



## Local Authority Leaseholders

### Scope

This document is designed to offer a high-level overview of the intended target market for this product. It is not intended to serve as a summary of the coverage provided. For comprehensive information regarding the product's coverage, please refer to the relevant policy documentation. This document also evaluates whether the product delivers fair value to customers by assessing its features, benefits, pricing and distribution methods.

### Target Market Statement

#### Product Type

This is an insurance product for the leaseholders of Local Authority freeholders. Under the terms of the leases Local Authorities are obliged to provide an insurance policy to protect the leaseholder assets against loss or damage.

#### Characteristics of the target market (who is this product designed for?)

This product is targeted at Local Authorities who own the freehold of leasehold properties and who are obliged under the terms of the lease to arrange insurance to protect such leasehold assets.

Whilst the policy will be purchased by a Local Authority it will therefore also be for the benefit of individuals who own the leasehold.

The product is designed for customers in the United Kingdom, the Channel Islands and the Isle of Man only.

The product is not sold to vulnerable customers, but the beneficiaries of the policy are leaseholders which may include vulnerable customers. This product should be distributed via an intermediary that can provide any additional support and advice required.

#### Objectives, needs and interests of the target market (considering the key features and benefits of the product)

The product provides coverage for leasehold buildings and includes the following features and benefits:

- Reinstatement cover for loss or damage caused by a range of perils including:
  - Fire, smoke, lightning, explosion, earthquake, subterranean fire.
  - Storm or flood.
  - Freezing water in fixed water or fixed heating systems.
  - Water escaping from washing machines, dishwashers, fixed water or fixed heating systems.



- Oil escaping from a fixed heating system.
  - Riot, civil commotion, strike, labour or political disturbance.
  - Malicious damage.
  - Theft or attempted theft.
  - Subsidence, heave or landslip.
  - Falling trees or branches, including the cost of removing the fallen part of the tree or the complete tree if totally uprooted.
  - Falling aerials or satellite receiving equipment, their fittings or masts.
  - Impact by flying objects, vehicles, trains animals or aircraft or anything dropped from them.
  - Accidental damage.
  - Accidental damage to drains, pipes, cables and underground tanks.
  - Accidental breakage of glass in doors or windows, ceramic hobs if fitted, sanitary ware & solar heating panels.
- Loss of Rent and Alternative Accommodation Expenses up to 25% of the Building Sum Insured.
  - Property Owner's Liability for Bodily injury or Damage up to a limit of indemnity of £5m.

### **Who is this product not designed for?**

This product is not suitable for customers outside of United Kingdom, the Channel Islands and the Isle of Man.

The product is also not suitable for anyone who is not a Local Authority who owns the freehold of leasehold properties or a leaseholder for whom the Local Authority is obliged to arrange insurance to protect such leasehold assets under the terms of the lease.

The product would also not usually be suitable for customers with the following features:

- Portfolios where there is a material level of flood exposure. What is material will depend on the size of the portfolio and the number / concentration of properties exposed.
- Portfolios with material levels of clad properties where there are no acceptable remediation plans in place. What is material will depend on the size of the portfolio.

### **How do we expect this product to be distributed?**

This product should be sold with the active assistance and guidance of an insurance intermediary with whom Pen has an agency, to select the appropriate level of cover. The product will only be distributed through brokers who have an agency agreement with Pen, and it will not be distributed directly by Pen to customers.

This product is suitable to be distributed via a variety of intermediated sales channels, such as face to face, telephone, email or by postal application.



Consideration should be given to the vulnerability of customers by the intermediary who should provide any appropriate support they may need.

### **Product Approval Process**

Pen's product approval process is in place to ensure that there is appropriate oversight of all products where Pen is either a co-manufacturer or a distributor. The process includes a risk assessment process where due consideration is given to the impact of the product on the target market and the value of the product.

A diagram of Pen's product approval process can be found on the Pen website [here](#).

### **Important Information**

This target market statement should be used by all (co-)manufacturers and distributors of this product. (Co-)manufacturers and distributors should not create their own variation of this document. Where any party using this document has concerns about the accuracy or completeness of the information included, this should be raised to Pen urgently for discussion.





**Local Authority Leaseholders**

**Fair Value Assessment**

**Product Fair Value Outcome – Methodology**

Pen has completed a Fair Value Assessment on products we co-manufacture. This is based on groupings of products which may be similar in features and are intended to be distributed to similar target markets.

This Product Fair Value Outcome Statement is not intended to replicate our Fair Value Assessment but sets out the approach taken and the outcome of the assessment.

**Distributor Remuneration**

Pen agrees commission rates with each distributor and as part of the fair value assessment process has requested details of any additional fees that may be added in the distribution chain. The fee details received have been analysed and if Pen considers these could impact the value of the product this would be raised directly with distributors.

All distributors should be able to:

- Confirm annually that the commissions and fees they charge are reasonable relative to the service(s) they provide and the total cost of the product to the customer; and
- Justify that commissions and fees they charge are fair and support the intended value of the product.

**How Pen Assesses Value**

Pen’s product governance and oversight process requires a full review of all product groups at least annually to determine if the product offers fair value to the customer.

These reviews consider the following areas:

Target market	<ul style="list-style-type: none"> <li>• Target market reviewed to ensure the product meets the needs of the customer and will continue to do so for the life of the product</li> <li>• Identify the impact on vulnerable customers where applicable</li> </ul>
Distribution strategy	<ul style="list-style-type: none"> <li>• Appropriateness of the distribution channel, services offered and remuneration</li> <li>• Remuneration does not negatively impact the overall value offered by the product</li> </ul>
Market assessment	<ul style="list-style-type: none"> <li>• Market scrutiny to ensure the product aligns with current market trends</li> </ul>
Product design/lifecycle	<ul style="list-style-type: none"> <li>• Pricing</li> <li>• Regulatory requirements</li> </ul>





	<ul style="list-style-type: none"> <li>• Product documentation</li> <li>• Performance of the product</li> <li>• Product changes</li> </ul>
Customer journey	<ul style="list-style-type: none"> <li>• Quality Assurance</li> <li>• Feedback from distribution</li> </ul>
Claims	<ul style="list-style-type: none"> <li>• Frequency and trends</li> <li>• Loss ratio trends</li> </ul>
Complaints	<ul style="list-style-type: none"> <li>• Feedback is reviewed to ensure the product continues to offer good benefit for customers</li> <li>• Reasons for complaints and volumes</li> <li>• Outcomes of complaints: whether or not they are upheld</li> <li>• Identification of trends and root causes</li> <li>• Redress payments: volume and timescales</li> <li>• Financial Ombudsman Service: volume and outcomes</li> </ul>

**What are the distributor value considerations?**

We expect all distributors in the chain to consider the following when selling Pen’s products:

- The impact on product value of offering other products alongside this one, especially those with proportionally greater remuneration. For example, an ancillary product, elements of which may duplicate existing cover, or premium finance charged at an elevated rate of Annual Percentage Rate (APR).
- Additional commission, fees or charges added as part of distribution processes must be proportionate to the service provided, in line with those charged elsewhere, and not affect the overall value offered by the product.
- Distributors must ensure there is no duplication of cover as a result of any add-on products sold, including premium finance cover, where appropriate cover is already provided by the policy.
- Distributors should consider the Consumer Duty requirements when dealing with policyholders.

**Fair Value Assessment Outcome**

Pen has considered all relevant factors, including the total price paid by the customer, value MI, distribution and other considerations in this product design.

Pen is satisfied that the product continues to provide fair value to customers and is suitable to continue to be distributed to the identified target market.

<b>Valid From</b>	19/03/2026
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