

# Fair Value Assessment Summary

Review Date: 25th August, 2023

Line of Business: Motorcycle

Core Products(s):	Product Name	Carrier	Notes	Responsibility:
	Novitas Standard	Aviva		Co-Manufacturer i.e. Novitas/Carrier
	Novitas Select	AXA		Co-Manufacturer i.e. Novitas/Carrier
	Novitas Bike	AXA		Co-Manufacturer i.e. Novitas/Carrier
	Novitas Basic	AXA		Co-Manufacturer i.e. Novitas/Carrier
	Novitas Bikmarque	West Bay (MS)	In run-off	Co-Manufacturer i.e. Novitas/Carrier
	Novitas Palamon	West Bay (MS)	In run-off	Co-Manufacturer i.e. Novitas/Carrier

Associated Add-on Product(s):	Product Name	Carrier	Responsibility:
	Legal Expenses	Unknown	Broker
	Breakdown	Unknown	Broker
	GAP	Unknown	Broker
	Excess Protection	Unknown	Broker
	Personal Accident	Unknown	Broker
	Helmet & Leathers	Unknown	Broker
	Key Cover	Unknown	Broker
	Accident Recovery	Unknown	Broker

Premium Finance:	Product Name	Carrier	Responsibility:
		Unknown	Broker

**Distribution**

The distribution strategy is considered appropriate for the target market with customers having the option to purchase these products through a distributor of their choice. The Novitas sub-broker will be directly FCA approved thereby ensuring a high level of customer focus commensurate with suitably skilled staff. There are no appointed representatives for the Core Products above. Novitas products are considered suitable for advised and non-advised sales via the telephone, in person i.e. face to face or via a proprietary on-line sales process. To ensure the customer receives fair value for the Novitas product, care must be taken to ensure no duplicate cover exists or is caused by an optional add-on provided by the Novitas sub-broker.

**General**

The purpose of this product review is to provide assurance that the products, including their distribution, are providing and delivering fair value in our target market. We collect management information (non-exhaustive: complaints, renewal retentions, claims, customer reviews, quote conversions and call monitoring etc.) to ensure that our products continue to provide fair value and meet our customers' demands and needs. If areas of concern have been identified, action will be taken by those responsible to promptly address same.

## Summary

**Overall**

It is considered that the core product range does provide fair value to customers. However, concern has been raised by the potential impact of fair value with the associated add-on products, fees and charges together with premium finance provided by the Novitas sub-broker.

Continued engagement with Novitas sub-brokers ensures that we have complete oversight throughout our distribution chain. Novitas has ceased trading almost entirely with West Bay/MS for two key products after almost a twenty year trading relationship:

- West Bay/MS were unable to fix various software issues on their own product which had been raised with them repeatedly over a number of months. This led to a wholly inconsistent underwriting depending on the broker.
- The decision by MS to withdraw from wholesale trading relationships.

**Core Product(s)**

It is considered that the product(s) are providing overall fair value to customers in line with the indicies used to determine same.

**Associated Add-on Product(s):**

Continuation of existing work is required to determine that the associated add-on products provided by the Novitas sub-broker does indeed provide overall fair value to customers. Novitas does not provide any add-on products nor do we determine their final selling price. Care is required to ensure that there is no cover overlap with the Core Product(s) e.g. accident recovery. Add-ons should highlight the key features and benefits along with any significant or unusual exclusions such that the customer can make an informed choice. Where required, engagement with sub-brokers ensures that this priority has been raised with them.

**Premium Finance:**

Novitas does not provide any premium finance to customers nor it is authorised by the FCA to do so. Instead, the Novitas sub-broker may use a proprietary finance provider e.g. Premium Credit/Close Brothers or indeed through their own banking arrangements. There is deemed a potential that Premium Finance may have a detrimental effect on Fair Value to customers and further investigation is required to ensure that this is not the case. For example, ensuring that affordability assessments have been made and the rate of interest charges is proportionate in the market where the products are sold. This is even more prevalent now given the FCA introduction of consumer duty earlier this year.

**Broker Fee(s):**

It is market practice for a Novitas sub-broker to charge a fee to their customer, in addition to the commission they might receive from Novitas, to help cover their own overheads/expenses. Any such fees must be clearly disclosed and shown separately to the insurance premium. Consideration should be given to determine that any such fee charged is proportionate to the service provided and does provide fair value. It should be noted that the Novitas underwriting has changed over the past year requiring many brokers to undertake electronic credit checking and ID scoring of risks for both new business and renewal. This will be further enhanced over the next few months with MyLicence look-up. Typically the charges incurred for electronic risk validation are borne by the Novitas sub-broker.

**Complaint(s):**

The number of customer complaints made directly to Novitas is very low in proportion to our policy count. However, we have noted on increase in complaints in the following areas:

- Customers are struggling to get in contact with their broker to effect changes/renewals/cancellations etc. This is particularly prevalent for brokers who have moved to on-line chat only i.e. no telephone service. Where a telephone service is provided, customers are facing lengthy delays particularly during peak times.
- We have seen some inconsistencies in underwriting particularly with regards to claim settlement which has led to a number of complaints to Novitas requiring our intervention to resolve. In some cases, claims have been allowed to proceed which should have been rejected to start with or settled above the level provided for the in the policy.
- Our risk validation has caused some customer upset particularly around the non-disclosure of previous cancelled/voided insurance, the disclosure requirements of criminal offences and removing risks from cover where the policy and/or any named drivers do not have the correct licence to ride.
- The telephone lines used by the policyholder to report new claims/claim update have been exceptionally busy causing some complaints/frustration.

All of the above issues have been raised with the sub-broker and/or carrier directly as this adversely affects the customer experience. It is hoped that the electronic risk validation introduced will help reduce the incidence of c. described above. Work continues with the Novitas sub-broker to determine the number and nature of complaints made to the sub-broker directly. Is this disproportionately affected by add-on products, premium finance, broker fees etc ?

How does any complaint(s) affect the broker renewal retention and/or cancellation KPI's ?

**Action(s):**

Continued work is required of the Novitas sub-broker(s) to determine that any risk(s) highlighted above are understood and, where appropriate, addressed.  
The next FVA will be conducted within the next 12 months; we apply a risk based approach to our product governance which is continuously monitored.