Product Review and Fair Value Assessment

Landlord Legal Expenses and Landlord Legal Expenses & Rent Protection

August 2026

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Product Names	Landlord Legal Expenses Landlord Legal Expenses & Rent Protection (Lettings Agent) Landlord Legal Expenses & Rent Protection (Buildings & Contents Add-on)
Product Status	Existing
Class of Business	Legal Expenses Insurance (Class 17)
Distribution Methods	Optional-Add-on, Embedded & Standalone
Review Period	01 January 2025 to 31 December 2025
Date of Review	01 August 2026
Expected Date of Next Review	01 August 2027
Is Fair Value being provided?	**Yes**

Introduction

As part of our product review and approval process, we identify the target market for which the insurance product is intended. In practice, this means we will characterise the needs of the targeted group of customers so that the product can be developed to match these needs.

To understand the target market, our product approval process looks at the objectives, interests and characteristics of the target market and demonstrates how the product offers fair value. Our product approval process will:

- clearly specify the intended target market and their specific characteristics;
- conduct a risk assessment to identify all relevant risks to the target market and detail how we intend to overcome or mitigate them;
- identify clearly whether any vulnerability may be present in the target market and incorporate appropriate safeguards into the product as part of the design process;

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- ensure that the intended distribution strategy is consistent with the target market &
- identify groups of customers for whose needs, characteristics and objectives the product is generally not suitable or will not provide the intended level of fair value

Product Information

These products are designed to provide landlords with access to legal support and (if required), indemnify them against legal costs and expenses associated with taking legal action arising from specific legal disputes including:

- eviction of tenants;
- recovery of rental arrears;
- payment of rent in the event of a tenant default (Rent Protection variants only) &
- property damage, nuisance and trespass

In addition to having access to a 24/7 Legal Advice Helpline, these products can also include the following additional benefit:

- access to a Legal Assistance Portal – an online portal that includes legal document templates, access to our 'Advice Tree', online claim system & ability to request a legal advice call back

Key conditions of cover are:

- customers must have a 51% or greater chance of winning their case (reasonable prospects of success) &
- the legal costs and expenses associated with pursuing a claim must be proportionate to the amount of damages that are being sought

Target Market

These products are designed for professional and part-time landlords who own and let residential, commercial & mixed-use properties and may have legal needs that require access to legal support, potential indemnity to cover legal costs and to protect the payment of rent if a tenant defaults (only for the Rent Protection variants).

These products **are** suitable for customers who:

- want to purchase it alongside their property owners insurance, as part of a managed lettings service provided by a Letting Agent or solely purchase a rent protection product on a standalone basis;
- are owners of residential, commercial & mixed-use properties which they let who reside in the United Kingdom;
- want access to telephone based legal advice &
- want protection against unexpected legal costs and expenses

These products **are not** suitable for customers who:

- do not purchase their property owners insurance through the same distributor or do not benefit from a managed lettings service provided by a Letting Agent (not applicable to the Rent Protection variant as this can be purchased on a standalone basis);
- do not reside in the United Kingdom;
- who reside in the Channel Islands or Isle of Man;
- owners of a second home or owners of short-term holiday lets including Airbnb rental properties;
- already benefit from equivalent cover elsewhere such as an embedded benefit or as part of another insurance package &
- have the means and are prepared to self-fund their legal disputes

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Customer vulnerability and specific characteristics

We recognise that some customers may have vulnerabilities that can include (but are not limited to) financial circumstances, health issues and life events. If there is reason to believe a customer is vulnerable, reasonable adjustments will be made. This includes updating files notes regarding the customers circumstances, verifying with the customer that information provided has been understood and provide any additional support where required. There are no specific characteristics to be aware of for these products.

Distribution Strategy

These products can either attach to a property owners' insurance as an optional add-on with a common renewal date or can be embedded into the primary policy. The Rent Protection variants can also be sold as a standalone insurance alongside a managed lettings service provided by a Lettings Agent.

These products can be sold on either an advised or non-advised basis (dependent on preference) and in line with FCA regulations. The following sales channels have been selected due to their appropriateness to the Target Market and closeness to the customer:

- Insurance Companies;
- Insurance Intermediaries;
- Managing General Agents &
- Letting Agents

These products can be sold face-to-face, over the telephone or online through the distributor's website or via price comparison websites (PCW).

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Commission Level

To ensure agent commissions remain appropriate and offer fair value to customers, Arc's Conduct & Governance team undertake an annual review of commission tolerances and set a maximum commission tolerance for each product. It is important to note that the Landlord Legal Expenses product has a different maximum commission tolerance to the Landlord Legal Expenses & Rent Protection due to the different aspects of cover and distribution channels.

We must stress that Arc Legal are not a price setter, so do not dictate the level of commission that should be charged, however, based on our research we have arrived at commission tolerances which we feel are fair and reasonable for that product type.

