Product Review and Fair Value Assessment

Unoccupied Property Legal Protection

August 2026

Product Review and Fair Value Assessment – Unoccupied Property Legal Protection

Product Name	Unoccupied Property Legal Protection
Product Status	Existing
Class of Business	Legal Expenses Insurance (Class 17)
Distribution Methods	Optional-Add-on
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?	**Subject to further review**

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;
- 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.

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Product Information

This product is designed to provide customers 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:

- property damage, nuisance and trespass &
- eviction of anyone who is not the current tenant or an ex-tenant

This product also includes the following additional benefit:

- access to a 24/7 Legal Advice Helpline

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

This product is designed for owners of unoccupied properties, where they may have legal needs, requiring access to legal support, and potentially indemnity to cover legal costs.

This product **is** suitable for customers who:

- want to purchase it alongside their main property owner's insurance;
- are owners of unoccupied properties who reside in the United Kingdom, Channel Islands or Isle of

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Man;

- want access to telephone based legal advice &
- want protection against unexpected legal costs and expenses

This product **is not** suitable for customers who:

- do not purchase their main property owner's insurance through the same distributor;
- do not reside in the United Kingdom, Channel Islands or Isle of Man;
- are owners of properties with long-term tenants;
- are owners of a property used as their main residence &
- have the means and are prepared to self-fund their legal disputes

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 this product.

Distribution Strategy

This product must always attach to a main property owner's insurance policy as an optional add-on with a common renewal date.

The product 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:

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

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

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.

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

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outcomes, then Arc Legal will consider commissions which fall outside the tolerance levels, provided such commission levels fall within our Binding Authority Limit.

Fair Value Assessment (FVA)

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

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

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.

The top claim types in 2025 were:

- Contract disputes &
- Property disputes – which includes damage to property and infringement

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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 consumer 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.

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.

Legal Advice Helpline (LAH)

An additional benefit of this product is a 24/7 Legal Advice Helpline that can be used to discuss any legal or taxation matters a customer may have. Whilst this is an Unoccupied Property Legal Protection product, matters related to any areas of the law that are not covered by this product can be discussed.

The top advice category types in 2025 include:

- Contract and supply of services disputes – matters relating to contracts for goods and/or services;
- Personal employment - matters relating to disciplinary, grievance and contract;

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- Property - matters relating to damage, boundary disputes and landlord & tenant queries &
- Family - matters relating to wills

Fair Value Assessment – Conclusion

The Product Governance Team has reviewed the findings and agreed to place the product under enhanced monitoring pending further analysis. We identified a low claims frequency combined with a claims acceptance rate which at the lower end of our internal tolerance levels. Subsequently, the product has lower than expected loss ratio percentages. This product will have to undergo further review on an ongoing basis to monitor the utilisation levels of the product. Arc will also undertake a formal review of pricing, customer outcomes, the suitability of the target market and the current distribution methods.

While evidence does not currently support an immediate withdrawal of the product, further investigation and remediation are required before the we can conclude with confidence that the product continues to deliver fair value to customer.

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