

## CNA HARDY- INSURER INFORMATION

### DISTRIBUTOR INFORMATION EXCHANGE TEMPLATE

**Underwriter Name: CNA Insurance Company Limited and/or Hardy (Underwriting Agencies) Ltd**

<b>Product Name</b>
Miscellaneous Professions (Negligence) Insurance
<b>Reference/UMR [Binder]</b>
PIAO0120, PIAO0223
<b>Reference [Class of Business]</b>
Professional Indemnity

**Date: 28.03.23**

The information provided below is intended to be sufficient for distributors in the chain to understand the value of the product, the intended target market and those to whom the product should not be marketed. Other information is included (if relevant) to advise distributors of how their known or expected actions might affect the value of the product.

Where a distributor has any question, wishes to discuss any of the information or wishes to obtain (where appropriate) information considered in the approval process which is commercially sensitive so has been omitted from the summary below they should contact [Legal.Intl@cnahardy.com](mailto:Legal.Intl@cnahardy.com)

<b>CNA Hardy Product Review Process</b>
<p><b>CNA Hardy operates in accordance with its Product Governance Policy which applies to the oversight and management of all CNA Hardy products and to all newly developed insurance products and for significant adaptations of existing insurance products. The CNA Hardy Product Governance Policy contains the measures and procedures for designing, monitoring, reviewing and distributing insurance products, as well as for corrective action for insurance products that are detrimental to customers. The measures and procedures are proportionate to the level of complexity and the risks related to the products as well as the nature, scale and complexity of the business of CNA Hardy.</b></p>

Product Governance is strategically important to CNA Hardy. Product Governance activities are designed to provide assurance that products that are manufactured or distributed by CNA Hardy provide fair customer outcomes and do not give rise to customer detriment.

CNA Hardy's Product Oversight Group ("POG") and Product Approval Committee ("PAC") is responsible for the product approval process. The POG shall act as the strategic oversight function for CNA Hardy in its discharging good product governance, whilst the PAC shall act as the specific forum for the ongoing review and approval of each specific product utilised by CNA Hardy.

For each new product or significant adaptation of a product, the PAC will consider fair value for the identified target market and review the distribution arrangements. It will be required to complete a product oversight template for each new product or significant adaptation.

Where CNA Hardy develops products with intermediaries, as co-manufacturers, it will need to sign a written agreement which CNA Hardy has contacted all its Distributors setting out the detail of the agreements CNA Hardy has sought to implement with its Distributors in relation to the allocation of Co-Manufacturer responsibilities. Please contact [Legal.Intl@cna Hardy.com](mailto:Legal.Intl@cna Hardy.com) for additional copies of the arrangements.

PAC must consider and test all new products, and all products which have been subject to a significant adaptation, by reference to whether they deliver fair value, what the target market is, and whether distribution channels are appropriate.

#### Fair Value

CNA Hardy confirms that its products provide fair value to customers in the identified target market and will continue to do so for a reasonably foreseeable period.

CNA Hardy's product approval process demonstrates and records how each CNA Hardy product provides fair value and will continue to do so.

CNA Hardy retains a record of its value assessment. Unless CNA Hardy can identify and clearly demonstrate fair value, it will not market the product or allow it to be distributed.

How does CNA Hardy consider if a product offers fair value?

CNA Hardy performs a holistic assessment, taking account of the following:

- The difference between the risk price and total price paid by the customer, including whether the difference is due to costs of a party or parties in the distribution chain.
- Whether the product is structured e.g. by exclusions or limits so that a customer is unlikely to make a successful claim or would conclude it is not in their interests to claim due to time or effort required, compared with the expected benefit.
- If the product will be distributed with other products (financial or non-financial), whether each component and the whole package will provide fair value - taking account of the value of each component, the overall price of a package and how the package is distributed.
- Whether the product represents fair value for a reasonably foreseeable period, taking account of the expected length of time a customer in the target market will keep the product, including the initial term and renewals. CNA Hardy should consider factors such as expected changes to the price during that period, expected changes to the insured risk, anticipated claims, and to the value of the insured assets.
- Whether products operate so price increases where a policy renews automatically (compared to where policies do not auto renew) or because the customer is vulnerable or has any protected characteristics or because the customer is using retail premium finance (unless there is an objective and reasonable basis for doing so).
- Whether remuneration of any party in the distribution chain is fair and justifiable.