Agent commission levels are approved by Arc Legal's Business Conduct & Governance team prior to onboarding any new business opportunity and on an ongoing basis in line with agent premium returns with action being, taken including any remediation work if required, where commissions fall outside tolerance.

We understand that each agent is different in terms of their roles, activities and operational costs and so one level of commission is not always practical across all our partner network and so it is important that there is an element of flexibility.

Where commissions exceed our tolerance, we will work with the agent to obtain further information regarding the remuneration paid to all parties in the chain, including the role and activities undertaken by that party to justify that remuneration, focusing on what functions and work the agent does as part of the process.

Depending on the rationale and evidence provided, combined with evidence of good customer outcomes, then Arc Legal will consider commissions which fall outside the tolerance levels, provided such commission levels fall within our Binding Authority Limit.

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Fair Value Assessment (FVA)

When undertaking this FVA, we use all appropriate data and insights that are available which include (but are not limited to):

- Claims MI, Performance MI, Conduct Risk MI and Helpline Usage;
- Customer research & feedback (complaints, claims and partners);
- Competitor analysis and benchmarking;
- Distributor Remuneration review &
- Results of agent monitoring and oversight of distributor's processes e.g. call monitoring and file reviews.

Market Comparison

We carry out an annual market comparison and benchmarking exercise to ensure our products continue to be comparable to the market in terms of core benefits, exclusions and conditions. Based on this exercise, we are satisfied that customers are benefiting from a market comparable product.

Claims MI

When reviewing claims, we assess several key data points and compare these to tolerances that the business has set based on expected and historical results. We also look at trends that occur to understand how our product is being utilised and what type of claims are the most prevalent.

- The frequency in which claims occur;
- The percentage of claims made that are accepted under the policy terms;
- the rate at which claimants begin to make a claim and then withdraw or walkaway;
- The amount of money that is paid out for claims.

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The top claim types in 2025 were:

- Rent protection – payment of rent in the event of a tenant default (Rent Protection variants only);
- Tenancy eviction – legal action relating to eviction of a tenant from rental property;
- Pursuit of rental arrears - legal action against a tenant for outstanding rental arrears;
- Contract – legal action relating to the purchase of goods or services

Performance MI

When reviewing performance MI, we calculate and analyse different loss ratios to consider the customer, distribution partners and the insurance carriers and look at each perspective in the distribution chain when considering fair value.

- We look at the Gross Loss Ratio that give the distribution partner and customer perspectives;
- We review our level of income by looking at the Gross Net Loss Ratio;
- The Net Loss Ratio is reviewed to give the performance and profitability perspective of the insurer.

All performance indicators remained within approved tolerance ranges and continue to support the assessment that the product provides fair value.

Conduct Risk MI

Cancellation levels, retail complaints and claim complaints are all key data points that we interrogate to ensure that fair value is being achieved.

- We consider the rate of policy cancellations when within the cooling off period and mid-term;
- We consider partner retail complaint levels and complaints made during the claims process;
- The rate of upheld complaints is monitored as well as FOS complaint referrals to ensure there is not an issue with service, processes or product functionality.

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In line with The Renters' Rights Act 2026 that came into effect on 1 May 2026, Arc Legal have adapted the Landlord Legal Expenses and Rent Protection products that we offer to ensure they are compliant with the new legislation. However, it should be noted that this change in legislation does not impact this Product Review and Fair Value Assessment.

Legal Advice Helpline (LAH)

When reviewing Legal Helpline Usage, we review the number of calls that are made and consider the value that the Legal Helpline providers to customers. When considering this, we look at the cost of legal advice that can be purchased in the event of advice being required and compare this to the advice that is provided to customers using the Legal Helpline.

The top advice category types in 2025 include:

- General landlord and tenant queries;
- Commercial – matters relating to contracts and supply of services;
- Property damage queries;
- Property nuisance queries &
- Eviction of tenant queries

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Fair Value Assessment – Conclusion

Based on the key data points we have reviewed in claims, underwriting performance and business conduct, we have come to the evaluation that the product is providing value to its customers.

Customers are benefiting from this product as evidenced in the number of successful claims made and the amount of money that is paid out in successful claims.

The underwriting performance of the product also supports this and shows that the product is being utilised by customers and that the money charged for the product is sufficient to ensure adequate performance can be maintained.

Our Conduct Risk MI demonstrates there are no barriers for customers wishing to raise a complaint or to cancel their policy.

We continuously survey our Legal Advice Helpline performance, and we are achieved an overall satisfaction score of 92% and therefore we are comfortable that our Legal Advice Helpline is and continues to be a benefit to customers.

Key points:

- No material fair value concerns were identified.
- Key monitoring indicators remained within approved tolerances.
- Customer outcomes remain consistent with the intended product design.
- No material customer harm trends were observed.

No changes to target market, distribution strategy or product design are currently required.

Taking account of our overall Fair Value Assessment, it is evident that this product continues to provide fair value to customers now & for the foreseeable future. It can therefore continue to be sold in accordance with the Target Market Statement and Distribution Strategy set out in this product review.

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