



BROKER INFORMATION

Smart Luggage

Fair Value Assessment 2026

Important product governance
and fair value information for
distributors.



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Financial & Legal Insurance Company Limited

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Insurer name	Financial & Legal Insurance Company Limited
Product name	Smart Luggage Parametric Insurance
Class of Business	Class 16 – Miscellaneous Financial Loss

Manufacturer Information

Financial & Legal Insurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. You can check this on the Financial Services Register by visiting <https://register.fca.org.uk/>. Registered in England under Company No. 03034220

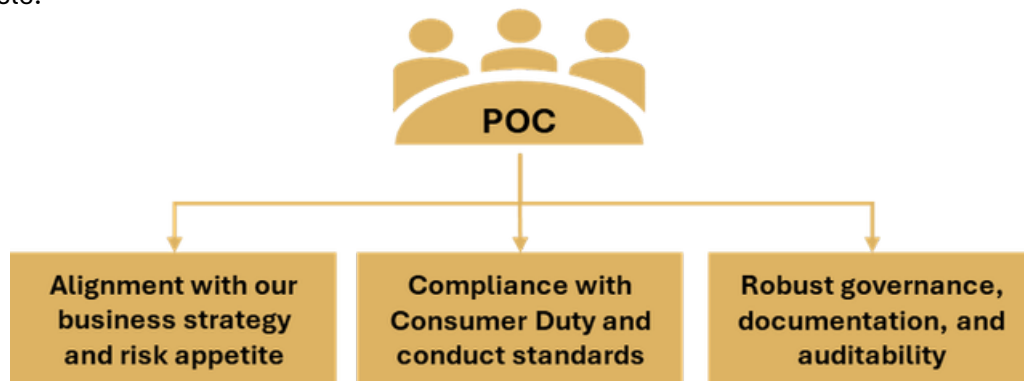


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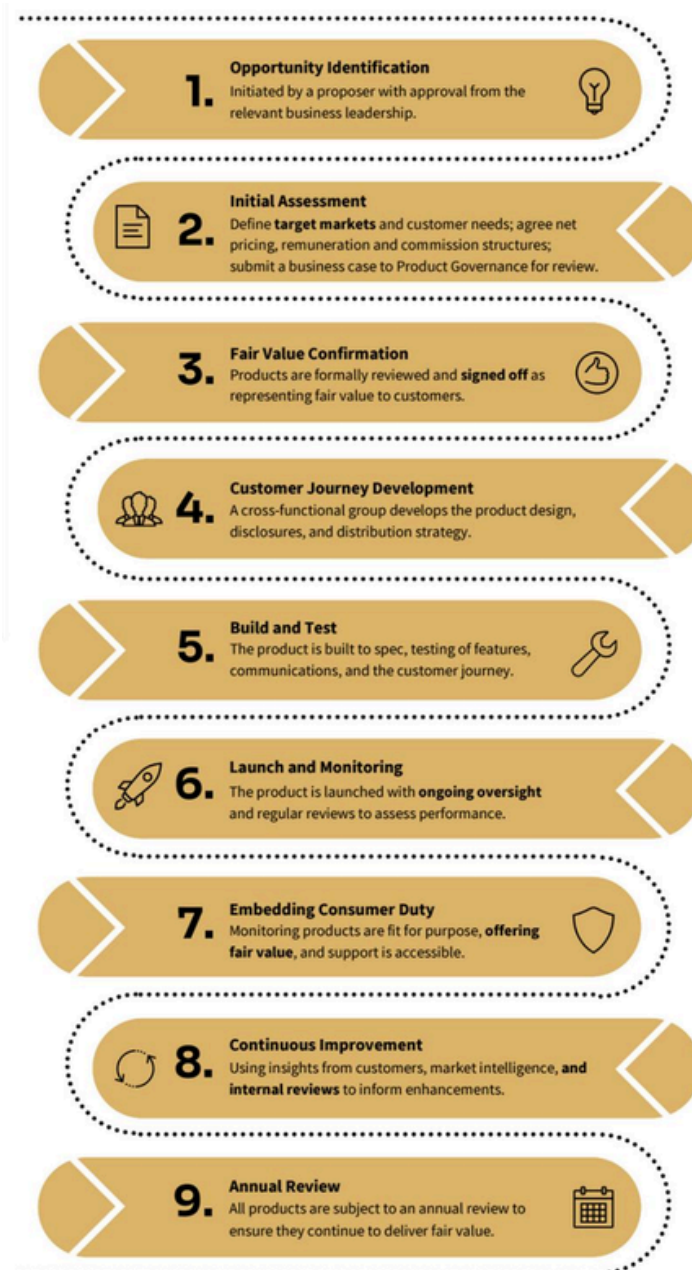
2026 Annual Product Review and
Fair Value Assessment Outcomes