- Whether another party has been given discretion to set the final price without adequate monitoring or oversight by CNA Hardy of what is paid by the customer.
- Whether distribution arrangements mean remuneration of multiple parties is adding to the price paid by the customer, in a manner which does not reflect services they provide, or unfairly increases the overall price paid. (A party's inclusion in the distribution chain may be justified if it increases access to customers for whom a specific product has been designed (e.g. affinity schemes)).

CNA Hardy has requested from its Distributors the provision from every party in the distribution chain details of remuneration so it can assess the value of the product. This needs to include type and amount of remuneration of each person in the distribution chain, an explanation of the service provided by each person in the distribution chain and confirmation from any FCA authorised firm in the distribution chain that any remuneration is consistent with their regulatory obligations.

In assessing fair value CNA Hardy uses a variety of information including the following:

- customer research;
- details of claims information (such as handling times, frequency, severity of claims costs (including total costs and average per claim), claims ratios, rates of and reasons for claim acceptance/declinature, both expected for the product and/or any actual information from a comparable product);
- complaints data (including root cause analysis and handling times), both expected for the product itself and/or any actual information from a comparable product;
- information that might be available from external sources including analysis of similar products from other providers and analysis published by the FCA; and
- information available from parties in the distribution chain as to remuneration of each party, levels or quality of service provided by each party, results of their own monitoring and oversight of their own distribution processes.

#### Target Market

When CNA Hardy reviews each product, the PAC must:

- specify a target market;
- assess all relevant risks to the target market; and
- ensure the distribution strategy is consistent with the target market.

CNA Hardy identifies the target market so it can work with its Distributors to determine an appropriate distribution strategy and assess which customers should be targeted.

CNA Hardy always seeks to ensure products are compatible with the needs, characteristics and objectives of the customers belonging to the target market. CNA Hardy considers whether there are groups of customers for whose needs, characteristics and objectives the insurance product is generally not compatible, and for whom it would not deliver fair value.

CNA Hardy takes reasonable steps to ensure that a product is actually distributed to the identified target market. Reasonable steps will include providing information about the product approval process and identified target market to distributors.

#### Product Testing

New products, and significant adaptations, must be tested to assess whether, over their lifetime, they meet the needs, objectives and characteristics of the target market.

Products must be tested:

- When they are brought to market;
- Before a significant adaptation; and
- If the target market has significantly changed.

Testing should include assessment of the performance of the product, and its risk / reward profile. Testing involves considering scenario analyses, and assessing whether the insurance product over its lifetime will meet identified needs, objectives and characteristics of the target market. CNA Hardy needs to be satisfied that a product will meet those needs objectives and characteristics before it brings a product to market.

**Distribution Channels**

The PAC must ensure that CNA Hardy selects appropriate distribution channels - brokers and coverholders who have the necessary knowledge, expertise and competence to understand the features of an insurance product and the identified target market.

**Information exchange with distributors**

CNA Hardy provides distributors with information so they can:

- understand the insurance products and the target market;
- identify any customers for whom the insurance product is not suitable, given their needs, characteristics and objectives; and
- distribute the products in accordance with their customers' best interests.

Some information utilised in the CNA Hardy Product Review Process is commercially sensitive and is therefore not appropriate for inclusion in this Distributor Information Exchange Template, this may include commercially sensitive pricing models, product performance levels which would not be appropriate to share in the public domain and claims histories, should a Distributor wish to discuss any of these aspects impact on the fair value assessment of any product, please contact [Legal.Intl@cnaahardy.com](mailto:Legal.Intl@cnaahardy.com)

