



FVA Summary and Target Market Statement

Inherent Defects Insurance – Retail

The purpose of this document is to explain our FVA findings, the identified target market and the expected distribution strategy for each insurance product manufactured by AXA XL. Specifically, it provides information on a product category level about the main features associated with each product and clarifies who our products are designed for and who they are not appropriate for. This target market statement also explains the way our products should be distributed and provides information around the complexity of our products and how to ensure that a product provides fair value to our customers as intended.

This document is for information purposes only and should not be used for any marketing or promotional use.



Product type

Inherent defects insurance (IDI) also known as structural warranty is suitable for consumers, micro-enterprises, small and medium sized businesses that operate within the UK. There are different types of warranty covers available:

1. **Build-to-Rent Warranty:** designed for developers and investors who are building a property to rent out.
2. **Commercial Projects Warranty:** designed for the varied needs of commercial properties of any size. It caters for new builds/conversions/ renovations of commercial and mixed-use developments such as offices, industrial or retail units etc.
3. **New Home Build Warranty (Residential):** a guarantee that covers new build / renovation / conversion of residential homes once complete.
4. **New Home Build Warranty (Block):** a guarantee that covers a new build/ refurbished / converted block of flats once complete.
5. **Mixed Use Warranty:** built around the needs of combined residential/commercial blocks of any size.
6. **Social Housing Structural Warranty:** designed for housing associations and registered social landlords covers both new builds and converted developments as well as other mixed-use projects.
7. **Self Build Warranty:** suitable for self-builders who are constructing their own home to live in. It is suitable for new build, conversion, renovation or extension projects.



Who is the product designed for?

This product is designed for:

- Self-builders who are building or project managing the construction of a new private dwelling for their own occupation
- Self-builders renovating existing residential property or converting nonresidential buildings to become private dwellings for own occupation or sale
- Homeowners extending and/or renovating their existing home
- Small developers constructing new private dwellings and other commercial and mixed-use properties intended for sale or rent to third party occupiers
- Designed for housing associations and registered social landlords. The social housing warranty covers both new builds and converted developments, as well as regeneration projects and other mixed-use projects.



What customer need is met by this product?

Inherent defects insurance provides cover to the customer against damage to a building caused by faulty design, faulty workmanship and/or faulty materials in the structural works that were not evident at the date of inception of the insurance period. These can be issues related to poor ground conditions, damage caused by incorrect or poor-standard construction methods and the cost of correcting or remedying faulty construction.

Warranties are often mandatory for mortgage approval or funding. A Structural Warranty is not a legal requirement, but it is a requirement from most mortgage lenders in the UK. So, if a developer needs a mortgage to finance their project or sell the property in the next 10 -12 years, they will need a Structural Warranty Policy.



Who is the product not appropriate for?

This product is not suitable for:

- Existing residential homeowners not altering their property.
- Individual flat owners within a block who are carrying out renovation or modernisation of their individual unit within the block.
- People buying existing homes (not new builds or conversions).
- Customers looking for buildings home insurance.
- Properties that are already completed without inspections or where construction has started without approval.
- Developers or owners unwilling to meet technical standards or provide required certification.
- Anyone expecting cover for wear and tear, poor maintenance, or minor cosmetic issues.



Target market specific characteristics, including, customer vulnerability

Customers who may be experiencing characteristics of vulnerability due to either personal circumstances, ill health, financial issues, life events such as bereavement, and/or external factors such as economic instability may require adjustments and flexibility to benefit from the policy. All customers are at risk of becoming vulnerable at any time. AXA XL are committed to supporting additional needs from customers. If additional support is required or a customer has been identified as vulnerable, please contact us by visiting: [AXA XL's Vulnerable Customers Guide & Contact Support](#)



Key value elements and exclusions

Key Elements:

Most of all the policies provide a 10 to 12 years (or as stated in the certificate of insurance) of cover upon completion of the project and covers the policyholder against defects in the design, workmanship, materials and components in any new works to their new home. Typical coverage includes:

- Cost of complete or partial rebuilding or rectifying work to the new home which has been affected by major damage as defined in the policy.
- Cost of making good any defect in the design, materials or workmanship in the newly constructed drainage system.
- Costs of repairing, replacing or rectifying any part of the waterproof envelope of the new home as a result of ingress of water caused by a defect in the design, workmanship, materials or components of the waterproofing elements of the new home.





