

Statement of facts – Living Costs Protection

Introduction and context

The Insurance Distribution Directive (IDD) is an EU directive which introduced a minimum harmonisation standard for regulation of insurance from October 2018. The effects of IDD are wide-ranging, affecting sales journey, conduct and product oversight and governance through to conflicts of interest, complaints, training and remuneration disclosure.

In October 2021 and July 2022, the FCA further strengthened the requirements in relation to product oversight and governance following their market study into 'Pricing Practices' (PS21-05) and the introduction of the Consumer Duty regulations (PS22-09).

For the product oversight and governance part of these regulations, we would like to share with you an outline of the product approval process we use in Aviva and our product target market statements, which clarify who the product is intended for (and who it is not).

Aviva's product oversight & governance

Why are you telling me about this?

Under the FCA's rules, we are required to inform you we have governance processes in place to oversee the design, approval and review of our products.

What controls does Aviva have in place?

We have well established governance processes which:

- formalise approval of new product developments and changes to existing products
- identify target markets for each product
- test customer understanding
- consider needs of vulnerable customers
- monitor post-sales performance.

After we introduce our products to the market, we regularly review them to check whether we need to make changes to them. This includes an annual assessment of the value received by customers through our products; this is referred to as the 'Value for Money Assessment'. The Value for Money Assessment considers a range of indicators and measures which contribute to the overall value delivered to our customers. The measure includes:

- Claims Ratio - Review of the value of claims paid out compared to the value of premiums received.
- Commission and Margin Levels - To ensure these are appropriate for the service received by the customer.
- Complaints - Analysis of customer complaints to identify and resolve root causes in particular where the product fails to deliver as expected.
- Service Delivery - To ensure service levels are in line with those we have led customers to expect.
- Communications - To ensure customers receive communications which are clear, accurate, timely and appropriate.

We base our level of oversight on the type and complexity of each insurance product, our identified target markets and the level of financial understanding.

What does this mean for me?

As product manufacturer, we'll monitor the performance of our products to make sure they meet the needs of customers in the identified target markets.

Should you feel a product doesn't meet these customers' needs or is potentially unclear, you can help us by providing feedback through your usual communication channels.

Target market statements

Why are you telling me about this?

The rules require us to consider several points when designing our product range, including:

- specifying an identified target market for a typical group of potential customers
- identifying relevant risks to the target market
- making sure that the intended distribution strategy is appropriate for the identified target market
- requiring us to take reasonable steps to make sure we distribute the insurance product in line with the target market for specified distribution channels.

What does this mean for me?

We've developed target market statements to give you, our distributor, clarity on who the product is intended for (and who it is not) and how customers can buy the product.

Using these target market statements should help you in your consideration of:

- how the distribution strategy aligns with the target market statement
- the demands and needs of the customer
- whether any of the customers may be outside of the target market due to eligibility or exclusions
- what limitations, exclusions or alternative insurance cover in place might inhibit a customer from getting full value from the product
- that fees and charges are appropriate to the service being delivered for customers
- vulnerable customers and the Target Market focusing on whether they may require additional support in their decision-making.

Can I sell outside of the target market?

The target market is aimed at a broad range of customer types. You shouldn't assume a product is appropriate simply because the customer is in scope. Equally, a customer may benefit from buying the product even if they are out of scope. During the sale, you will be closest to the customer in identifying their demands and needs and your judgement will decide what is right.

We set the distribution channels for how you can sell the product (for example, online or face to face) and we expect you to follow these. If you believe you could use an alternative distribution channel, please get in touch with us, so we can consider your proposal.

Feedback

If you have any feedback on these statements, please contact your usual Aviva representative.

Living Costs Protection – target market statement:

What customer need does this product meet?

This product is designed for the customer to choose a fixed monthly benefit amount of between £500 and £1,500 per month. This amount will be paid for up to 12 months if your customer stops working because they are unable to perform the duties of their occupation due to illness or injury.

Who is Living Costs Protection designed for?

This product is designed for customers who are working at least 16 hours per week and wish to protect themselves. The product is intended to help the customer continue to meet their essential financial commitments for up to 12 months if they are unable to work due to illness or injury, so they can focus on their recovery and return to work.

This product does not require proof of earnings so this could be more suitable for customers who are self-employed or have fluctuating income.

This product is available to customers who at the time they complete the application must:

- be in the UK, the Channel Islands, the Isle of Man or Gibraltar, with a legal right to live in that jurisdiction, and
- consider their main home as being in the UK, the Channel Islands, the Isle of Man or Gibraltar and have no current intention of moving anywhere else permanently, and
- be legally permitted to work in the UK, the Channel Islands, the Isle of Man or Gibraltar.

Customers need to tell us if they move outside the UK, Channel Islands, Isle of Man or Gibraltar and their main residence is in another territory.

To apply for this the customer must have been working for at least 12 months.

Who is Living Costs Protection not designed to support, or are there any features that you should be aware of when considering this product for your customer?

This product is not suitable for a customer who is not working as they will not suffer a loss of earnings as a result of illness or injury. It is not suitable for a customer who is working less than 16 hours a week. This product is also not suitable for a customer who needs cover of more than £1,500 pm, needs their cover to increase each year or wishes to receive benefit for longer than 12 months.

Benefit we pay the customer may affect a claim on other income protection policies that they or their employer have. Also, it may affect their eligibility for means tested state benefits.

How can I sell Living Costs Protection?

You can sell Living Costs Protection face to face or by telephone. We are unable to accept paper applications.

When selling this product there is a need to ensure that the benefit selected reflects the income a customer would lose, and any other income protection policies they hold, if they were unable to work due to illness or injury. As part of your fact find with the customer you could obtain evidence of income and expenditure, confirmation of any existing income protection policies and provide guidance on the implications of over insurance. Some customers qualify for sick pay for a period if they are unable to work so they may not want to receive the benefit straight away. The customer has a choice as to how long they wait before benefit is paid. It's also important that your customer understands that benefit will be paid for a maximum of 12 months for each eligible claim. This should be explained to the customer when recommending Living Costs Protection to ensure this meets their needs.

If as a Distributor you wish to sell this product non-advised then please contact your Aviva representative.

Please remember Aviva accepts protection applications from you in line with our agreed terms. Please get in touch with us if you'd like a copy of the agreement.

Need this in a different format?

Please get in touch with your usual Aviva contact if you would prefer this document (**AL12011**) in large print, braille or as audio.