

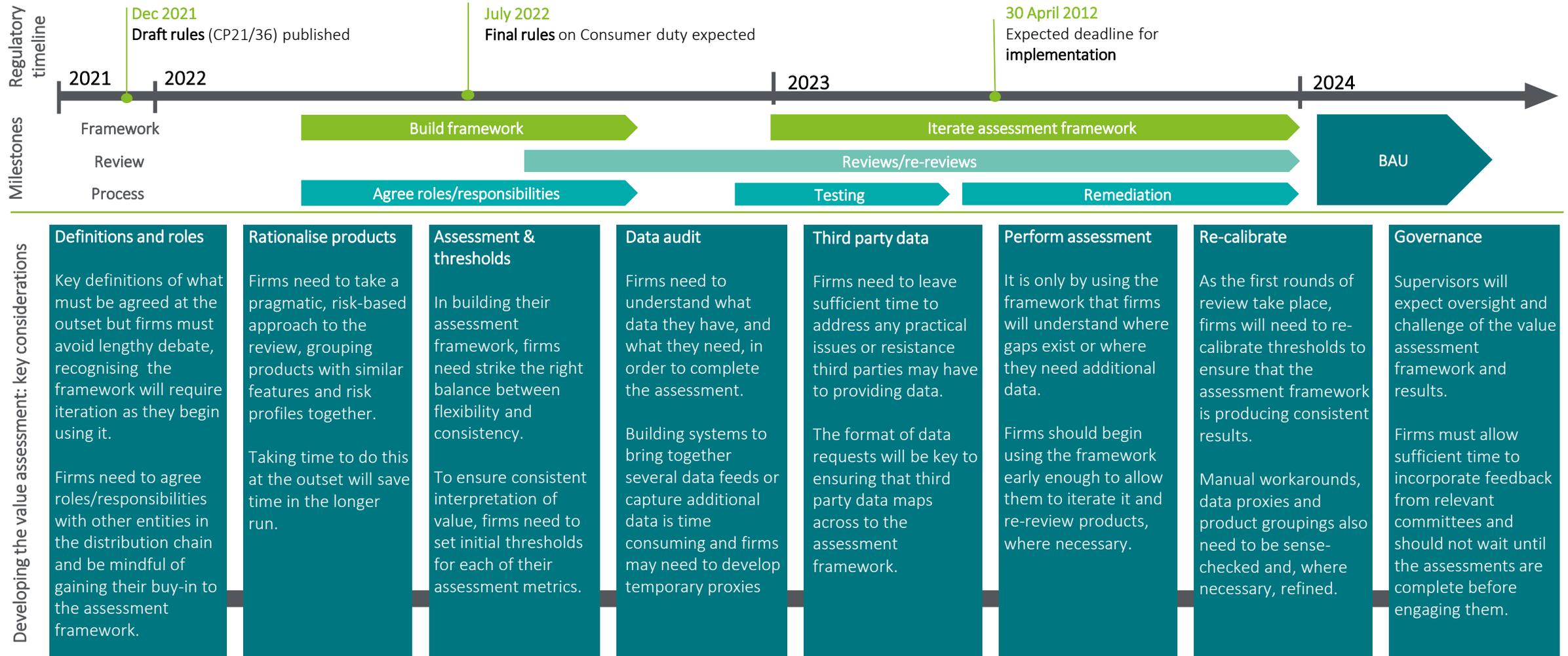


Assessing value

The lessons learned from insurance and asset management

Value assessments: a roadmap

The implementation period for the Consumer Duty is comparatively short. To ensure they have sufficient time to overcome practical challenges, firms need to start building their assessment frameworks now. We set out below some key considerations for firms as they develop their assessments. The steps are not necessarily sequential and many can be undertaken concurrently.



Iterate the assessment framework and remediate products/services, where necessary.

Value assessments: a framework

Firms will need to develop consistent frameworks for their value assessment. Below are suggested dimensions of a value assessment alongside examples of the key data points used by asset management and general insurance firms. By way of example, we have also set out some suggested data points for retail banks. These are not exhaustive.

Key dimensions of value		Example Data Points		
		Asset Management	General Insurance	Retail Banking (suggested)
 PRODUCT	The characteristics of the product including its purpose, utility and aspects of design that may influence value.	<ul style="list-style-type: none"> Investment objectives, policy and strategy 	<ul style="list-style-type: none"> Benefits and exclusions Claims acceptance/loss ratios Customer feedback on utility of product (e.g. complaints, cancellations) 	<ul style="list-style-type: none"> Complex pricing models Complaints Customers' reasonable expectations
 PRICE AND COST	The price paid by the customer and the costs associated with manufacturing the product	<ul style="list-style-type: none"> Fund charges relative to competitors or to similar products offered by the firm Costs incurred in manufacturing product Whether economies of scale are shared with clients 	<ul style="list-style-type: none"> Premium Market rates and charges for comparable products Costs incurred in manufacturing product 	<ul style="list-style-type: none"> APR, fees and charges Market rates and charges for comparable products Costs incurred in manufacturing product
 CUSTOMER BASE	The characteristics of the customer base including vulnerability and differential pricing between customer cohorts.	<ul style="list-style-type: none"> Target market Differences in charges between unit classes vs differences in service levels 	<ul style="list-style-type: none"> Underwriting risk of customer base Cohort pricing analysis 	<ul style="list-style-type: none"> Credit risk of customer base
 SERVICE	The quality of service customers receive Including non-financial costs.	<ul style="list-style-type: none"> Investment performance Risk management and operations Customer service 	<ul style="list-style-type: none"> Claims SLAs Service SLAs Customer service-related complaints 	<ul style="list-style-type: none"> Additional benefits e.g. enhanced support. Service SLAs
 DISTRIBUTION	The expected distribution costs of the product.	<ul style="list-style-type: none"> Not required under existing assessments 	<ul style="list-style-type: none"> Cost of add-ons and/or premium finance. Commissions, fees and charges 	<ul style="list-style-type: none"> Advice/broker fees Commissions



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