

Block of Flats (Property Owners)

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 an insurance product for owners and insured parties responsible for residential blocks of flats who require cover for loss or damage to their buildings and cover for their legal liability for bodily injury or damage to property, arising out of their ownership, possession or use of the buildings.

Cover is extended for contents of common parts & fixtures & fittings.

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

This product is designed for freeholders, leaseholders, residents' associations, residential management companies, right-to-manage companies and professional managing agents who own a block of flats, located in the United Kingdom, Channel Islands or the Isle of Man.

This product is suitable for blocks of flats that are occupied by residential tenants and / or owner-occupied residential leaseholders.

Customers with characteristics of vulnerability are included within the target market.

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

The product provides cover for loss or damage to the property and/or its contents and fixtures and fittings caused by events such as fire, explosion, impact, storm, flood, escape of water, theft and subsidence.

Customers will benefit from the following features and benefits:

- **Buildings**: Covers the cost of repairing, replacing or rebuilding the property up to an agreed sum insured.
- **Contents of Common Parts**: Covers the cost of repair or replacing the contents up to policy limit of £25,000.

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- **Loss of Rent**: Covers loss of rent receivable up to an agreed sum insured and alternative accommodation up to 30% of the buildings sum insured.
- **Property Owners Liability**: Covers the legal liability of the customer as owner of the property for bodily injury or property damage caused to another person or property up to a limit of indemnity of £10 million.
- **Accidental Damage**: Covers the costs of repairing and/or replacing any damage to the buildings or contents up to an agreed sum insured as a result of accidental damage.
- **Malicious Damage by Tenants**: Covers the costs of repair or replacing the contents up to an agreed sum insured, as a result of malicious damage caused by a tenant.
- **Legal Expenses**: Covers legal costs and advice in relation to the residential block of flats.
- **Trace & Access**: Covers the costs, up to an amount of £50,000 to identify the source and repair the damage resulting from a water leak at the property.

Cover can also be extended to include:

- Damage to the buildings caused by Japanese knotweed.
- Employers' Liability up to a limit of indemnity of £10 million.
- Terrorism buy back cover.
- An increased sum insured for contents of common parts & fixtures and fittings.

Who is this product not designed for?

This product is not suitable for:

- Blocks of flats located outside of the United Kingdom, Channels Islands or the Isle of Man.
- Landlords of commercial premises including shops and offices.
- Customers with any unspent convictions and/or pending prosecutions excluding any motor offences.

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.

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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	• 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 • Identify the impact on vulnerable customers where applicable
Distribution strategy	• Appropriateness of the distribution channel, services offered and remuneration • Remuneration does not negatively impact the overall value offered by the product
Market assessment	• Market scrutiny to ensure the product aligns with current market trends
Product design/lifecycle	• Pricing • Regulatory requirements

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	• Product documentation • Performance of the product • Product changes
Customer journey	• Quality Assurance • Feedback from distribution
Claims	• Frequency and trends • Loss ratio trends
Complaints	• Feedback is reviewed to ensure the product continues to offer good benefit for customers • Reasons for complaints and volumes • Outcomes of complaints: whether or not they are upheld • Identification of trends and root causes • Redress payments: volume and timescales • Financial Ombudsman Service: volume and outcomes

Multi-Occupancy Building Insurance
Where it has been identified that this product applies to residential multi-occupancy buildings, Pen will recognise residential leaseholders as insured parties of the policy. Pen will provide the required disclosure information to the Intermediary for passing onto the policy stakeholder (Residential Leaseholders) via the insured.

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.



Valid From	12/10/2026

(Id ref: 64)

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