Key value elements and exclusions (continued)

Key Exclusions:

- Loss or damage due to or arising from any defects in any existing and/or retained structures and their retained component parts.
- Loss or damage caused by normal settlement, bedding down, drying out or natural shrinkage in the new home.
- Loss or damage caused by or resulting from fire, lightning, explosion, typhoon, hurricane, cyclone, volcanic eruption, earthquake, storm, tempest, flood, subterranean fire or other convulsion of nature, aircraft or other aerial devices or articles therefrom, escapes of water from tanks, apparatus or pipes, malicious persons, theft, attempted theft or impact.
- Ingress of water to any non-habitable basement area of the new home.
- Change in colour, texture, opacity or staining or any other ageing process.
- War risks, fire, lightning, explosion, earthquake, storm, tempest,, frost, alterations.
- Biological and chemical materials, personal injury, defects in existing work, coastal erosion or subsidence, asbestos, any wear and .
- Communicable disease, cyber, terrorism.



Does the product include optional covers?

Yes, there are optional covers for each policy.



How should this product be distributed?

This product is distributed via delegated underwriting authority (DUA) arrangements.



What should distributors do to ensure the product provides fair value to the end customer?

To ensure the customer receives fair value for this product, care must be taken to ensure no duplicate cover exists or is caused by an add-on where that cover is already provided by the policy. Commission, fees, or charges passed onto the customer must be proportionate to the service provided and provide fair value.



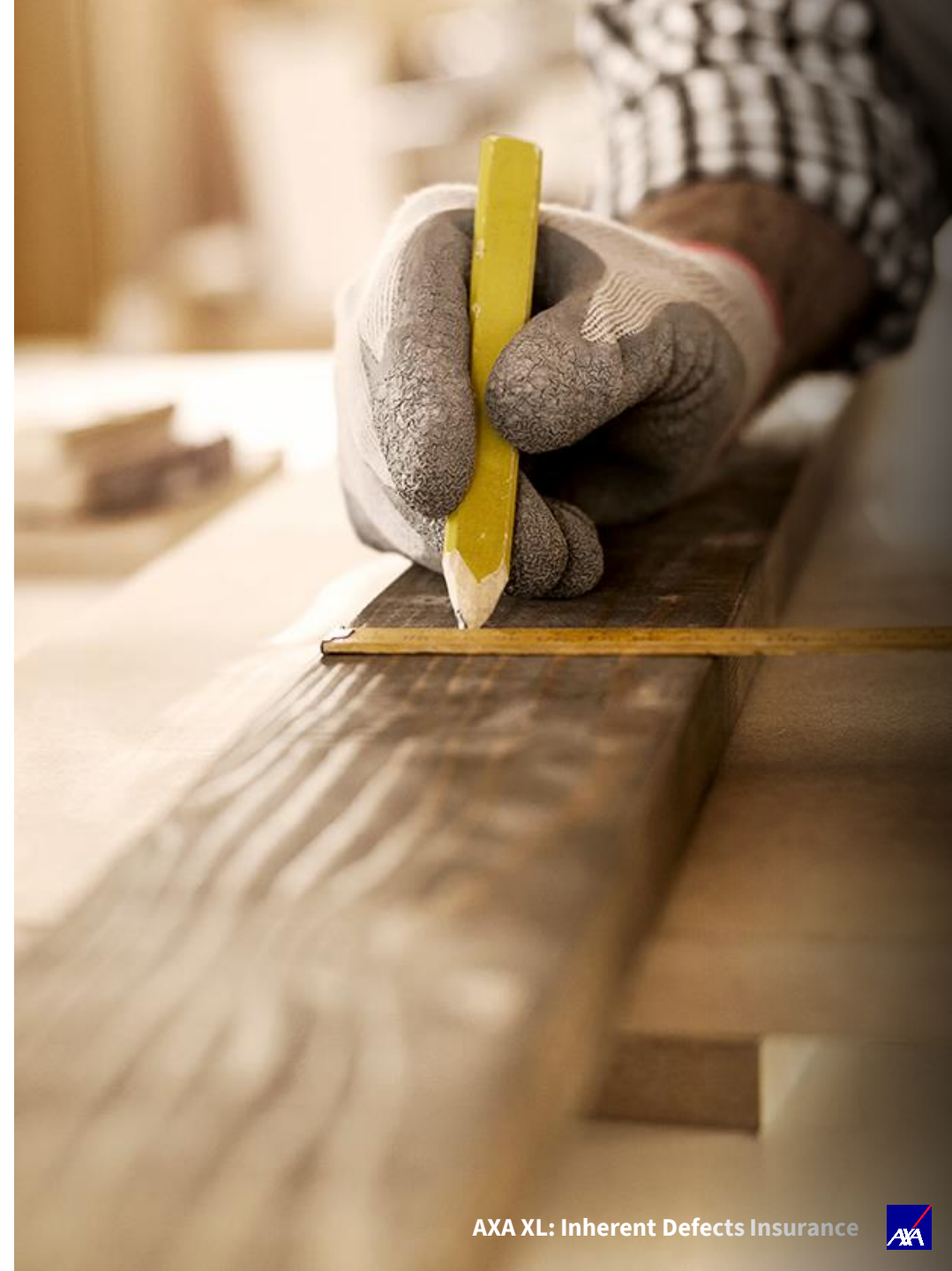
How can the product be sold? Can it be sold without advice?

