

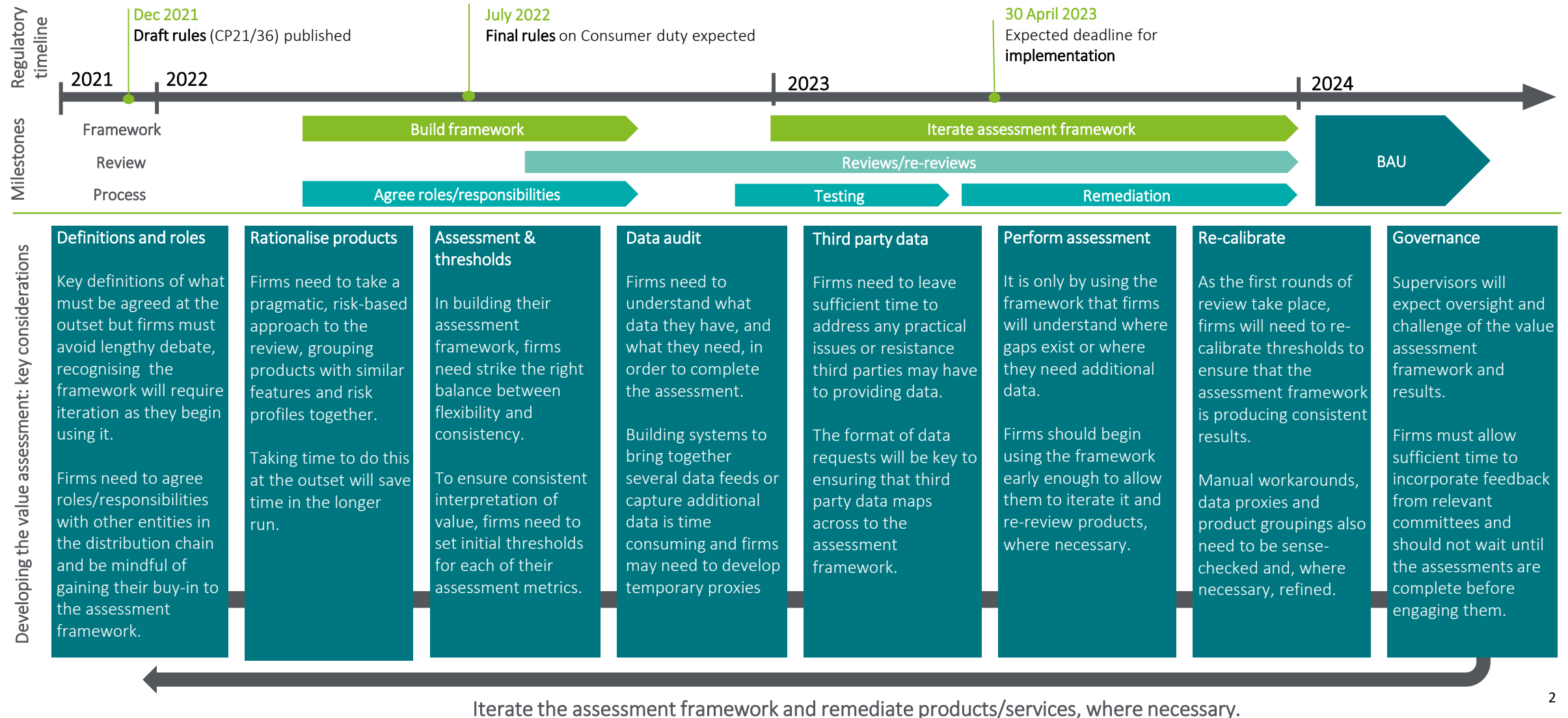


## Assessing value

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.



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



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2022 Deloitte LLP. All rights reserved.