

Product Governance and Fair Value Statement



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Distributor Product Guide – 2025 Update

Backpacker Travel Insurance

Background and context

Allianz Partners, as the product manufacturer, are required to complete an annual product review and fair value assessment for our products to assess whether a product may continue to be marketed or distributed and share the outcome of this with our distributors. In addition, Allianz Partners is required to review all products against the impending FCA Consumer Duty outcomes and share these outcomes as required with distributors.

This activity follows:

- Implementation of the FCA's Pricing Practices new product governance rules under Chapter 4 of the FCA's Product Intervention & Product Governance Sourcebook (known as PROD4) which became effective on 1 October 2021; and,
- Final rules and guidance of the FCA's Consumer Duty (which were published on 27 July 2022) with the requirement for manufacturers to complete reviews to meet the Consumer Duty outcome and share these with distributors.

Purpose of document

This document contains the following information for Backpacker Travel Insurance product:

1. Our approach to conducting: i) Annual Product Reviews (incl. Fair Value Assessments); and ii) Review of Consumer Understanding and Consumer Support outcomes
2. Target Market Statement
3. Annual Product Review and Fair Value Assessment outcomes
4. Assessment against Consumer Support and Consumer Understanding outcomes of the FCA's Consumer Duty

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Our approach

Annual Product Reviews (incl. Fair Value Assessments)

We undertake product assessment and monitoring activity in accordance with the FCA's requirements. Our product oversight and governance arrangements are aligned to the PROD (Product Intervention and Product Governance) Sourcebook requirements. As a result, our approach also aligns to outcomes 1 (Price and Value) and 2 (Product and Services) of the Consumer Duty requirements.

As part of our annual product reviews (including Fair Value Assessments), we conducted a detailed review covering the FCA PROD 4 requirements. These include, but are not limited to indicators on product performance, product pricing, distribution arrangements and customer impact.

In addition, there are product oversight and governance processes in place to ensure our products are designed to deliver good customer outcomes. These include market analysis, product testing and review of product performance across the customer journey and product lifecycle.

Consumer understanding and Consumer Support

In line with the FCA Consumer Duty requirements for product manufacturers to complete reviews to meet the outcome rules of the duty, we have reviewed our products against outcomes 3 (Consumer Understanding) and 4 (Consumer Support). To do this, we considered our existing processes, systems and controls and identified potential enhancements to satisfy the requirements. The key areas of focus include:

- Processes and controls to design effective communications across the customer journey
- Design of customer journey and product lifecycle to ensure sufficient support for customers
- Arrangements for monitoring and testing ongoing customer outcomes including customer understanding and support
- Remedial processes to enhance customer understanding and support.

The outcomes of our assessments are provided in the 'Assessment outcomes' section below.

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Target Market Statement

Whilst our products have been assessed at an overall level, there may be certain products and schemes which have been tailored and assessed for specific partners. If you have any queries about a potential specific scheme and the products contained therein, feel free to enquire about the individual results of our fair value assessment by reaching out to your Allianz Partners contact.

We have provided target market statements for our Backpacker Travel Insurance Product below.

Backpacker Travel Insurance

Product Design	This Product is designed to provide basic protection against losing money spent on travel and against unexpected out-of-pocket expenses due to covered unexpected and unforeseen events before and during travel; as well as providing medical assistance during travel. Backpacker travel cover for policy holder and any additional insured.
Target Market	Customer type: Customer who is a UK resident and will be a younger traveller (maximum age varies by scheme). Customer characteristics: Younger travellers who book travel in advance and need protection for a single pre-paid trip to include expenses and cancellation penalties. This cover protects the insured for one trip (within selected geographical region) of up to a maximum of 365 consecutive days. Some schemes allow the traveller a return visit to the UK within the period of cover. Potential negative target market (customers who must not be offered this product): Not to be used for any foreseeable (known at the time the policy is purchased) risk and not covering risks in travel ban destinations. Based on local product specifications, age limits or certain pre-existing medical conditions. For UK residents only within the specified age range (varies by scheme). Vulnerable customers within the Target market: we have assessed the needs of vulnerable customers within the target market and we note that customers could experience a wide range of vulnerable characteristics throughout the customer journey (less able, or financial vulnerability with cost of living crisis which may occur) in which we have vulnerable customer processes, training and policies in place to assist with and would endeavour to support their needs as and when these are notified to us.

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Distribution strategy	This product can be distributed through Business Partners (including appointed representatives, authorised distributors and Strategic Broker Partnerships), aggregators as well as through direct to customer sales.
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Risks and considerations of Vulnerability in the Target Market

Restrictive exclusions and limits might apply, mitigated by clear terms and conditions and information provided throughout sales journey. The policy general exclusions were specifically designed to only exclude situations that are within the insured's control, have inherently high-risk levels, or present unacceptable high potential for accumulation of risk.