We would suggest that this product can be sold face to face, or via an online system. The product can be sold with or without advice depending on your preference and in line with FCA regulation.



Additional Product Literature

This document is to be read in conjunction with the appropriate policy wording.





How is value assessed?

AXA XL has an established product governance process to oversee the design, approval, and review of all our products in line with the requirements of the FCA's Product Intervention and Product Governance Sourcebook ('PROD').

New product developments and changes to existing products are taken through a formal product approval process which is designed to:

- Identify the target market and its needs.
- Consider and review the product's performance metrics, product complexities, sales, and service risks.
- Consider and review the policy fees, charges, remuneration in comparison to benefits offered.
- Review policy wordings and customer facing documentation to ensure it is clear, fair, and not misleading.
- Consider the needs of any vulnerable customers; and
- Monitor post-sales performance.

Once a new or amended product is introduced to the market, AXA XL will regularly review the product to see if any changes are needed and to make sure it remains suitable for customers in the identified target market.

If, as a distributor of AXA XL products, you consider one of our products may be failing to meet customers' needs or is potentially unclear you can help us by providing feedback through your usual point of contact at AXA XL.



Key Findings - 2025 Fair Value Assessment

AXA XL has conducted a comprehensive review of this product against specified metrics, considering whether the insurance product remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

The review has identified issues arising from customer understanding of the product's features and coverage. Urgent remedial actions are being taken to improve customer understanding to improve customer outcomes and ensure the product delivers value.

In reaching the above conclusion, AXA XL has assessed various metrics including:

- Claims Repudiation Rate
- Claims Complaints as a % of Total Claims
- Policy Cancellation Frequency
- Gross Loss Ratio
- Total Acquisition Ratio

Our approach to this product review has utilised data and MI readily available to AXA XL to conduct a quantitative analysis. Additionally, we have also performed a qualitative review.

As a distributor, you may wish to consider metrics you hold in conjunction with this assessment. On conducting your own review, where issues are identified that are not identified within this review, please notify us so we can consider the impact on the product in our capacity as carrier.





Know You Can

AXA XL Insurance Company UK Limited
20 Gracechurch Street, London, EC3V 0BG, United Kingdom
Telephone: +44 (0)20 7626 0486 Fax: +44 (0)20 7623 9101 axaxl.com

Registered office: 20 Gracechurch Street, London, EC3V 0BG Registered in England No 5328622

AXA XL Insurance Company UK Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.