

CONVEX INSURANCE UK LIMITED

Product Oversight and Governance

Information to Distributors - Product Passport



1. Aim of this document

As a manufacturer of insurance products, we are required to provide you with information to enable the compliant sale of our products. The information contained in this document should support you in:

- Understanding the Convex product being distributed;
- Identifying the appropriate target market;
- Observing requirements of the insurance Distribution Directive; and
- Safeguarding the best interests of the target market.

We further outline the requirements of product oversight & governance (POG) rules and the respective roles and responsibilities of manufacturers and distributors.

2. Introduction to Product Oversight and Governance

Product Oversight and Governance (“POG”) refers to the systems and controls firms have in place to design, approve, market and manage products throughout the products’ lifecycle to ensure they meet legal/regulatory requirements and deliver fair value to customers.

POG is principally governed by the Insurance Distribution Directive (EU) 2017/2358. The Directive applies to all firms that manufacture and distribute insurance products in the UK/EU, however, care should be taken to identify any additional local rules that may apply on a state level. The information in this guide is limited to the requirements of the IDD and UK FCA product governance rules (PROD 4).

3. POG Roles and Responsibilities

Maintaining effective oversight and governance arrangements is the responsibility of both ‘Manufacturers’ and ‘Distributors’. A Manufacturer is “a firm which creates, develops, designs and/or underwrites a contract of insurance”, whereas a Distributor is anyone engaged in advising on or proposing contracts of insurance.

As a carrier, Convex is deemed a manufacturer, however, in some instances, there will be co-manufacture between Convex and another insurer or distributor. Co-manufacturing occurs when two or more parties have a “decision-making role in determining the essential features and main elements of a product, including coverage, price, costs, risks, target market and compensation/guarantee rights”.

3.1 Manufacturer's Responsibilities

It is the responsibility of (co)manufacturers to furnish distributors with appropriate information to guide the distribution of products. In addition, manufacturers must maintain a product approval process to:

- Identify suitable/non suitable target markets for products
- Conduct product testing
- Select appropriate distribution channels
- Periodically monitor and review products
- Develop insurance product documents (IPIDs)

The allocation of POG responsibilities between co-manufacturers will be reflected in the IDD endorsement of the Binding Authority Agreement or Slip.

Manufacturers must also ensure that staff engaged in the development and distribution of products complete a minimum of 15 hours relevant CPD training per annum.

3.2 Distributors Responsibilities

It is the responsibility of all distributors to maintain up to date knowledge of the product being sold, its intended target market, the needs of that market, and the distribution strategy. As per IDD requirements, regulated distributors must complete a minimum of 15 hours CPD training covering:

- The terms and conditions of product(s) being sold
- Relevant knowledge of claims handling
- Relevant knowledge of complaints handling
- Relevant knowledge of applicable laws/regulations governing distribution of the product
- Assessment of customer needs
- Business ethics standards
- Minimum necessary financial competency

Distributors must obtain from the manufacturer all the information required to distribute products in accordance with IDD requirements. Should further information be needed to enable the compliant distribution of a Convex product, please notify your Convex contact.

Distributors must make this product passport available to all approved sub agents/ intermediaries in the distribution chain.

Distributors must also regularly report to Convex the sales, claims, and complaints information it accumulates in relation to a Convex products. In addition, an annual questionnaire will be sent to distribution partners to monitor the ongoing fair value of products.

Lastly, distributors must be alert to and promptly notify Convex of any product related circumstances that may adversely affect the interests of customers.

PRODUCT PASSPORT

Convex DOFI

Product Details	
Manufacturer(s)	Convex FI team
Class of business	Financial Institutions
Product reference	Convex DOFI
Binding Authority Ref	N/A
Effective date	March 2023
Date of last review	March 2023

Product Description
Directors and Officers Liability cover providing for cover in relation to the fiduciary duty of a board and senior individuals to the company, for this product being financial institutions. Cover and exclusions in line with the market.

Product Features	
Covers	Individual D&O cover, Company reimbursement cover and company Securities claims cover
Key exclusions	Misconduct exclusion, Bodily Injury, Property damage, Professional Liability
Main restrictions	As above
Optional cover(s)	Extension include retired directors, employed lawyers, fines and penalties, cover for spouses/estates, pre investigation costs, mitigation costs, extradition costs.
Cross-selling/ ancillary/packaged product	Cross sell with Convex CRIFI and Convex FIPI
Claims settlement bases	Claims made policy form
Frequently challenged policy terms	Misconduct, criminal fines and penalites
Policy length	Annual up to 18 months
Policy structure	Group, companies only

Target Market Analysis	
Product complexity	This is an established market product that will be sold through brokers with specialist knowledge of the product, no advice required
Who is the target market?	Commercial FI companies and SME
Risks associated with the target market	None to be sold through brokers with specialist knowledge of the product
Who is this product not suitable for?	Non FI companies Individuals

Fair Value Assessment	
Value definition	Fair value means the relationship between the overall price paid by the end customer and the quality of the product(s) and/or service(s) received. The fair value assessment considers value measures such as claims history, complaints, commission and fees, staff remuneration, barriers to complaints/claims/cancellation and premium finance arrangements.
Claims, cancellation and complaints history	Expected EULR is 45%
Commissions/fees	Typical rate on line will be 0.5% - 7.5% commissions will typically range from 10% -22.5%
Premium	0.5%-7.5% RoL gross of commission
Price setting	<p>The rates set by Insurer have been assessed as part of the manufacturer's fair value assessment and are deemed to be of fair value to the customer. Price setting intermediaries capable of adjusting the overall price paid by the customer by way of commission, fees and charges must ensure that the overall price represents value for money and is in keeping with the FCA duty to act in the best interests of the customer.</p> <p>Distributor cannot set rates but are generally agreed in negotiation with the specialist broker on an account by account basis</p>

Distribution chain value	Distribution will be through brokers with specialist market knowledge with established commissions
Remuneration / sales incentives	Volume dependent remuneration should be avoided and must not conflict with the best interests of the customer.
Premium finance arrangements	Premium finance arrangements are subject to approval by Convex Insurance UK Limited

Distribution Strategy	
Approved distribution channels	Brokers with specialist market knowledge
Special Distribution/ Servicing arrangements	N/A
Advised/non-advised sales	No advice provided.
Online sales	Not currently approved

Conflicts & Risks
No conflicts anticipated



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