

Product Review and Fair Value Assessment

This document was prepared by ERGO UK Specialty Limited ('ERGO UK') in accordance with regulatory responsibilities under PROD 4.2 as the manufacturer of this product.

Carrier name	Great Lakes Insurance UK Ltd
Product name	MXU Rights of Light
Date of most recent Fair Value Assessment	September 2023
Product Review and Fair Value Assessment Frequency ¹	Every 12 months

Outcome of the Product Review and Fair Value Assessment

As a result of the product governance activities undertaken across this product, we can confirm the following:

1. The product remains consistent with the needs of the identified target market
2. The product remains consistent with the fair value assessment
3. The intended distribution strategy remains appropriate

Product Information and Approval Process

In accordance with the FCA's Product Intervention and Product Governance Sourcebook ('PROD') rules ERGO UK has completed product review and fair value assessments ('FVAs') across all its products. ERGO UK FVAs considered the performance of products against a number of areas including, but not limited to:

- Product Oversight and Governance Arrangements
- Target Market
- Pricing
- Distributor Oversight
- Remuneration

In considering and assessing fair value ERGO UK analysed all appropriate and necessary management information ('MI').²

¹ In line with PROD 4.2.34R and PROD 4.2.34B R, ERGO will undertake a review every 12 months or more frequently where the potential risk associated with the product makes it appropriate to do so. ERGO will apply a risk-based approach to product governance and continuously review products to ensure ongoing fair value for customers in the target market.

² The MI used to assess fair value are classed as commercially sensitive to ERGO UK and have therefore not been disclosed in this Assessment.

All products have been subject to full review, the FVA shows that this product meets the target market needs and continues to provide fair value to customers in the target market and will continue to do so for a reasonably foreseeable period (including following renewal). The FVA results were satisfactory and aligned with ERGO UK's expectations of its products.

Product Features and Characteristics

This product provides the following cover, up to agreed specified limits:

- Loss arising out of an Insured Risk for the Property insured, which can include:
 - Damages, compensation, costs and/or expenses pursuant to an Order;
 - The amount of any reduction in market value of the Property caused because of an Order;
 - Any other costs and expenses incurred, with Insurer's consent, because of an Insured Risk.
- Cover can include Agreed Conduct strategies allowing for proactive and/or reactive engagement with third parties to reach agreement over any alleged infringement of a right of light.
- The policies run in perpetuity but are likely to be medium tailed business as rights of light must be asserted as soon as a building is being or has been erected, rather than years after practical completion.

Target Market

This product is designed for commercial customers who are property owners and/or developers who:

- Are undertaking an individual property development in the United Kingdom (England, Scotland, Wales, Northern Ireland), the Isle of Man or the Channel Islands and are looking to insure that development against potential financial loss that could arise if a third party alleges the development infringes their rights of light.

The customer's demands and needs are assessed at the time of acceptance by their insurance broker. ERGO UK's assessment of M.I, including renewal retention, cancellations, claims and complaints indicates the target markets needs have been met.

Type of Customer for Whom the Product Would be Unsuitable

This product is not designed for customers:

- Who are seeking insurance for a Property situated outside the United Kingdom, the Isle of Man or the Channel Islands;
- Who are subject to any economic, financial or trade sanctions.

Distribution Strategy

The product will be distributed via one specific coverholder, who specialises in these risks, and who will be accessed by selected specialist wholesale and retail insurance brokers, acting for target market customers.

The insurance broker will review the customer's demands and needs to ensure that the product is distributed to the identified target market.

The product is quite complex in terms of the structure of cover that is required, the losses that could arise and appropriate terms and strategies to manage that risk. The target market customers and brokers are familiar with the product and individual risks are considered and presented following extensive due diligence by the client and their own legal / expert teams. Substantive discussions then typically take place between the client, broker and coverholder regarding the nature of the risk, the cover required, and how best to structure any policy.

The distribution strategy is considered appropriate for the target market, with customers able to purchase the product through a distributor of their choice.

Additional commission, fees and charges added by a distributor as part of the distribution process must be proportionate to the service provided, aligned to those charged elsewhere, and not affect the overall value offered by the product.

Commission and Other Remuneration

A full assessment of the commission structure for agents and sub-agents has been carried out and it is deemed to be appropriate and reasonable. Any fees or charges passed onto the customer are proportionate to the type of product offered and provide fair value.