**The key features of the product**

- **General Miscellaneous wording for PI professionals working in higher hazard areas**  
**What is insured?**
  - Cover is provided on a negligence basis and insures purchaser against claims made against it arising from its negligence or defamation (libel and slander) committed by you in the course of your work
  - Loss of or damage to third party documents**What is not insured?**
  - Risks that can be insured elsewhere, for example, Employers and Public Liability, Product Liability and Property
  - Work undertaken outside the business description
  - Claims arising out of any circumstances notified under any other policy which was effective before this policy started
  - Claims which arise because purchaser's contracts impose a duty of care on itself, which goes beyond that applicable at common law

- Losses resulting from computer viruses
- Claims relating to war, terrorism, pollution, asbestos, silica or nuclear radiation or materials
- Trading losses, fines or penalties
- Claims arising out of the work of personnel purchaser has supplied, unless it has breached your duty of care in supplying them
- Claims relating to fraud or intentional acts
- Claims relating to any breach of intellectual property rights
- Fire safety
- Financial advice
- This wording provides coverage for risks that do not fall into a more specific sector within PI, the coverage is on a negligence basis as it is targeted at higher hazard firms.
- The product can be written on a NET basis or commission can be included depending on client / broker preference.
- Total price charged by CNA will be advised on the schedule.
- The pricing of the product will be based on Insured fees and declared activities, the business is written via our rating product which is linked to claims experience and refined over time.
- No additional products offered alongside the PI policy
- Additional charges will only apply mid-term should the insured wish to increase their limit of indemnity or have a material change of activity which affects the rating
- Total premiums expected to be paid over the length of time a customer would hold the product would not exceed the benefits that could be received from claims, the policy is written on an annual claims made basis.
- Given the cover is negligence based errors or omission, the likelihood of loss is the same throughout the insurance period. Exposure is based on fee income and activities which are reviewed annual in line with renewal.

How the product provides fair value to customers (and how the value may be affected by the distributor and any impact the distributor may have on the fair value of the product)

- The product is a long established product for both CNAH and the wider insurance market.
- The product has consistently performed in line with expectations in regards to paying claims
- Commission rates are restricted in line with market norms
- No authority is given to third parties or other parties in the distribution chain to set, amend or use discretion on pricing.
- Low levels of complaints have been received on this product.
- This is a specific coverage to protect an Insured's business and claimants against financial loss arising out of a failure to provide a professional service by the Insured entity.
- This specific wording is for Miscellaneous business. The wording provides cover for all activities declared by the Insured unless specifically excluded by Insurers. Pricing of the product is derived from our in house rating

tools specifically tailored for this profession and based upon claims frequency and severity that we see in the profession

- Claims arising from this product will be managed by the specialist in-house claims team and where appropriate contracted Third-Party Administrators under strict Delegated Authority Guidelines reflecting fair value. Performance is monitored on a regular basis through audit, management information and controlled policies and procedures in place. Claims frequency, life cycles, declinatures and payment volumes are in line with expectations in this area of business.
- Complaints are registered, acknowledged, investigated, response times recorded and the complainant is advised of their rights in accordance with the CNA Complaints Policy. Throughout the process the complaint is monitored and root cause analysis undertaken.

**The target market for the product**

- The target market for this product is UK consultancy practices – non micro

**Types of customer for whom the product would be unsuitable**

- The product would be deemed unsuitable for customers that are regulated professionals, construction clients and media
- This product version contains a cancellation fee which may make it unsuitable for Insured's looking for short term coverage. This is being removed in a new replacement version update.

**Other information that will assist distribution of the product in accordance with customers' best interests**

- When designing the product, significant research was completed of market / competitor wordings with the aim of ensuring our product provided a wide scope of cover.
- The product has performed in line with expectations in responding to claims.
- The product has responded both to "high frequency / low severity" claims, as well as "low frequency / high severity" claims.
- The product is aimed primarily at retail brokers, although may be used by exception with wholesale brokers
- The product is aimed at brokers who provide advice to the customer and have the necessary competence and technical knowledge to provide guidance on appropriate coverage and limits.
- Commission is payable for services provided to the policyholder with advice on appropriate coverage and limits together with servicing of quotations, binding, renewal, MTA's, etc.

Date Fair Value assessment completed: 28.03.23