Published August 2026

Financial & Legal Insurance Company Limited (F&L) product governance framework ensures that all products are designed, approved, and monitored to deliver fair value and good outcomes for customers, in line with regulatory expectations and internal standards. The Product Oversight Committee (POC) provides strategic oversight and challenge throughout the product lifecycle. The POC's remit includes reviewing product proposals, assessing customer outcomes, and ensuring that appropriate controls are in place across the product lifecycle.



The product approval process is structured across 9 key stages



Target Market

Smart Luggage Parametric Insurance is designed to provide fast, automatic compensation to travellers when their checked-in luggage is delayed or lost. Unlike traditional baggage cover, which often requires proof of contents, receipts, or extended waiting periods, this parametric product simplifies the process by offering fixed payouts based on predefined conditions such as luggage not arriving within 30 minutes of carousel activation or not being returned within 48 hours. The product is intended to reduce the stress and inconvenience associated with baggage issues by delivering timely financial relief without the need for lengthy claims processes. It caters to the needs of modern travellers who value speed, simplicity, and certainty in their insurance experience.

The product is designed for

Smart Luggage Insurance is designed for UK-based leisure or business travellers who check in luggage and want fast, hassle-free compensation in the event of delay or loss. It is particularly suitable for individuals who value convenience, travel regularly, and are comfortable using digital tools to register trips and submit claims. The product is also appropriate for families or groups, as each traveller can be covered under a single policy, and for those who want peace of mind without the burden of traditional claims processes.

The product is not appropriate for

The product is not appropriate for travellers who only use carry-on luggage, as it exclusively covers checked-in baggage. It may also be unsuitable for customers who are unable or unwilling to register their trip in advance, as registration is a core requirement for coverage. Those without access to a smartphone or internet-enabled device may struggle to use the digital claims process. Additionally, customers expecting cover for partial loss, damage, theft, or reimbursement for replacement items may find the product does not meet their needs. It may also be inappropriate for those who already have similar cover through other travel insurance policies or credit card benefits, where duplication could result in poor value for money.

What vulnerability characteristics could be more prevalent within the target market and why?

Customers within the target market may be more likely to exhibit characteristics of vulnerability associated with low capability, low financial resilience, life events and health-related needs. Some customers may have limited understanding of parametric insurance products, eligibility requirements, digital registration processes or the circumstances in which compensation is payable. Customers with limited digital capability may find it more difficult to register trips, upload supporting documentation or engage with digital claims journeys. Certain customers may also require additional support due to health conditions, cognitive needs or significant life events that affect their ability to engage with financial products and services.

These characteristics may make it more difficult for customers to understand product requirements, access cover or successfully navigate the claims process. To mitigate these risks, the product is supported by clear customer communications, simplified digital processes, distributor support and ongoing monitoring of customer outcomes.

Distribution Strategy

Product can be sold:

- By insurance brokers and other FCA regulated entities.
- With or without premium finance, which is sourced and arranged by the distributor
- Advised or non-advised.
- Face to face / Online / Telephone

The product should be distributed through channels that can clearly explain its features, exclusions, and conditions, and that are equipped to identify and support customers with characteristics of vulnerability. Distributors must ensure the product is only recommended where it is likely to meet the customer's needs, characteristics, and objectives.

