation to those products, to enable it to obtain the
value measures data required to be included in the value measures
report;
- (3) *distributors* that identify any aspects of a product that may mean the
product does not offer fair value, must:
 - (a) take appropriate action to mitigate the situation and/or prevent
further occurrences of any possible detriment to *customers*,
including, where appropriate, amending their distribution
strategy for that product; and
 - (b) inform any relevant *manufacturers* promptly about any concerns
they have and any action the *distributor* is taking.