These exclusions follow Allianz Partners' standards and local regulations and have been reviewed and approved by local legal teams. Use of these exclusions in the policy allows Allianz Partners to offer valuable comprehensive coverage to consumers at optimal prices by controlling the exposure to low-frequency, but high-severity risks.

As Vulnerability can change depending on several factors; e.g. health (mental or physical) or financial, Allianz Partners has policies in place to:

1. Educate and train staff to enable them to support potential vulnerable customers
2. Options for customers with vulnerability to access information in other formats (e.g. large print or Braille for visually impaired)
3. Ensure our policy documents do not discriminate against vulnerable customers
4. Support customers who experience vulnerability when making a claim or complaint (e.g. due to a medical emergency or unfortunate occurrence while on a trip). Our specialist medical team ensure appropriate prioritisation of those in most vulnerable situations
5. Monitor customer outcomes specifically relating to vulnerable customers to ensure they are not discriminated against

As part of Consumer Duty, we are continuously reviewing how we can assist and support customers who may have or may experience characteristics of vulnerability.

Assessment Outcomes

Annual Product Review outcome (incl. Fair Value Assessment)

Our assessment has concluded that our Backpacker Travel Insurance product, including its charging and distribution structure, is compatible with the needs, objectives and characteristics of the target market and provides fair value. We have further summarised our assessment outcome below.

- The product is delivering strong customer outcomes across key measures of fairness, accessibility, and operational performance.
- Claims performance is strong, with high acceptance rates, high claims frequency, and low declinature, indicating that the cover is well-understood and appropriately used by customers.

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- Complaints remain low, supporting the view that the product is aligned with customer expectations and delivering consistent value.
- Operationally, claims are settled promptly, and complaint resolution processes have been strengthened through clearer ownership protocols, enhanced quality assurance, and improved communication templates.
- The product maintains independent validation through strong Defaqto ratings, and a healthy operating ratio supports the conclusion that the product is not over-profiting and is priced fairly.
- The product would benefit from further regular review of performance indicators such as claim denials, claim settlement times and claim walkaways. To support this, we have implemented regular quality circle meetings and quarterly product forums to maintain and enhance the customer experience.
- The premium charged is risk-based and proportionate to the services delivered across the distribution chain. Overall, the cost to service the product, relative to the premiums collected, continues to demonstrate fair value for customers.

Other information which may be relevant to distributors

Please note that the following is excluded from this review and as Distributor you must consider:

- Any additional fees that you charge a customer and the impact this has on overall value of product provided to customer.
- Any ancillary products and/or services (including premium finance) sold alongside this core product which may impact the price or value of overall product and services provided to customer.

In addition to our annual product review and fair value assessment, we have reviewed the product and services against the Consumer Support and Consumer Understanding Consumer Duty Outcomes. We have summarised our assessment outcome below.

Consumer Support

We have reviewed the customer support channels available to ensure they continue to meet the needs of the target market. Enhancements have been made to governance processes supporting the customer journey, alongside improved monitoring arrangements to drive continual improvements.

Recent updates to our complaints resolution processes, including the introduction of clearer ownership protocols, revised communication templates, and strengthened quality assurance oversight, have helped improve the consistency and speed of support responses.

Our customer service operations are also supported by frequent quality circle meetings and quarterly product forums, which focus on identifying and resolving pain points across the claims and servicing experience. These measures have contributed to strong operational outcomes, including quicker claims settlement (remaining an area of focus) and a consistently low level of complaints.

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Consumer Understanding

We have reviewed and reinforced our arrangements for ensuring customer understanding across the full product lifecycle. This includes the use of external customer focus groups and surveys, as well as root cause analysis of claim denials to help identify and address any potential areas of confusion.

We have also made improvements to product documentation and communications, particularly for younger and more adventurous travellers. Research-led enhancements to policy wording and communication formats have helped increase clarity and accessibility, in line with the expectations of our target audience.

In addition, we have strengthened our internal processes, systems, and controls for testing and monitoring customer understanding—particularly around communications—to ensure that customers are well-informed before, during, and after purchase.

We will continue to implement and communicate enhancements where appropriate, in line with our Consumer Duty programme.

Assessment or Outcome Feedback

Please notify us by sending an email to azpukcd@allianz.com if you have any concerns about an Allianz Partners product not delivering its intended Value or Outcomes. This includes any concerns in relation to:

1. potential adverse customer or product value impacts from the distribution arrangement;
2. poor consumer understanding of product benefits or services; and/or,
3. insufficient consumer support across the customer journey or product lifecycle.