First-tier distributors operate under a Terms of Business Agreement (TOBA) with F&L and are contractually responsible for ensuring that governance standards are upheld and communicated throughout the distribution chain, including to any sub-distributors or appointed representatives. They must also keep F&L informed of all parties within the distribution chain to ensure appropriate oversight and governance can be maintained.

Inherent Risks

- Smart Luggage Parametric Insurance may be misunderstood by customers who assume it covers all luggage issues. In fact, it applies only to delayed or lost checked-in baggage and excludes carry-on items, partial loss, damage, and theft. It also requires advance trip registration.
- Digital access is essential, which may disadvantage customers who are less confident online or digitally excluded. They may struggle to register trips, upload documents (e.g. Property Irregularity Reports), or receive automated payments.
- Duplicate cover is a concern where customers already have similar protection via travel insurance or credit cards, potentially reducing value.
- Mis-selling is a risk if limitations, exclusions, and digital requirements are not clearly explained.

These risks are mitigated through clear policy wording, distributor training, and proactive communication. Ongoing monitoring of complaints and claims helps ensure the product continues to deliver fair value and avoids foreseeable harm.

Remuneration of the Product

F&L ensures that all remuneration associated with the distribution of this product including commissions, fees, and other payments help to deliver fair value to customers, in line with FCA expectations under PROD 4.2 and the Consumer Duty.

Remuneration Governance

- All remuneration (including commissions and fees) is agreed through formal Terms of Business Agreements (TOBAs) between F&L and the first-tier distributor.
- Distributors are reminded annually that they must not apply any additional fees or charges without prior approval from the underwriter.

Distributor Responsibilities

- It is the distributor's responsibility to ensure that these requirements are maintained and communicated throughout the distribution chain, including to any sub-distributors or appointed representatives.
- F&L is only contractually engaged with the first distributor in the chain and relies on them to uphold governance standards and ensure downstream compliance.

Fair Value Oversight

- F&L assesses the total cost to the customer, including all distributor remuneration, to ensure it remains proportionate to the benefits and services provided.
- We monitor the cumulative impact of remuneration across the chain to ensure it does not erode product value or lead to poor customer outcomes.
- Where necessary, F&L will take corrective action to address any risks to fair value.

This approach ensures that the product remains competitively priced, transparent, and compliant with FCA rules, including PROD 4.2 and the overarching principles of the Consumer Duty. As the insurer, F&L also considers the expectations set out in SYSC 19F.2 in relation to insurance distribution remuneration.

Fair Value Assessment Outcome

Fair Value Confirmed - Opportunities for Improvement Identified

Overall, the product continues to provide fair value when considering the relationship between the total price paid by customers, the benefits provided and the services delivered throughout the distribution chain.

The annual review considered pricing, remuneration, claims performance, complaint trends, distributor oversight activity, target market alignment and customer outcome measures. No evidence of material customer harm or systemic failings was identified during the review period.

The review identified some scheme-level differences in remuneration structures which, whilst not sufficient to

alter the overall fair value conclusion, have been highlighted for enhanced oversight and ongoing review.

To support greater consistency and transparency, F&L is progressing a product simplification programme that will consolidate existing arrangements into a structured three-tier product offering, supported by defined remuneration parameters and strengthened governance controls. This approach is intended to improve consistency of value, reduce operational complexity and enhance oversight across all distribution arrangements whilst supporting the continued delivery of fair value and good customer outcomes.

Ongoing Monitoring

This product is subject to ongoing monitoring through regular reviews of claims data, complaints, customer outcomes, distributor performance and remuneration arrangements to ensure it continues to meet the needs of the target market and deliver fair value in line with FCA PROD 4.2 and Consumer Duty requirements. This monitoring supports the identification of emerging risks, potential customer harm and areas requiring further oversight or intervention.

Date Fair Value assessment completed	July 2026
Statement published	August 2026
This statement reflects the outcome of the Fair Value Assessment completed in July 2026 and published in August 2026. It remains current as at the publication date and is subject to ongoing monitoring and review. The statement will be updated where material changes, emerging risks, or indicators of potential customer harm warrant reassessment.	